

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)

FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
French Market Corporation
(A Proprietary Component Unit of the City of New Orleans)
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of **French Market Corporation (the Market)**, a component unit of the City of New Orleans, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise **the Market's** basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
French Market Corporation
(A Proprietary Component Unit of the City of New Orleans)
New Orleans, Louisiana

Auditors' Responsibility, Continued

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to **the Market's** preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **the Market's** internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **the Market**, as of December 31, 2017, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
French Market Corporation
(A Proprietary Component Unit of the City of New Orleans)
New Orleans, Louisiana

Emphasis of a Matter

As described in NOTE 13, net pension liability at December 31, 2017 was \$4,442,786. For the year ended December 31, 2015, **the Market** implemented the requirements of GASB Statement No. 68 as amended by Statement No. 71. The implementation continues to be based on various actuarial valuation assumptions made by the respective fund's actuary and management of **the Market**. Because actual experience may differ from the assumptions used in the actuarial valuation, there is the risk that the net pension liability at December 31, 2017 could be under or overstated.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 10 and the required pension information on page 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
French Market Corporation
(A Proprietary Component Unit of the City of New Orleans)
New Orleans, Louisiana

Other Matters, Continued

Other Supplementary Information

Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise **the Market's** basic financial statements. The Schedule of Compensation, Benefits and Other Payments to the Executive Director (Schedule III) on page 38 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Schedule III is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedule III is fairly stated in all material respects in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
French Market Corporation
(A Proprietary Component Unit of the City of New Orleans)
New Orleans, Louisiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2018, on our consideration of **the Market's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **the Market's** internal control over financial reporting and compliance.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

June 12, 2018

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS

As the financial manager of **the Market**, we offer readers of the accompanying financial statements, this narrative overview and analysis of the financial activities of **the Market** for the year ended December 31, 2017. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities.

We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Using This Annual Report

Our auditors' have provided assurance in their independent auditors' report located immediately preceding this Management's Discussion and Analysis. That opinion is unmodified with respect to the basic financial statements. Varying degrees of assurances are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Overview of the Financial Statements

The Market's basic financial statements comprise of a Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows and the related notes to the financial statements. Since **the Market** consists of a single enterprise fund, no fund level financial statements are shown.

Basic financial statements. The basic financial statements are designed to provide readers with a broad overview of **the Market's** finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of **the Market's** assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of **the Market** is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial position.

The statement of revenues, expenses, and changes in net position presents information showing how **the Market's** net position changed during the year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Budgetary Highlights

The Market adopts an annual operating and a five-year capital budgets. The capital budget depicts various planned improvement projects while the continuing operating budget includes proposed expenses and the means of financing them. **The Market's** operating budget remains in effect the entire year. The capital budget is on an on-going basis and implements projects based on board designated funds.

Financial Analysis

The Market's Comparative Net Position
As of December 31,

	<u>2017</u>	<u>2016</u>	Change Increase (Decrease)
Current assets	\$14,991,316	\$13,966,469	\$ 1,024,847
Noncurrent assets-capital assets (net)	<u>18,875,135</u>	<u>18,204,886</u>	<u>670,249</u>
Total assets	<u>33,866,451</u>	<u>32,171,355</u>	<u>1,695,096</u>
Deferred outflow of resources	<u>1,845,819</u>	<u>1,457,679</u>	<u>388,140</u>
Total assets and deferred outflow of resources	<u>35,712,270</u>	<u>33,629,034</u>	<u>2,083,236</u>
Current liabilities	2,937,378	1,669,929	1,267,449
Noncurrent liabilities	<u>4,748,001</u>	<u>4,286,310</u>	<u>461,691</u>
Total liabilities	<u>7,685,379</u>	<u>5,956,239</u>	<u>1,729,140</u>
Deferred inflow of resources	<u>261,396</u>	<u>141,069</u>	<u>120,327</u>
Total liabilities and deferred inflow of resources	<u>7,946,775</u>	<u>6,097,308</u>	<u>1,849,467</u>
Net position:			
Net investment in capital assets	18,875,135	18,204,886	670,249
Unrestricted	<u>8,890,360</u>	<u>9,326,840</u>	<u>(436,480)</u>
Total net position	<u>\$27,765,495</u>	<u>\$27,531,726</u>	<u>\$ 233,769</u>

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

As indicated on the preceding page, net position at December, 31 2017 and 2016 were \$27,765,495 and \$27,531,726, respectively. The Market's assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$27,765,495 (2017) and \$27,531,726 (2016). At December 31, 2017, total assets of \$33,866,451 consisted of 44% in current assets (mostly composed of cash and cash equivalents) and 56% in capital assets, net of accumulated depreciation. Current liabilities in 2017 increased by \$1,267,449 due to the third and fourth quarter parking net parking revenue being deferred pending a reimbursement to the French Market Corporation for the Moonwalk Renovation project.

At December 31, 2016, total assets of \$32,171,355 consisted of 43% in current assets (mostly cash and cash equivalents) and 57% in capital assets, net of accumulated depreciation. Similarly, total liabilities at December 31, 2016 consisted primarily of amounts due to the City of New Orleans for payroll cost reimbursements, sales tax collections and the Market's 2016 franchise fee.

Investment in capital assets is a combination of capital assets at original cost less accumulated depreciation. The original costs of capital assets at December 31, 2017 and 2016 were \$46,140,591 and \$44,374,844, respectively, which is an accumulation of capital assets year after year less any capital disposals. Total accumulated depreciation (an accumulation of depreciation expense since acquisition) at December 31, 2017 and 2016 were \$27,265,456 and \$26,169,958, respectively.

The remaining \$8,890,360 and \$9,326,840 for 2017 and 2016, respectively, in net position were unrestricted. The unrestricted net position is an accumulation of the prior years' operating results. This balance is directly affected each year by the Market's operating results available for future operations.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

**The Market's Comparative
Changes in Net Position
For the Years Ended December 31,**

	<u>2017</u>	<u>2016</u>	Change Increase (Decrease)
Operating revenues	\$11,027,787	\$10,701,147	\$326,640
Operating expenses	<u>8,583,054</u>	<u>9,315,803</u>	<u>(732,749)</u>
Income from operations	<u>2,444,733</u>	<u>1,385,344</u>	<u>1,059,389</u>
Nonoperating revenue:			
Interest income	<u>14,924</u>	<u>14,677</u>	<u>247</u>
Nonoperating revenues	<u>14,924</u>	<u>14,677</u>	<u>247</u>
Income before operating transfer out	2,459,657	1,400,021	1,059,636
Transfer out	<u>(2,225,888)</u>	<u>(1,337,008)</u>	<u>888,880</u>
Changes in net position	233,769	63,013	170,756
Net position, beginning of year	<u>27,531,726</u>	<u>27,468,713</u>	<u>63,013</u>
Net position, end of year	<u>\$27,765,495</u>	<u>\$27,531,726</u>	<u>\$ 233,769</u>

The net increase in operating revenues of \$326,640 from 2016 to 2017 was the result of increase in percentage rent, common area rent for commercial tenants. The residential rents increased due to a decrease and vacancies and increase in residential rent structure.

For the year ended December 31, 2017, operating revenues increased by 3% in comparison to 2016. The change was the result of an increase in commercial and residential rent.

