

**MANAGEMENT'S DISCUSSION AND ANALYSIS AND
BASIC FINANCIAL STATEMENTS**

JEFFERSON FACILITIES, INC.

Year ended June 30, 2018

JEFFERSON FACILITIES, INC.

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Year ended June 30, 2018

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VINCENT R. PROTTI, JR., LLC

Certified Public Accountant

Member of the Society of Louisiana CPA's

Independent Auditor's Report

Jefferson Facilities, Inc.
230 Huey P. Long Avenue
Gretna, LA 70053

Report on the Financial Statements

I have audited the accompanying financial statements of Jefferson Facilities, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018 and the related statement of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

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 controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on this financial statement based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk 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 entity'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 entity's internal control. Accordingly, I express no such opinion. An audit also includes

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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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson Facilities, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of Board Compensation on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

Other Matters

I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Governmental Auditing Standards*, I have also issued my report dated December 1, 2018, on my consideration of Jefferson Facilities, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Jefferson Facilities, Inc.'s internal control over financial reporting and compliance.



Vincent R. Protti Jr., CPA

December 1, 2018

JEFFERSON FACILITIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The Management's Discussion and Analysis (MD&A) of Jefferson Facilities, Inc.'s (JFI) financial performance provides an overview and objective narrative analysis of JFI's financial activities for the year ended June 30, 2018. Please read it in conjunction with JFI's financial statements.

The MD&A is a required element of the Required Supplementary Information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in MD&A.

Financial Highlights

- The liability of JFI exceeded its assets by \$5,864 million for fiscal year ending 2018 compared to \$6,195 million in the prior year. This is due to the structure of JFI. JFI and JRI were created by the governing authority of Jefferson Parish. To date JFI has undertaken two projects, the first is the construction and management of a parking garage for Jefferson Parish, and the second is leased land to JRI upon which a parking garage was constructed. JFI entered into a sublease with JRI for this land and agreed to design, build, maintain, and operate the parking garage. As such, JRI owns the parking garage. JFI is responsible for the repayment of the bonds issued for the construction of the garage, and Jefferson Parish is the guarantor of the bond issue. Ownership for the parking garage will revert to the Parish upon final payment of the debt obligation.
- Jefferson Parish paid 100% of the debt obligation due in reference to the garage in 2018 and 2017 on behalf of JFI.
- Parking garage operating revenues (or deficit) from the parking garage activities were \$(15,050) and \$(46,851) for 2018 and 2017, respectively.
- The second project JFI entered into is a Cooperative Endeavor Agreement with the State of Louisiana, the Louisiana Department of Economic Development, and Northrop Grumman Ship Systems (NGSS) for the purpose of maintaining employment levels at Avondale Shipyards of NGSS. To facilitate that purpose, the cost of acquiring and installing property and equipment for use by NGSS at its Avondale operations site in Jefferson Parish. These certificates are secured by a pledge of all rights and interests of JFI in, to and under the Cooperative Endeavor

JEFFERSON FACILITIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Agreement. These certificates are special limited obligations of JFI, payable from legally available funds as defined in the Certificates. JFI's source of payments will be funds provided by the State of Louisiana subject to annual appropriation by the State Legislature pursuant to the Cooperative Endeavor Agreement. The Legislature of the State of Louisiana is not required to appropriate or provide funds for this purpose. The Certificates do not constitute a political subdivision of the State, and accordingly have not been reported in the financial statements. As of June 30, 2018, the aggregate principal outstanding on these certificates was \$13,640,000.

In connection with this agreement JFI received fees of \$96,000 at the closing and is to receive additional administrative fees of \$36,000 annually beginning October 1, 2005. The final payment is due October 1, 2021. Amounts received under this agreement are reported in the financial statements as non-operating revenues.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to JFI's basic financial statements.

JFI's total assets are \$574,823 and total liabilities are \$6,439,203 which result in unrestricted net deficit of \$5,864,380.

JFI's total operating revenues for the year ended 2018 are \$446,998 of which 99% is derived from parking garage fees compared to \$456,481, of which 99% was also derived from parking garage fees in 2017. The major operating expenses for the year ended 2018 include payroll of \$108,615 and insurance of \$60,838, compared to payroll of \$145,853 and insurance of \$82,831, for the year ended 2017.