In 2017, operating expenses decreased by \$732,749 or 8% primarily due to the FMC operating within the budget. In 2017 management implemented departmental budgets to assist management with monitoring actuals performance compared to the operating budget.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

In 2016, operating expenses increased by 8% primarily due to the expansion of operations, which included the parking lot, the Moonwalk and Crescent Park. The level of operations resulted in the need for additional staffing for security needs and professional service contracts.

Capital Assets

The Market's investment in capital assets which is composed of land, building and improvements, furniture, fixtures and equipment amounts to \$18,875,135, net of accumulated depreciation of \$27,265,455 at December 31, 2017 and \$18,204,886, net of accumulated depreciation of \$26,169,958 at December 31, 2016.

The Market's five-year capital budget includes major building repairs and renovations, vehicle purchases, equipment replacements, painting of buildings, and landscape improvements.

Debt Administration:

At December 31, 2017 and 2016, **the Market's** long-term debt includes its noncurrent compensated absences and net pension liability.

Requests for Information

This financial report is designed to provide a general overview of **the Market's** finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to **the Market's** Executive Director at 1008 N. Peters Street, New Orleans, LA 70116.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENT OF NET POSITION
DECEMBER 31, 2017

ASSETS

Current Assets:

Cash and cash equivalents (NOTE 2)	\$ 14,366,949
Tenants receivable	365,553
Prepaid and other assets	258,814
Total current assets	14,991,316

Noncurrent Assets:

Capital assets, net (NOTE 3)	18,875,135
Total noncurrent assets	18,875,135

Total assets	33,866,451
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Deferred Outflow of Resources:

Pension resources (NOTE 13)	1,845,819
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Total assets and deferred outflow of resources	35,712,270
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LIABILITIES

Current Liabilities:

Accounts payable - vendors	1,008,404
Rental deposits	295,878
Due to governmental agencies (NOTE 14)	1,409,802
Compensated absences	30,044
Unearned revenue	193,250
Total current liabilities	2,937,378

Noncurrent Liabilities

Compensated absences	305,215
Net pension liability (NOTE 13)	4,442,786
Total noncurrent liabilities	4,748,001

Total liabilities	7,685,379
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Deferred Inflow of Resources:

Pension resources (NOTE 13)	261,396
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Total liabilities and deferred inflow of resources	7,946,775
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NET POSITION

Net investment in capital assets	18,875,135
Unrestricted (NOTE 9)	8,890,360

Total net position	\$ 27,765,495
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The accompanying notes are an integral part of these financial statements.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUES

Rental income	\$ 7,930,085
Parking income	2,484,417
Other income	613,285
Total operating revenues	<u>11,027,787</u>

OPERATING EXPENSES

Salaries, wages, and related benefits	3,887,136
Professional services	869,132
Maintenance and repairs	858,748
Insurance	457,570
Security	11,607
Telephone and utilities	475,456
Fees and taxes	108,957
Equipment expense	64,564
Advertising and promotion	581,112
Supplies and materials	64,409
Depreciation	1,095,497
Other	108,866
Total operating expenses	<u>8,583,054</u>

Operating income	<u>2,444,733</u>
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NONOPERATING INCOME

Interest income	<u>14,924</u>
Total nonoperating revenue	<u>14,924</u>

Transfer out (NOTE 5)	<u>2,225,888</u>
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Change in net position	233,769
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Net position, beginning of year	<u>27,531,726</u>
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Net position, end of year	<u>\$ 27,765,495</u>
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The accompanying notes are an integral part of these financial statements.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

Cash Flows from Operating Activities:	
Received from tenants	\$ 10,442,739
Received from others	613,285
Paid to suppliers for goods and services	(3,216,244)
Paid to employees for services and benefits	<u>(2,943,135)</u>
Net cash provided by operating activities	<u>4,896,645</u>
Cash Flows from Noncapital Financing Activities:	
Transfer out	<u>(2,225,888)</u>
Cash used in noncapital financing activities	<u>(2,225,888)</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for capital additions	<u>(1,792,576)</u>
Cash used in capital and related financing activities	<u>(1,792,576)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>14,924</u>
Cash provided by investing activities	<u>14,924</u>
Net increase in cash and cash equivalents	893,105
Cash and cash equivalents at beginning of year	<u>13,473,844</u>
Cash and cash equivalents at end of year	<u>\$ 14,366,949</u>

The accompanying notes are an integral part of these financial statements.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENT OF CASH FLOWS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2017

Reconciliation of Operating Income to Net Cash Flows

From Operating Activities:

Operating income	\$ 2,444,733
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,095,497
Non cash item	26,830
Changes in assets and liabilities:	
Increase in tenants receivable	(73,882)
Increase in prepaid and other assets	(57,860)
Increase in deferred outflow of resources	(388,140)
Increase in deferred inflow of resources	120,327
Increase in accounts payable - vendors	442,037
Decrease in rental deposits	(21,437)
Increase in due to governmental agencies	750,123
Increase in unearned revenue	96,726
Increase in compensated absences	511
Increase in pension liability	461,180
	<hr/>
Net cash provided by operating activities	<u>\$ 4,896,645</u>

The accompanying notes are an integral part of these financial statements.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The **French Market Corporation (the Market)**, a Louisiana Public Benefit Corporation was organized on March 15, 1973 to provide for the operation and maintenance of the French Market Properties owned by the City of New Orleans. These properties include five buildings and the Farmers Market.

The Market is owned by the City of New Orleans and administered by a Board of Directors consisting of twelve members appointed by the Mayor of the City of New Orleans.

Measurement Focus, Basis of Accounting
and Financial Statement Presentation

The basic financial statements provide information about **the Market's** activities. The financial statements for the business-type activities of **the Market** are often referred to as enterprise fund financial statements.

“Measurement Focus” is an accounting term used to describe which transactions and types of balances are recorded within the various financial statements. The expression, “Basis of Accounting”, refers to when transactions or events are recorded regardless of the measurement focus applied.

Because of the “businesslike” characteristics of our operations the accompanying financial statements report using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives of the “economic resources” measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
CONTINUED

Measurement Focus, Basis of Accounting
and Financial Statement Presentation _____, Continued

Under full accrual accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Market utilizes the enterprise fund to record its financial operating activities. In governmental accounting, the enterprise fund is used to account for operations that are financed and operated in a manner similar to private business or where the Board of Directors has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Reporting Entity

The Market is a component unit of the City of New Orleans, the reporting entity, as defined by the Governmental Accounting Standards Board pronouncement. The accompanying financial statements present information only on the fund maintained by **the Market** and do not present information on the City of New Orleans, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
CONTINUED

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows

For purposes of the statement of cash flows, **the Market** considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Cash and cash equivalents presented in the statement of cash flows represent the total cash and cash equivalents reported as current assets.

Cash and Cash Equivalents

Cash includes amounts in non-interest-bearing demand deposits. Cash equivalents include short-term, highly liquid U.S. Treasury securities money market funds with original maturities of 90 days or less. Under state law, **the Market** may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States of America.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
CONTINUED

Tenants Receivable

Tenants receivable are carried at a net amount determined by the original billings for space rentals and related fees, less vacancy adjustments, less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. **The Market** does not charge interest on tenants receivable. Tenants receivable are written-off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written-off are recorded as a reduction of bad debt expense when received. **The Market** expects all tenants receivable at December 31, 2017 to be fully collectible; therefore, no allowance for doubtful accounts was recorded at December 31, 2017.

Operating Income

The Market distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result providing rental space to **the Market's** tenants. Operating revenues consist of net rental income, parking income and advertising income. Operating expenses consist of salaries and benefits, purchased services, supplies, depreciation and professional services. All revenues and expenses not meeting these criteria are considered nonoperating.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
CONTINUED

Net Position

Net position classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" as described above.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
CONTINUED

Capital Assets

Capital assets are recorded at cost, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. In situations involving the construction of certain assets financed with the proceeds from borrowings, the interest is capitalized. In 2017, no such interest was capitalized.

Depreciation of capital assets is computed as follows:

<u>Description</u>	<u>Method</u>	<u>Estimated Useful Life (year)</u>
Buildings and improvements	Straight-line	10-50
Furniture, fixtures, and equipment	Straight-line	5-10
Vehicles	Straight-line	5

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
CONTINUED

Annual and Sick Leave

All full-time classified employees of **the Market** hired prior to January 1, 1979 are permitted to accrue a maximum of 90 days of vacation (annual leave) and an unlimited number of days of sick leave (accumulated at a maximum of 24 days per year). Employees hired after December 31, 1978 can accrue a maximum of 45 days of annual leave and an unlimited number of sick leave. Upon termination of employment, an employee is paid for accrued annual leave based upon current hourly rate of pay and for accrued sick leave on a formula basis. If termination is the result of retirement, the employee has the option of converting accrued sick leave to additional years of service.

Income taxes

The Market is owned by the City of New Orleans, and as such, no federal or state income taxes are assessed.

Board of Directors

Members of **the Market's** Board of Directors receive no compensation or per diem.

Adoption of New Accounting Standards

During 2015, **the Market** adopted Government Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. The adoption of GASB 68 and 71 required significant changes to the financial statements of **the Market**. The principal objective of these Statements is to

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
CONTINUED

Adoption of New Accounting Standards, Continued

improve the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees, both active and inactive are provided with pensions. One aspect of that objective is to provide information about the effects of pension-related transactions and other events on the elements of basic financial statements of state and local governmental employers. This information will assist users in assessing the relationship between government's inflows of resources and its total cost (including pension expense) of providing government services each period. Another aspect of that objective is to provide users with information about the government's pension obligations and the resources available to satisfy those obligations. An additional objective is to improve the information provided in government financial reports about pension-related financial support provided by certain nonemployer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities.

NOTE 2 - CASH AND CASH EQUIVALENTS:

Cash and cash equivalents included in the Statement of Net Position at December 31, 2017, follows:

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Interest Rate (%)</u>
Cash on hand	\$ 32,677	\$ 32,677	N/A
Interest-bearing demand deposits	<u>14,334,272</u>	<u>14,334,272</u>	.10
Total	<u>\$14,366,949</u>	<u>\$14,366,949</u>	

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - CASH AND CASH EQUIVALENTS, CONTINUED:

The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As of December 31, 2017, **the Market** has \$14,593,988 in interest-bearing deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and secured from risk by \$14,630,868 of pledged securities held by the custodial bank in the name of **the Market**.

Custodial credit risk is the risk that, in event of a failure of financial institution or counterparty, **the Market** would not be able to recover its deposits, investments, or collateral securities that are in the possession of an outside party. **The Market's** deposits are not subject to custodial credit risk.

NOTE 3 - CAPITAL ASSETS, NET:

Capital assets are summarized as follows:

	<u>December 31,</u> <u>2016</u>	<u>Additions</u>	<u>Adjustments</u>	<u>December 31,</u> <u>2017</u>
Land-Elysian Fields	\$ 99,917	\$ -0-	\$ -0-	\$ 99,917
Land	52,000	-0-	-0-	52,000
Buildings and improvements	42,311,013	42,499	(192,057)	42,161,455
Furniture and equipment	1,742,395	11,532	165,227	1,919,154
Construction-in-progress	121,420	1,738,545	-0-	1,859,965
Vehicles	<u>48,099</u>	<u>-0-</u>	<u>-0-</u>	<u>48,099</u>
Sub-total	44,374,844	1,792,576	(26,830)	46,140,590
Accumulated depreciation	<u>(26,169,958)</u>	<u>(1,095,497)</u>	<u>-0-</u>	<u>(27,265,455)</u>
Total capital assets, net	<u>\$ 18,204,886</u>	<u>\$ 697,079</u>	<u>\$ (26,830)</u>	<u>\$ 18,875,135</u>

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - MINIMUM FUTURE RENTALS:

The Market has entered into rental agreements which require the tenant to pay **the Market** minimum monthly rental payments plus contingent rentals. These operating leases expire in various years through the year 2022.

Minimum future rentals to be received under the various operating leases as of December 31, 2017 for each of the next five (5) years:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$2,087,158
2019	1,780,763
2020	1,055,113
2021	801,512
2022	<u>635,316</u>
Total	<u>\$6,359,862</u>

NOTE 5 - TRANSFER OUT:

For the year ended December 31, 2017, **the Market** has distributed \$2,225,888 to the City of New Orleans. These transfers were authorized by **the Market's** Board of Directors.

NOTE 6 - CAPITAL IMPROVEMENT PLAN:

The Market has a five-year capital improvement plan that includes various projects in several departments/units of **the Market**. Projects include, but are not limited to, purchasing additional security equipment, painting, plumbing, and certain major building repairs.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - CONTINGENCIES:

The Market is a party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of **the Market** with respect to the various proceedings. **The Market's** legal counsel at December 31, 2017 and June 12, 2018, believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of **the Market**.

The board at its June 9, 2017 board meeting approved a not to exceed amount for the year ended December 31, 2017. See NOTE 14 for additional discussion.

NOTE 8 - COMMITMENTS:

In 2015, **the Market** voted to approve quarterly payments for three years to the City of New Orleans in the amount equal to the net revenue of parking operations for the previous quarter. However, the allocation of net parking revenue to the City does not preclude **the Market** from examining overall net annual revenue to determine if further contributions could be made to the City on a case-by-case basis. The Finance Committee and Board of Directors have the right of final approval before payments are issued.

NOTE 9 - UNRESTRICTED NET POSITION:

Unrestricted net position consisted of the following at December 31, 2017:

Purposes

Designated for:

Revenue reserves	\$3,389,999
On-going and future capital projects costs	4,053,980
Insurance reserves	1,395,000
Maintenance reserves	<u>51,381</u>
Total	<u>\$8,890,360</u>

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - RISK MANAGEMENT:

The Market is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets for which **the Market** carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS:

The estimated fair value of all significant financial instrument amounts have been determined by **the Market** using available market information and appropriate valuation methodologies. **The Market** considers the carrying value amounts of cash and cash equivalents, receivables, prepaid items and other payables to approximate market value at December 31, 2017.

NOTE 12 - RELATED PARTY TRANSACTIONS:

The City of New Orleans prepares and processes the payrolls of **the Market** through the City of New Orleans' payroll system.

NOTE 13 - PENSION PLAN:

Pensions

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees Retirement System of the City of New Orleans and additions to/deductions from the Plan's' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - PENSION PLAN CONTINUED:

General Information about the Pension Plan

Plan Description

Employees of **the Market** are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the Employees Retirement System of the City of New Orleans (the Plan) established under the laws of the State of Louisiana. The Plan issues a publicly available financial report that can be obtained at www.nola.gov/nomers.