The non-operating expenses for JFI are related to bond interest expenses for the construction of the parking garage and the culmination of the NGSS Cooperative Endeavor Agreement. The non-operating revenue of \$36,000 consists of administrative fees in connection with the conduit financing arrangement with Northrop Grumman Ship Systems.

Budgetary Highlights

The JFI Board approves a budget prior to the start of the fiscal year. Any amendments to this budget during the fiscal year are voted on by the Board. There were no budget amendments made during fiscal year 2018.

JEFFERSON FACILITIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Long-Term Debt

JFI entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA) to finance \$9,315,000 for the design and construction of parking facilities at the Gretna Courthouse Complex, Gretna, Louisiana. This financing involved LCDA issuing 30 year revenue bonds at a yearly fixed rate of 4.55%. These bonds were refinanced on November 15, 2012. At that time, JFI entered into a new long-term loan agreement with the Louisiana Local Government Environmental Facilities and Louisiana Community Development Authority (LCDA) to finance \$7,615,000 for the design and construction of parking facilities at the Gretna Courthouse Complex, Gretna, Louisiana. This financing involved LCDA issuing 18 year revenue bonds at a variable interest rate between 1.000% and 5.000%. The debt service schedule is as follows:

The debt service schedule is as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL DEBT SERVICE</u>
2018	\$ 345,000	\$ 204,594	\$ 549,594
2019	355,000	194,244	549,244
2020	365,000	183,594	548,594
2021	375,000	176,294	551,294
2022	380,000	168,325	548,325
2023 – 2027	2,130,000	601,625	2,731,625
2028 - 2031	<u>2,000,000</u>	<u>176,263</u>	<u>2,176,263</u>
	<u>\$ 5,950,000</u>	<u>\$ 1,704,939</u>	<u>\$ 7,654,939</u>

Economic Factors and New Year's Budget

The parking garage provides a desperately needed service for the Parish administrative functions as well as the entire judicial function including the District Attorney, the court system, and the correctional facilities. Demand for parking spaces is fairly consistent during normal business hours.

The operator and JFI management are charged with finding ways to increase revenues during off-peak times as well as aggressively market and sell contract spaces in the garage.

JEFFERSON FACILITIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Rising operational costs such as insurance, repairs and maintenance are areas for concern. The intent of the financial structure is that JFI would generate enough operational funds to cover its operational expenses. The operating income or (loss) was \$(15,050) and \$(46,851) for the years ended 2018 and 2017, respectively. However, when the operations ultimately end in a deficit position, the Parish will seek approval from the Jefferson Parish Council to appropriate enough funds from its General Fund to cover any operational shortfall. The Parish has provided for an appropriation in its 2018 budget to cover the total debt service obligation on the bonds.

Garage Addition

Jefferson Facilities, Inc. and Jefferson Parish along with a Trustee entered into an Amended Cooperative Endeavor Agreement for an addition to the Garage and to allow Jefferson Parish to build an Emergency Management Center on the Parking Lot fronting Fourth Street. The end result is that JFI has lost those parking spots on the Fourth Street lots and those spots next to the Garage but will have a net gain in the available spots due to the addition of the Parking Garage. The Parking Garage addition is being built with revenues from Jefferson Parish at no cost or obligation to JFI.

The Jefferson Parish Council decided to add approximately 300 parking spaces to the existing garage which were completed in 2010. The Parking garage currently has 931 parking spaces available.

Northrop Grumman Ship Systems

JFI entered into a Cooperative Endeavor Agreement with the State of Louisiana, the Louisiana Department of Economic Development, and Northrop Grumman Ship Systems (NGSS) for the purpose of maintaining employment levels at Avondale Shipyards of NGSS. To facilitate that purpose, JFI issued \$40,615,000 of taxable certificates of participation to be used to finance the cost of acquiring and installing property and equipment for use by NGSS at its Avondale operations site in Jefferson Parish. These certificates are secured by a pledge of all rights and interests of JFI in, to and under the Cooperative Endeavor Agreement.