Benefits Provided

Retirement

Regular Benefits

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Employees with thirty (30) years of service, or who attain age 60 with ten (10) years of service, or age 65, irrespective of length of service, are entitled to a retirement allowance. The retirement allowance consists of an annuity, which is the actuarial equivalent of the employee's accumulation contribution, plus an annual pension, which together with the annuity, provides a total retirement allowance equal to 2% to 4% of average compensation times the number of years of service. The maximum pension may not exceed 100% of average compensation. Pension amounts are reduced for service retirement prior to age 62. Average compensation is defined as average annual earned compensation for the highest thirty-six (36) successive months (forty-eight (48) effective January 1, 2014 and sixty (60) months effective January 1, 2015) of service as a member, minus \$1,200. Effective June 1, 2002, \$1,200 is removed. After April 29, 1979, earned compensation based on pay for regular required work and excludes State supplemental pay.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - PENSION PLAN, CONTINUED:

Disability Benefits

Disability benefits are awarded to active members with 10 or more years of creditable service if a physician nominated by the board certifies that the member is totally incapacitated and that such incapacitation is likely to be permanent. The member receives an annuity, which is the actuarial equivalent to the employee's accumulated contribution, plus an annual pension, which, together with the annuity shall be 75% of the service allowance that would have been payable upon service retirement at age 65, had the member continued in service to the age of 65. Such allowance is to be computed on the average compensation, plus the sum of \$1,200 provided, however, that the minimum annual retirement allowance will be \$300 per year.

Contributions

Contribution requirements of active employees are governed by the Retirement Ordinance of the City Charter of New Orleans. Employee and employer contributions are deducted from a member's salary and remitted to the Plan by participating employers. For the 2017 fiscal year, employees participating in the Retirement System are required to contribute 6% of their salary and the employer is required to contribute 23.252%. Employer contributions to the Retirement System are based upon the amount necessary to fund normal cost and amortization of past service costs over a period of thirty years. The contribution requirements of Retirement System members of **the Market** are established and may be amended by the Retirement System's board of trustees. **The Market's** contributions to the Retirement System, which were equal to the required contribution, for the year ended December 31, 2017 were \$400,282. However, **the Market** does not guarantee any of the benefits granted by the plan.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - PENSION PLAN, CONTINUED:

Pension Liabilities, Pension Expense, and Deferred Outflow of
Resources and Deferred Inflow of Resources Related to Pensions

At December 31, 2017, the Employer reported a liability of \$4,442,786 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. **The Market's** proportion of the Net Pension Liability was based on a projection of **the Market's** long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, **the Market's** proportion was 1.739063%.

For the year ended December 31, 2017, **the Market** recognized pension expense of \$623,578 less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$29,929.

At December 31, 2017, **the Market** reported deferred outflow of resources and deferred inflow of resources related to pensions from the following sources:

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - PENSION PLAN, CONTINUED:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 931,240	\$ (153,131)
Net difference between projected and actual earnings on pension plan investments	514,297	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	(108,265)
Employer contributions subsequent to the measurement date	400,282	-
Total	\$ 1,845,819	\$ (261,396)

\$400,282 reported as deferred outflow of resources related to pensions resulting from the Market contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2017. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:		
2018	\$	261,715
2019		261,715
2020		225,369
2021		81,750
2022		119,026
2023		139,335
2024		95,231

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - PENSION PLAN, CONTINUED:

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016 are as follows:

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Adjusted Market Value using seven year smoothing

Actuarial Assumptions:

Investment Rate of Return	7.50% per annum
Mortality	Non-disabled members - Mortality rates based on the RP-2000 Combined Healthy Mortality Table Disabled members – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table (Sex Distinct) Without Projection
Turnover	Table developed from the 2006-2010 Actuarial Experience Study
Salary Increases	5.0% compounded annually

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - PENSION PLAN, CONTINUED:

Actuarial Assumptions, Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash equivalents	2.0%	0.04%
Equity securities	58.0%	4.77%
Fixed income	25.0%	0.77%
Real estate	5.0%	0.34%
Other alternative investments	10.0%	0.73%
Total	<u>100.0%</u>	<u>6.65%</u>

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - PENSION PLAN, CONTINUED:

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.50%, as well as what the Employer's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the current rate:

	1.0% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1.0% Increase <u>(8.50%)</u>
Employer's proportionate share of the net pension liability	<u>\$5,530,151</u>	<u>\$4,442,786</u>	<u>\$3,530,675</u>

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - PENSION PLAN, CONTINUED:

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Employees Retirement System of the City of New Orleans 2016 Comprehensive Annual Financial Report at www.nola.gov/nomers.

NOTE 14 - DUE TO GOVERNMENTAL AGENCIES:

At December 31, 2017, due to governmental agencies consists of the following;

Due to City for Board approved distribution	\$ 898,498
Due to City for lease of French Market properties	100,000
Due to City for reimbursement of payroll costs	394,205
Due to City/State for accrued sales taxes	<u>17,099</u>
Total	<u>\$1,409,802</u>

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered-Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2017	\$ 400,282	\$ 400,282	\$ -	\$ 1,721,495	23.252%
2016	\$ 424,950	\$ 424,947	\$ 3	\$ 1,887,647	22.512%
2015	\$ 376,012	\$ 401,501	\$ (25,489)	\$ 1,665,393	22.578%

NOTE: Employer's covered employee payroll amount represents the amount from the 2017 fiscal year.

NOTE: GASB 68 requires this schedule to show information for 10 years. **The Market** implemented GASB 68 on its 2015 fiscal year. Therefore, additional years will be displayed as they become available.

See Independent Auditors' Report on Required Supplementary Information.

SCHEDULE II

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SCHEDULE OF EMPLOYER'S PROPORTIONATE
SHARE OF PENSION LIABILITY
DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability	1.739063%	1.78078%	1.78078%
Employer's Proportionate Share of the Net Pension Liability	\$ 4,442,786	\$ 3,981,606	\$ 3,017,097
Employer's Covered-Employee Payroll	\$ 1,721,495	\$ 1,887,647	\$ 1,665,393
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	258.08%	210.93%	181.16%
Plan Fiduciary Net Position as a Percentage of total Pension Liability	58.06%	60.26%	68.26%

NOTE: The amounts presented have a measurement date of the previous fiscal year end.

NOTE: GASB 68 requires this schedule to show information for 10 years. **The Market** implemented GASB 68 on its 2015 fiscal year. Therefore, additional years will be displayed as they become available.

See Independent Auditors' Report on Required Supplementary Information.

FRENCH MARKET CORPORATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

Changes of Benefit Terms

There were no changes of benefit terms for the year ended December 31, 2017.

Changes of Assumptions

There were no changes of benefit assumptions for the year ended December 31, 2017.

OTHER SUPPLEMENTARY INFORMATION

FRENCH MARKET CORPORATION
SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO THE EXECUTIVE DIRECTOR
FOR THE YEAR ENDED DECEMBER 31, 2017

Executive Director Name: Ms. Kathleen Turner

<u>Purpose</u>	<u>Amount</u>
Salary	\$145,588
Benefits – insurance	2,077
Benefits – retirement	30,645
Benefits – workman’s compensation	300
Benefits – life insurance	74
Benefits – medicare	2,068
Benefits – social security	7,886
Benefits – unemployment compensation	<u>90</u>
	<u>\$188,728</u>

See Independent Auditors’ Report on Supplementary Information.