These certificates are special limited obligations of JFI, payable solely from legally available funds as defined in the Certificates. JFI's source of payments will be funds provided by the State of Louisiana subject to annual appropriation by the State Legislature pursuant to the Cooperative Endeavor Agreement. The Legislature of the State of Louisiana is not required to appropriate or provide funds for this purpose. The Certificates do not constitute a debt or pledge of the general credit or indebtedness of the State, JFI or any political subdivision of the State, and accordingly have not been reported in the financial statements. As of June 30, 2018, the aggregate principal outstanding on these certificates was \$13,640,000.

**JEFFERSON FACILITIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Refinancing of LCDA Revenue Bonds

On November 15, 2012, JFI refinanced the LCDA Revenue Bonds for \$7,615,000. In the process, the prior Revenue Bonds were completely paid off. The interest rate changes per annum but shall vary between 1.000% and 5.000%.

JEFFERSON FACILITIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS	
Current Assets	
Cash and Cash Equivalent	\$ 68,283
Accounts Receivable	<u>0</u>
Total Current Assets	68,283
Fixed Assets	
Parking Control Equipment	368,858
Accumulated Depreciation	<u>(36,886)</u>
Total Fixed Assets	331,972
Non-current Assets	
Deferred Amount on Refunding	66,759
Unamortized Issuance Cost	<u>107,809</u>
Total Non-current Assets	<u>174,568</u>
TOTAL ASSETS	\$ <u>574,823</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 20,280
Bond Interest Payable	34,099
Loan Payable - Current	345,000
Note Payable – SP Plus	101,913
Due to Jefferson Redevelopment, Inc.	203
Due to Jefferson Parish	<u>203</u>
Total Current Liabilities	<u>\$ 501,698</u>
Non-current Liabilities	
Unamortized Premium on Refund	113,310
Note Payable – SP Plus	219,195
Loan Payable - Noncurrent	<u>5,605,000</u>
Total Non-current Liabilities	<u>5,937,505</u>
TOTAL LIABILITIES	<u>\$6,439,203</u>
NET ASSETS	
Unrestricted (Deficit)	<u>(5,864,380)</u>
Total Net Assets (Excess of Liabilities)	<u>\$ (5,864,380)</u>

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

JEFFERSON FACILITIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
JUNE 30, 2018

	<u>TOTAL</u>	<u>PROGRAM SERVICES EXPENSES</u>	<u>MANAGEMENT & GENERAL EXPENSES</u>
OPERATING REVENUES:			
Parking Garage Revenue	\$ 437,861		
Other Revenue	<u>9,137</u>		
Total Operating Revenue	<u>446,998</u>		
OPERATING EXPENSES:			
Accounting	34,469		34,469
Amortization	4,652		4,652
Auto Mileage	621	621	
Bank & Credit Card Service Charges	36,121		36,121
Base Management Fees	21,600		21,600
Board Compensation	9,150		9,150
Bond Trustee Fees	6,000		6,000
Contract Sweeping	2,550	2,550	
Depreciation	36,886	36,886	
Insurance	60,838		60,838
Legal	47,495	47,495	
Meals	2,948		2,948
Miscellaneous	2,250	2,250	
Office Expenses	12,807	12,807	
Payroll	108,615	108,615	
Professional Fees	1,442		1,442
Rent	24		24
Repairs and Maintenance	2,353	2,353	
Retirement	2,498	2,498	
Sales Tax	44,929	44,929	
Sponsorships	23,800	23,800	
Total Operating Expenses	<u>462,048</u>	<u>284,804</u>	<u>177,244</u>
Operating Income/(Loss)	(15,050)		
NONOPERATING REVENUES/ (EXPENSE)			
Administrative Fee Income	36,000		
Interest Expense	(222,005)		
Total Non-operating Revenues/ (Expenses)	<u>(186,005)</u>		
Income/ (loss) before Contributions and Transfers	(201,055)		
CAPITAL TRANSFERS			
Capital Transfers In	542,944		
Capital Transfers (Out)	(10,812)		
Total Capital Transfers In (Out)	<u>532,132</u>		
Change in Net Assets	331,077		
Net Assets (Excess of Liabilities) Beginning of Year	(6,195,457)		
Net Assets (Excess of Liabilities) End of Year	<u>\$ (5,864,380)</u>		

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

JEFFERSON FACILITIES, INC.
STATEMENT OF CASH FLOWS
JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Parking Garage Operations	\$ 112,327
Other Operating Cash Receipts	1,940
Cash Payments for Professional Services	(91,672)
Cash Payments for Board Commissions	(9,150)
Cash Payments for Sponsorships	(23,800)
Cash Payments for Insurance	(13,546)
Cash Payments for Other Goods and Services	<u>(9,961)</u>
Net cash provided (used) by operating activities	<u>(33,862)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Cash Payment to Jefferson Parish	0
Cash Received from Administrative Fees	<u>36,000</u>
Net cash provided (used) by capital and related financing activities	<u>36,000</u>

NET increase (decrease) in cash and cash equivalents 2,138

CASH AND CASH EQUIVALENTS, beginning of year 66,145

CASH AND CASH EQUIVALENTS, end of year \$ 68,283

SUPPLEMENTAL DISCLOSURES

Interest Paid	\$ 222,005
Income Taxes paid	\$ - 0 -

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

NOTES TO THE FINANCIAL STATEMENTS

**JEFFERSON FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A - SUMMARY OF SIGNATURE ACCOUNTING POLICIES

Jefferson Facilities, Inc. (JFI) was formed on January 11, 2001 as a private non-profit corporation pursuant to the Louisiana Non-Profit Corporation Law (Chapter 2 of Title 12 of the Louisiana Revised Statutes of 1950, as amended). It was established as an economic development corporation, and, particularly the provisions of Chapter 27 of Title 33 of the Louisiana Revised Statutes of 1950, as amended, with the permission of the Parish Council of the Parish of Jefferson, Louisiana, by resolution dated October 18, 2000. The purpose of the corporation is to actively seek interaction through federal, state or local government initiatives or through its own volition or create programs whereby it may best interact and cooperate with other economic development corporations to carry out the purposes for which it is created. The corporation is organized on a non-stock basis and is managed by a three-person Board of Directors who receive a per diem for each meeting up to 52 weeks per annum, which is exclusively attributable to sources other than garage revenues, and who may be reimbursed for actual expenses incurred in the performance of JFI business.

1. **FINANCIAL REPORTING ENTITY**

The entity is a component unit of Jefferson Parish, Louisiana. A component unit is defined as a legally separate organization for which the elected officials of the primary government (Jefferson Parish, Louisiana) are financially accountable. The criteria used in determining whether financial accountability exists include the appointment of a voting majority of an organization's governing board, the ability of the primary government to impose its will on that organization or whether there is a potential for the organization to provide specific financial benefits or burdens to the primary government. Fiscal dependency may also play a part in determining financial accountability.

2. **BASIS OF ACCOUNTING**

Basis of accounting relates to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The activities of JFI is accounted for using the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized at the time the liability is incurred. The revenues susceptible to accrual are the net due to/from SP Plus Corporation (garage management company).

3. **ACTIVITIES**

The entity engages in activities for the purpose of alleviating conditions of economic distress affecting jurisdictions in which the entity is operative. The affected jurisdiction of the entity is that portion of the Parish of Jefferson, Louisiana, west of the Mississippi River and the geographic location where local economic development activity should be directed to achieve maximum effort, to be designated as an Economic Development Area by the entity and the Parish of Jefferson, shall be coexistent with the boundaries of the Jurisdiction.

JEFFERSON FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The initial project undertaken by the corporation was for the development, design, construction, and operation of a parking garage and operation of surface parking facilities. In December 2004, in cooperation with the Louisiana Department of Economic Development, JFI issued certificates of indebtedness to pay for a portion of the cost of equipment to be utilized by Northrop Grumman Ship Systems, Inc. (NGSS) at its Avondale Operations in Jefferson Parish.

4. **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less.

5. **NET ASSETS**

Net Assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Parish through restrictions imposed by contracts. There were no restrictions on any net assets presented in the financial statements

6. **TRANSFERS IN (OUT)**

The agreements between JFI and Jefferson Redevelopment, Inc. and between JFI and Jefferson Parish relative to the leased facilities (Note C) provide for the flow of assets without an equivalent flow of assets in return and without a requirement for repayment. Accordingly, the payments relative to these leases are reported as transfers in (out) in the Statement of Activities and Changes in Net Assets. Administrative and operating expenses of Jefferson Redevelopment, Inc. paid in connection with these leases are also treated and reported as transfers (out) in the Statement of Activities and Changes in Net Assets.