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Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
French Marketing Corporation
(A Proprietary Component Unit of the City of New Orleans)
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **French Market Corporation (the Market)** as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the statements of net position, revenues, expenses and changes in net position and cash flows, and have issued our report thereon dated June 12, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **the Market's** internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **the Market's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **the Market's** internal control over financial reporting.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Internal Control Over Financial Reporting, Continued

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Summary Schedule of Findings and Responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A significant deficiency over financial reporting is a deficiency, or a combination of deficiencies in internal control over financial reporting, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness over financial reporting is a deficiency or a combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of **the Market's** financial statements will not be prevented, or detected and corrected in a timely basis. We consider the deficiency described in the accompanying Summary Schedule of Findings and Responses as item 2017-001 to be a material weakness as defined above.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **the Market's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Market's Response to Finding

The Market's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. **The Market's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

June 12, 2018

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	N/A
• Significant deficiency(ies) identified?	N/A
Type of auditors' report issued on compliance for major programs?	N/A
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of <i>the Uniform Guidance</i>	N/A
Identification of major programs:	N/A
Dollar threshold used to distinguish between type A and type B programs:	N/A
Auditee qualified as low-risk auditee?	N/A

N/A - Not Applicable

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Section II - Financial Statement Findings and Responses

Reference Number

2017-001

Criteria

Management must establish internal control objectives to provide reasonable assurance regarding the achievement of objectives in the areas of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable contracts, laws, regulations and board policy.

Condition

Our testwork performed in conjunction with **the Market's** year end financial reporting and closing processes revealed the following conditions:

- (1) In one (1) instance, we noted where an amount payable to a construction contractor totaling \$328,689, was not accrued for the services rendered on or before December 31, 2017.
- (2) Funds transfer transactions recorded in the year ended December 31, 2017, general ledger were initiated after December 31, 2017.
- (3) The new accounting software utilized during 2017 for capital assets, reflected incorrect general ledger account classifications in the general ledger.
- (4) Architectural services in a capital nature totaling \$140,634, were improperly expensed at December 31, 2017.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2017

Section II - Financial Statement Findings and Responses, Continued

Reference Number, Continued

2017-001

Context

Total revenues, expenses to include transfer out, and gross capital assets as of and for the year ended December 31, 2017 were \$11,027,787, \$10,808,942 and \$46,140,590, respectively.

Effect or Potential Effect

The potential effect of the referenced conditions includes incomplete financial statements from which management and the board will rely on to make informed decisions.

Cause

Lack of an effective system to ensure the completeness of **the Market's** monthly and year end closing processes.

Recommendation

Management of **the Market** should continue the assessment of its operations aimed at the re-design and documentation of required processes and procedures to ensure for the implementation of an effective and efficient design and operation of its internal control over financial reporting. Such a system should facilitate a timely and complete monthly and year end closing process.

Management's Response and Planned Corrective Action

The Market has implemented controls and procedures to recognize weaknesses in financial reporting. The staff has modified the oversight functions of the accounts payable process to ensure no misstatements in the future. All payables will be reviewed by the accounting supervisor and Director of Finance.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2017

Section III - Federal Award Findings and Questioned Costs

No federal award findings and questioned costs were reported for the year ended December 31, 2017.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2017

Section IV - Status of Prior Year's Findings and Responses

Reference Number

2016-001 (Internal Control Over Financial Reporting)

Criteria

Management must establish internal control objectives to provide reasonable assurance regarding the achievement of objectives in the areas of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable contracts, laws, regulations and board policy.

Condition

During 2016, **the Market** completed its conversion to a new general ledger software system as a part of its transition towards the implementation of a financial reporting system. The objective was to ensure the timely preparation and submission of financial statements to include budgeted to actual reports for review and analysis by management and the board. Nevertheless, the current design and operation of **the Market's** internal control over financial reporting revealed the following significant conditions:

Documentation of the components of internal control over the financial reporting processes does not align with the new software system.

The Market's capital asset, net of accumulated depreciation of \$18,204,886, constitutes approximately 56% of its total assets but the current capital asset subsidiary records do not interface directly in the new accounting software system. As such, we are unable to assess the overall cost/benefit resulting from the conversion as it relates specifically to capital asset transactions.

There is no written documentation of risk assessments performed, if any, on significant operating cycles such as revenues, expenses, procurement, capital asset, etc.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2017

Section IV - Status of Prior Year's Findings and Responses, Continued

Reference Number, Continued

2016-001 (Internal Control Over Financial Reporting), Continued

Context

Total revenues, expenses and transfer out to include gross capital asset as of and for the year ended December 31, 2016 were \$10,715,824, \$10,652,811 and \$44,374,844, respectively.

Effect or Potential Effect

The potential effect of the referenced condition includes the potential for incomplete financial statements from which management and the board will rely on to make informed decisions.

Cause

Lack of a cost versus benefit analysis of the software conversion to include the current maintenance cost.

Recommendation

Management of **the Market** should continue the assessment of its operations aimed at the re-design, and documentation of required processes and procedures to ensure the implementation of an effective and efficient design and operation of its internal control over financial reporting. In addition, the re-assessment should include the establishment of the audit trail needed to ensure the timely and accurate production of documents, account analysis, etc. Such a system should facilitate a timely and complete monthly and year end closing process.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2017

Section IV - Status of Prior Year's Findings and Responses, Continued

Reference Number, Continued

2016-001 (Internal Control Over Financial Reporting), Continued

Current Status

Resolved.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2017

Section IV - Status of Prior Year's Findings and Responses, Continued

Reference Number

2016-002 (Material Misstatement)

Criteria

Management of **the Market** is responsible for the documentation of the components of internal control to include the implementation of a design and operation of internal control to ensure the accuracy in financial reporting.

Condition

We identified a material misstatement in the financial statements at December 31, 2016, that was not initially identified by **the Market's** internal control. Furthermore, under Section I subsection J of the executed commercial lease between **the Market** and vendor dated August 5, 2015, landlord improvements agreed to on Exhibits D and E as consideration for the lease included a heating ventilation and air conditioning system.

During September 2016, **the Market** completed a major capital improvement project to the leased space of the referenced commercial tenant. This capital improvement project was procured through the City of New Orleans. The contractor of this project in 2016, erroneously billed the commercial tenant instead of **the Market** for the completed costs of the project. The tenant paid the contractor in full for the total project costs and received full reimbursement from **the Market** in 2017 for the contractor's billing error.

The Market incorrectly recorded the project's costs as a capital asset in 2017. Since the capital improvement project was completed in 2016 and procured by **the Market**, the project's costs should have been recorded as a capital asset with a corresponding account payable at December 31, 2016.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2017

Section IV - Status of Prior Year's Findings and Responses, Continued

Reference Number, Continued

2016-002 (Material Misstatements)

Context

Total net capital assets and accounts payable as adjusted were \$18,204,886 and \$566,367 at December 31, 2016.

Effect or Potential Effect

Capital assets and accounts payable were materially misstated at December 31, 2016 in the amounts of \$165,360.

Cause

The Market's financial reporting control procedures failed to detect and prevent material misstatements in the unaudited financial statements at December 31, 2016.