7. **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - DEPOSITS AND CONCENTRATION OF CREDIT RISK

At June 30, 2018, the carrying amount of JFI's unrestricted deposits was \$68,283 which equaled the bank balances.

NOTE C - LEASED FACILITIES

The parking operations of JFI are conducted in leased facilities which are subject to several agreements described below.

JEFFERSON FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE C - LEASED FACILITIES (Continued)

1. COOPERATIVE ENDEAVOR AGREEMENT

JFI entered into a Cooperative Endeavor Agreement with the Parish of Jefferson, Louisiana, and Jefferson Redevelopment, Inc., dated August 1, 2001, which sets forth the representations and obligations that the parties agreed upon to facilitate the development, design, finance, construction, and operation of a parking garage. The details of the agreement are outlined below. This agreement was first amended on May 16, 2007, which amendment altered the original Cooperative Endeavor Agreement between these parties, described above, in that it provided for the construction of additional facilities on the leased premises. This agreement was next amended on November 1, 2012, which altered the original Cooperative Endeavor Agreement and amended Cooperative Endeavor Agreement, both described above, in that it provided for the refinance of the Series 2001 Bond and the mortgage securing same.

2. SUBLEASE AGREEMENT

The Parish of Jefferson has leased certain tracts of land situated in Jefferson Parish, Louisiana, upon which the parking garage was constructed to Jefferson Redevelopment, Inc., a public benefit non-profit organization. This lease, entered into on August 1, 2001, was modified by an amendment on November 1, 2012 which provided for the refinancing of the Series 2001 bond.

JFI entered into a sublease agreement with Jefferson Redevelopment, Inc. on August 1, 2001, for the land on which the parking garage is built. JFI has the right to use and enjoy the premises for the construction and operation of the parking garage. In consideration of this sublease, JFI agrees, at its own expense, to design, build, maintain, and operate a parking garage and agrees to pay rental of \$1.00 per month. As additional rent, JFI agrees to pay all amounts owed by Jefferson Redevelopment, Inc. to the Parish under the ground lease \$1.00 per month and further agrees to pay all administrative and operating expenses of JRI. The garage and improvements are owned by JRI. The sublease was amended on November 1, 2012 to provide for the refinancing of the Series 2001 bonds and to provide not less than 700 parking spaces for use by Jefferson Parish personnel and employees.

JEFFERSON FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE C - LEASED FACILITIES (Continued)

JFI entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority (the Authority) on November 1, 2012. In conjunction with this new loan agreement, which was a refinancing of JFI's debt obligations, the prior-issued Series 2001 bonds of \$9,315,000 were paid off. This payoff cancelled the prior loan agreement. Under the agreement, the Authority issued \$7,615,000 of revenue bonds to finance the garage construction and loaned the proceeds to JFI. JFI is required to make the debt service payments on the bonds directly to the trustee. The lease ends at midnight on August 1, 2031, or the date on which the bond has been paid in full, whichever is later. The total amount of minimum rentals to be paid under the non-cancellable sublease as of June 30, 2017 is (including ground rent payable to the Parish).

<u>Future Minimum Lease Payments:</u>	
2019 - 2023	\$ 120
2024 - 2028	120
2029 - 2031	<u>52</u>
Total	<u>\$ 292</u>

The parking garage constructed is owned by Jefferson Redevelopment, Inc. while the bond is outstanding. Upon payment in full of the bond, Jefferson Redevelopment, Inc. shall transfer ownership of the facilities to the Parish.