Recommendation

We recommended that the Market recognize the weaknesses in their financial reporting control procedures and modify their oversight function accordingly.

Current Status

Unresolved. See current year finding 2017-001.

FRENCH MARKET CORPORATION

EXIT CONFERENCE

An exit conference and other meetings were held with representatives of the **French Market Corporation**. The contents of this report were discussed and management is in agreement. Those persons who participated in this and previous discussions are as follows:

FRENCH MARKET CORPORATION

Anna Tusa	--	Treasurer, Board of Directors
Kathleen Turner	--	Executive Director
Deandra Watson	--	Director of Finance

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Paul K. Andoh, Sr., CPA, MBA, CGFM, CGMA	--	Partner
Larry Jones, CPA	--	Director
Clyde Hunter, CPA	--	Senior Staff

FRENCH MARKET CORPORATION
INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2017



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES

To the Board of Directors
French Market Corporation
New Orleans, Louisiana

We have performed the procedures enumerated below, which were agreed to by **French Market Corporation (the Market)** and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUP) for the fiscal period January 1, 2017 through December 31, 2017. **The Market's** management is responsible for those compliance and control areas identified in the SAUP.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the following procedures described either for the purpose for which this report has been requested or for any other purpose.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

The procedures and related findings to the SAUP are as follows:

Written Policies and Procedures

1. Procedure

We obtained the Market's written policies and procedures to determine whether the policies and procedures address each of the following financial/business functions, as applicable:

- a) Budgeting including preparing, adopting, monitoring, and amending the budget.

Finding

The Market's written policies and procedures regarding budgeting do not specifically address budget amending.

Management's Response

The Market will update the Accounting Policy to include procedures on amending the operating budget.

- b) Purchasing including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Finding

The Market's purchasing policies and procedures do not specifically address how vendors are added to the vendor list.

Management's Response

The Market will update the Accounting Policy to include procedures on adding vendors to the accounting software.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Written Policies and Procedures, Continued

- c) Disbursements including processing, reviewing, and approving.

Finding

No exceptions noted.

- d) Receipts including receiving, recording, and preparing deposits.

Finding

No exceptions noted.

- e) Payroll/Personnel including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Finding

The Market's personnel are employees of the City of New Orleans and therefore follows the "Policy Memorandum" No. 72®.

- f) Contracting including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Finding

The Market does not have a formal contracting policy to address types of services requiring written contracts, standard terms and conditions, legal review, and a monitoring process.

Management's Response

The Market will update the Accounting Policy to include a formal contracting policy to address types of services requiring written contracts, standard terms and conditions, legal review, and a monitoring process.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Written Policies and Procedures, Continued

- g) Credit cards including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

Finding

No exceptions noted.

- h) Travel and expense reimbursement including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Finding

No exceptions noted.

- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read **the Market's** ethics policy.

Finding

The Market does not have a formal ethics policy that includes the prohibitions as defined in Louisiana Revised Statute 42:1111-1121 and the requirement that all employees, annually attest through signature verification that they have read the Market's ethics policy.

Management's Response

The Market will update the Accounting Policy to include a formal ethics policy that includes the prohibitions as defined in Louisiana Revised Statute 42:1111-1121 and the requirement that all employees, annually attest through signature verification that they have read the Market's ethics policy.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Board or Finance Committee

- j) Debt service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Finding

Not applicable.

2. Procedure

We obtained and reviewed Board minutes for the fiscal period to determine whether:

- a) the Board met (with a quorum) at least monthly, or on a frequency in accordance with the Board's enabling legislation, charter, or other equivalent document.

Finding

The Market did not meet monthly (with a quorum) pursuant to its bylaws.

Management's Response

The Market did not meet monthly due to lack of quorum and or lack of business.

- b) the Board minutes referenced or included monthly budget-to-actual comparisons on **the Market's** funds, and if the budget-to-actual comparisons showed that management was deficit spending during the fiscal period, there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Board or Finance Committee, Continued

Finding

All minutes reviewed did not include monthly prepared budget to actual financial statements. Also, the Market for financial statement reporting purposes uses the enterprise fund type. Further, we noted no deficit spending for the year ended December 31, 2017.

Management's Response

The financial statements and the budget is vetted at the Finance Committee meeting and included in the Finance Committee minutes. The Chair or staff will provide a statement at the Board level to ensure it is noted in the Board minutes.

Bank Reconciliations

- c) The minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Finding

The Market's minutes included non-budgetary information for as least one meeting during the fiscal period.

3. Procedure

We obtained a listing of client bank accounts from management and management's representation that the listing is complete.

Finding

No exceptions noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Bank Reconciliations, Continued

4. Procedure

From the listing provided by management, we selected **the Market's** bank accounts and obtained bank statements and reconciliations for all months in the fiscal period to determine whether:

- a) Bank reconciliations have been prepared;

Finding

No exceptions noted.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation.

Finding

All bank reconciliations reviewed lacked documented evidence of management or board member review.

Management's Response

The Market's Director of Finance will initial and date all bank reconciliations after they have been reviewed.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Bank Reconciliations, Continued

Finding

For the year ended December 31, 2017, we noted stale dated checks with no documented evidence of research towards resolution.

Management's Response

The accounting department will monitor the outstanding checks and research to reissue or void all checks that are more than 180 days.

Cash Collections

5. Procedure

We obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Finding

No exceptions noted.

6. Procedure

From the listing provided by management, we selected **the Market's** cash collection locations and:

- a) Obtained existing written documentation (e.g. insurance policy, policy manual, job description) to determine whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Cash Collections, Continued

Finding

The Market's cash collection policies and procedures addresses the following:

- (1) Insurance coverage for employees;**
 - (2) Cash collectors share no responsibility for depositing the cash in a bank; and**
 - (3) Not required to share the same cash register with another employee.**
- b) Obtained existing written documentation (e.g. sequentially numbered receipts system report, reconciliation worksheets, policy) to determine whether **the Market** has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Finding

No exceptions noted.

- c) Selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
- 1) Using **the Market's** collection documentation, deposit slips, and bank statements, traced daily collections to the deposit date on the corresponding bank statement to determine whether the deposits were made within one day of collection.

Finding

In twenty-three (23) of thirty-seven (37) deposit transactions reviewed, we noted the deposits of funds outside of one (1) day. Funds were deposited within two (2) to seven (7) days after collection.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Cash Collections, Continued

Management's Response

The accounting department will ensure all deposits are made by the next business day with one exception the parking lot vaults which are picked up and deposited once a week.

- 2) Using sequentially numbered receipts system reports, or other related collection documentation, verify that the daily cash collections are completely supported by documentation and report any exceptions.

Finding

One (1) of thirty-seven (37) deposit transactions reviewed lacked adequate supporting documents, such as, a vault reconciliation slip, to include variance between the log and amount deposited.

Management's Response

The Market receipts are supported by check log, cancelled checks and receipts.

7. Procedure

We obtained existing written documentation (e.g. policy manual, written procedure) to determine whether **the Market** has a process specifically defined (identified as such by **the Market**) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Finding

No exceptions noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Disbursements – General (excluding credit card, debit, fuel and P-cards purchases or payments)

8. Procedure

We obtained the Market's check register for the year ended December 31, 2017. We obtained management's representation that its check register population was complete.

Finding

No exceptions noted.

9. Procedure

Using the disbursement population from #8, we randomly selected 25 disbursements, excluding credit card/debit card/fuel card/P-card purchases or payments. We obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction to determine whether:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Finding

In one (1) instance of twenty-five (25) disbursements selected, we noted the absence of an approved requisition prior to purchase.

Management's Response

The Market has a purchase order system which is routed through the accounting software for approval.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Disbursements – General (excluding credit card, debit, fuel and P-cards purchases or payments), Continued

Finding

No exceptions noted.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

Finding

No exceptions noted.

10. Procedure

We reviewed **the Market's** documentation (e.g. electronic system control documentation, policy manual, written procedure) to determine whether the person responsible for processing payments is prohibited from adding vendors to **the Market's** purchasing/disbursement system.

Finding

No exceptions noted.

11. Procedure

We reviewed **The Market's** documentation (e.g. electronic system control documentation, policy manual, written procedure) to determine whether the persons with signatory authority or who makes the final authorization for disbursements have no responsibility for initiating or recording purchases.

Finding

No exceptions noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Disbursements – General (excluding credit card, debit, fuel and P-cards purchases or payments), Continued

12. Procedure

We inquired of management and observed the supply of unused checks to determine whether unused checks are maintained in a locked location, with access restricted to those persons that do not have signatory authority.

Finding

No exceptions noted.

13. Procedure

We inquired of the individual with a signature stamp whether his or her signature is maintained under his or her control or is used only with his or her knowledge and consent. We also inquired whether signed checks are likewise maintained under the control of the signer or authorized user until mailed.

Finding

The Market does not use a signature stamp. All checks are manually signed by authorized check signers and held until mailed by designated person.

Credit Cards

14. Procedure

We obtained from management a listing of all active credit cards, including the card numbers and the names of the persons who maintained possession of the cards and we obtained management's representation that the listing is complete.

Finding

No exceptions noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Credit Cards, Continued

15. Procedure

Using the listing prepared by management, we selected three (3) credit cards maintained and used during the fiscal period, and obtained the monthly statements. We selected the monthly statement with the largest dollar activity for each card to determine whether:

- a) there is evidence that the monthly statement and supporting documentation were reviewed and approved, in writing, by someone other than the authorized card holder.

Finding

No documented evidence noted of review of the statements by someone other than the authorized card holder.

Management's Response

All invoices are reviewed by the accounting department and Executive Director before a payment is processed.

- b) finance charges and/or late fees were assessed on the selected statements.

Finding

No exceptions noted.

16. Procedure

Using the monthly statements selected under #15 above, we obtained supporting documentation for all transactions for the selected card.

- a) We reviewed each transaction to determine whether the transaction is supported by:
 - 1) An original itemized receipt (i.e., identifies precisely what was purchased)

Finding

No exceptions noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Credit Cards, Continued

- 2) Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Finding

No exceptions noted.

- 3) Other documentation that may be required by written policy (e.g. purchase order, written authorization).

Finding

Not applicable.

- b) For each transaction, we reviewed the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) for compliance with **the Market's** written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes).

Finding

No exceptions noted.

- c) For each transaction, we compared **the Market's** documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed).

Finding

No exceptions noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Travel and Expense Reimbursement

17. Procedure

We obtained the check register for the year ended December 31, 2017 and filtered for travel reimbursements. We obtained management's representation that the check register population is complete.

Finding

No exceptions noted.

18. Procedure

We obtained **the Market's** written policies related to travel and expense reimbursements and compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) to determine whether there are any amounts that exceed GSA rates.

Finding

No exceptions noted.

19. Procedure

Using the proceeding transactions from #17, we selected three (3) individuals who incurred travel costs during the fiscal period. We obtained the expense reimbursement reports or prepaid expense documentation of the selected persons, including the supporting documentation, and chose the largest travel expense for the selected persons to review in detail. For the travel expense selected:

- a) We compared expense documentation to written policies to determine whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging).

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Travel and Expense Reimbursement, Continued

Finding

No exceptions noted.

b) We determined whether each expense is supported by:

- 1) An original itemized receipt that identifies precisely what was purchased.

Finding

No exceptions noted.

- 2) Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Finding

No exceptions noted.

- 3) Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

Finding

No exceptions noted.

- c) We compared **the Market's** documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value.

Finding

No exceptions noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Travel and Expense Reimbursement, Continued

Procedure, Continued

- d) We determined whether each expense and related documentation were reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Finding

No exceptions noted.

Contracts

20. Procedure

We obtained a listing of all contracts in effect during the fiscal period and obtained the check register for the year ended December 31, 2017 and filtered for contract payments. We obtained management's representation that the check register population is complete.

Finding

No exceptions noted.

21. Procedure

Using the listing above, we selected five (5) contract vendors that were paid the most money during the fiscal period, and excluding purchases on state contract and payments to the practitioner. We obtained the related contracts and paid invoices and:

- a) We determined whether there is a formal/written contract that supports the services arrangement and the amount paid.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Contracts, Continued

Finding

Four (4) of the five (5) transactions tested, lacked formal executed contracts.

Management's Response

The **French Market Corporation** is in the process of updating and or bidding all service contracts.

b) We compared each contract's detail to the Louisiana Public Bid Law or Procurement Code to determine whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- 1) If yes, we obtained and compared supporting contract documentation to legal requirements to determine whether **the Market** complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).

Finding

No exceptions noted.

- 2) If no, we obtained supporting contract documentation to determine whether **the Market** solicited quotes as a best practice.

Finding

For four (4) of the five (5) selected contracts not subject to the Public Bid Law, we noted no quotes.

Management's Response

The Market will maintain a separate file for all quotes.

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)

Contracts, Continued

- c) We determined whether the contract was amended, and if so, we determined whether the original contract terms contemplated or provided for such an amendment.

Finding

Not applicable.

- d) We selected the largest payment from each of the five contracts, obtained the supporting invoice, and compared the invoice to the contract terms, to determine whether the invoice and related payment complied with the terms and conditions of the contract.

Finding

No executed contract to facilitate the procedure.

Management's Response

The **French Market Corporation** is in the process of updating and or bidding all service contracts.

- e) We obtained and reviewed contract documentation and board minutes to determine whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Finding

Noted no board approval.

Management's Response

All contracts are approved by the Board. The auditors' test included contracts that were included in prior years.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Payroll and Personnel

22. Procedure

We obtained a listing of employees with their related salaries. We randomly selected five (5) employees, obtained their personnel files, and:

- a) Reviewed compensation paid to each employee during the fiscal period to determine whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Finding

No exceptions noted. The Market staff's are employees of the City of New Orleans.

- b) Reviewed changes made to hourly pay rates/salaries during the fiscal period to determine whether those changes were approved in writing and in accordance with written policy.

Finding

No exceptions noted.

23. Procedure

We obtained attendance and leave records and randomly selected one pay period in which leave was taken by at least one employee. Within that pay period, we randomly selected twenty-five (25) employees on payroll to determine whether:

- a) all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Payroll and Personnel, Continued

Finding

No exceptions noted.

- b) there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees.

Finding

No exceptions noted.

- c) there is written documentation that **the Market** maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees that earn leave.

Finding

No exceptions noted.

24. Procedure

We obtained from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. We selected two (2) termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the employee. We reviewed the termination payment to determine whether they was made in strict accordance with policy and/or contract and approved by management.

Finding

For the two (2) selected personnel who terminated during the year ended December 31, 2017, we reviewed the termination documents prepared in the ADP computerized payroll software noting agreement but without management's approval. Because the personnel are employees of the City of New Orleans, it is our understanding that the final payment was generated by the City of New Orleans.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Payroll and Personnel, Continued

25. Procedure

We obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period to determine whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Finding

Payroll taxes and retirements contributions are made by the City of New Orleans.

Ethics

26. Procedure

Using the five (5) randomly selected employees from procedure #22 under "Payroll and Personnel" caption, we obtained ethics compliance documentation from management to determine whether **the Market** maintained documentation to demonstrate that required ethics training was completed. We also reviewed the employee files for the employees selected to determine whether there was a signed verification of having read the ethics policy included in the file.

Finding

No exceptions noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Ethics, Continued

27. Procedure

We inquired of management whether any alleged ethics violations were reported to **the Market** during the fiscal period and, if applicable, reviewed documentation demonstrating that management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with **the Market's** ethics policy.

Finding

None reported during the year ended December 31, 2017.

Debt Service

28. Procedure

If debt was issued during the fiscal period, we obtained supporting documentation from **the Market** to determine whether State Bond Commission approval was obtained.

Finding

Not applicable.

29. Procedure

If **the Market** had outstanding debt during the fiscal period, we obtained supporting documentation from **the Market** and report whether **the Market** made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Finding

Not applicable.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Debt Service, Continued

30. Procedure

If **the Market** had tax millages relating to debt service, we obtained supporting documentation to determine whether millage collections exceeded debt service payments by more than 10% during the fiscal period.

Finding

Not applicable.

Other

31. Procedure

We inquired of management whether **the Market** had any misappropriations of public funds or assets. If so, we obtained and reviewed supporting documentation to determine whether **the Market** reported the misappropriation to the Louisiana Legislative Auditor and the District Attorney of Orleans Parish.

Finding

No misappropriations of public funds or assets were reported.

32. Procedure

We observed **the Market's** premises and website to determine whether **the Market** posted the notice required by R.S. 24:523.1.

Finding

Noted no posting on the Market's premises.

Management's Response

The Market corporation will post the state statute R.S. 24:523.1 on the premises.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Other, Continued

33. Procedure

If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Finding

No exceptions noted.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions, respectively, on those compliance and control areas identified in the SAUP. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those compliance and control areas identified in the SAUP, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

June 12, 2018



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Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS RELATED TO INTERNAL CONTROL

Ms. Kathleen Turner, Executive Director
French Market Corporation
New Orleans, Louisiana

Management of **French Market Corporation (A Propriety Component Unit of the City of New Orleans) (the Market)** is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements of **the Market**, as of and for the year ended December 31, 2017 in accordance with auditing standards generally accepted in the United States of America, we consider **the Market's** internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of **the Market's** internal control. Accordingly, we do not express an opinion of the effectiveness of **the Market's** internal control.

As a part of our audit, we noted certain other matters that are opportunities for strengthening internal control and operating efficiency. We previously reported on **the Market's** internal control in our report dated June 12, 2018. This letter does not affect our report dated June 12, 2018 on the financial statements or internal control of **the Market**.

We will review the status of these other matters during our net audit engagement. We have already discussed these other matters with **the Market's** management, and will be pleased to discuss these other matters in further detail at your convenience.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Current Year's Other Matter
2017

The following is our current year's other matter related to internal control:

Reference Number

OM 2017-001

Criteria

Management must establish internal control objectives for the accuracy of financial statements and the validity of transactions in order to effectively assess areas of potential risks.

Condition

Our review of **the Market's** bank account reconciliations for the year ended December 31, 2017, revealed in all instances where there was no evidence of supervisory review. Furthermore, we noted stale dated checks outstanding (greater than six (6) months).

One (1) of seven (7) journal entries judgementally selected for testwork, revealed where the amount recorded in the general ledger exceeded the bank deposit amount by \$233.

In an instance of five (5) tenant files tested, we noted no documented evidence of the required City of New Orleans sales tax form on file as required by policy.

In another situation, a tenant's file lacked the required percent rent worksheet.

In one (1) instance of twenty-five (25) disbursement transactions tested, we noted the lack of a documented evidence to support management approval.

In thirty-seven (37) instances of funds collected and deposited, we noted variances in the receipt and deposit dates ranging between two (2) to seven (7) days after collection.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Current Year's Other Matter, Continued
2017

Reference Number, Continued

OM 2017-001

Context

Total assets at December 31, 2017 was \$33,866,451 with revenues and expenses at \$11,042,711 and \$10,808,942, respectively, for the year ended December 31, 2017.

Effect or Potential Effect

The condition enhances **the Market's** risk of fraudulent activities.

Cause

Lacked of an established procedure to ensure an effective system of internal control over financial reporting.

Recommendation

We continue to recommend that all bank account reconciliations and all prepared journal entries be documented with approval. Approvals can take the form of manual or digital signatures, initials or other accounting system generated indicators.

Further, management should revisit with its current monthly and year end closing to ensure the completeness in financial statements.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Current Year's Other Matter, Continued
2017

Reference Number, Continued

OM 2017-001

Management's Response and Planned Corrective Action

Effective immediately the supervisor will:

- date and initial all reconciliations after they have been reviewed;
- the accounting department will ensure all checks that are staled dated (6 months old) are voided and/or reissued;
- all invoices are approved electronically in the accounting software;
- staff will ensure all records are complete as per the policy; and
- staff will also ensure that all deposits are deposited by the next business day.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Prior Year's Other Matter
2016

The following is our prior year's other matter related to internal control:

Reference Number

OM 2016-001

Criteria

Management must establish internal control objectives to provide reasonable assurance regarding the achievement of objectives in the areas of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable contracts, laws, regulations and board policy.

Condition

Our review of the revenue cycle revealed **the Market's** customer base to be composed primarily of residential, commercial, and the public at large. For a sample of twenty (20) transactions selected for testing of the transactional activities, we noted the need to enhance the internal control processes over the award of "credit(s)" to include any other adjustments as offsets to rent charged.

Context

Total operating revenues for the year ended December 31, 2016 were \$10,701,147.

Effect or Potential Effect

The potential for the misappropriation of funds.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Prior Year's Other Matter, Continued
2016

Reference Number, Continued

OM 2016-001

Cause

The internal control procedures for oversight of revenue transactions.

Recommendation

Management should revisit with the current internal control processes over the revenue cycle. The objective should be focused on an enhanced level of oversight to minimize, if not, eliminate the referenced risk. Other areas for consideration should include:

- 1) Access controls;
- 2) Reconciliation and comparison with records;
- 3) Analytical review;
- 4) Authorization and approval;
- 5) Reviews of output;
- 6) Transactional revenues, and
- 7) General computer controls

Current Status

Resolved.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

The Market's response to the other matters identified in our audit is described in the accompanying report under the caption "Management's Response and Planned Corrective Action". We did not audit the Market's response and, accordingly, we express no opinion on it.

As always, we appreciate the courtesies extended to us by you and your staff during our audit. Should you have any questions and/or require further detail, please do not hesitate to call.

This report is intended solely for the information and use of management, the Board of Directors and is not intended to be and should be used by anyone other than these specified parties.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

June 12, 2018