3. FACILITIES LEASE AGREEMENT

JRI entered into an agreement with Parish of Jefferson, State of Louisiana, to lease to the Parish 200 parking spaces as selected by the Parish on August 1, 2001. In May of 2007, an amendment to this agreement provided for additional facilities consisting of an expansion of the parking garage to a total of 931 parking spaces and the use of land for Jefferson Parish to construct an emergency management building. In consideration for the use of the parking spaces, the Parish has contracted with JFI to provide funds to the trustee, which when combined with rental revenues available from the operation of the parking garage, will be sufficient to pay principal and interest on the bond. The lease payments are due prior to each interest payment date for the bond issued to construct the parking garage. The lease renews automatically each year with the appropriation by the Jefferson Parish Council of amounts sufficient to pay the lease payments.

**JEFFERSON FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE C - LEASED FACILITIES (Continued)

The obligation of the Parish to make rental payments and to pay any additional payments payable under this facilities lease constitutes a current obligation payable exclusively from legally appropriated funds and shall not be construed to be indebtedness within the meaning of any applicable constitutional or statutory limitation or requirement. The Parish has not pledged its full faith and credit or its taxing power to make any rental payment or any additional payments under this facilities lease. The Parish has the right to be reimbursed on a first priority basis from any excess funds generated by the operations of the parking garage.

The facilities lease agreement was amended on November 1, 2012 to provide for the refinancing of the Series 2001 bond.

NOTE D - CAPITAL ASSETS

A summary of changes in capital assets and depreciation for the year ended June 30, 2018 are as follows:

	Parking Control <u>Equipment</u>
<u>Capital Assets</u>	
Balance July 1, 2017	\$ -
Additions	\$ <u>368,858</u>
Balance June 30, 2018	<u>\$ 368,858</u>
<u>Accumulated Depreciation</u>	
Balance July 1, 2017	\$ -
Depreciation Expense	<u>36,886</u>
Balance June 30, 2018	<u>\$ 36,886</u>

**JEFFERSON FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE E - LONG-TERM DEBT

As discussed in Note C, on November 12, 2012, JFI entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to obtain refinancing of \$7,615,000 to refinance prior-issued bond for the design and construction of the parking facilities at the Gretna Courthouse Complex, Gretna, Louisiana. Financing of the project is through the issuance of Revenue Bond (Jefferson Facilities, Inc. - Jefferson Parking Garage Project), Series 2012. The bond has yearly fixed rates of interest at an average yield of 4.55% and are due in varying installments through September 1, 2031. Proceeds from the bond issuance are used to pay the costs of the project; fund a deposit to the reserve fund, if any; to pay capitalized interest on the bond; and to pay costs of issuance of the bond. Annual debt service for future years ending June 30 is shown below.

Scheduled Annual Debt Service:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL DEBT SERVICE</u>
2018	\$ 345,000	\$ 204,594	\$ 549,594
2019	355,000	194,244	549,244
2020	365,000	183,594	548,594
2021	375,000	176,294	551,294
2022	380,000	168,325	548,325
2023 – 2027	2,130,000	601,625	2,731,625
2028 - 2031	<u>2,000,000</u>	<u>176,263</u>	<u>2,176,263</u>
	<u>\$ 5,950,000</u>	<u>\$ 1,704,939</u>	<u>\$ 7,654,939</u>

JFI is to repay the loan from receipts, revenues, income and other money received from the operation of the parking garage.

LOAN AND ASSIGNMENT AGREEMENT

A Loan and Assignment Agreement dated August 1, 2001 cancelled by and replaced with an agreement dated November 1, 2012, between the Louisiana Local Government Environmental Facilities and Community Development Authority and Jefferson Facilities, Inc. was executed for the benefit of the Trustee for the owners from time to time of the bond whereby JFI consented and agreed to the assignment of its rights, title, and interest in the Facilities Lease Agreement (Note C) and any leases, subleases, and use agreements or other similar agreements relating to the Parking

JEFFERSON FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE F - LONG-TERM DEBT (Continued)

Garage, all rents revenues, issues, receipts, and profits derived from the use, operation or occupancy of the Parking Garage, all proceeds of insurance received as a result of any damage to or destruction of the Parking Garage, all amounts received or receivable by the entity as compensation for the transfer of the Parking Garage but only to the extent that such proceeds, award or compensation is not used for the restoration, repair or reconstruction of the Parking Garage.

MORTGAGE

In an act of mortgage dated August 16, 2001, and amended on November 1, 2012, JFI mortgaged, assigned, affected, pledged, and hypothecated in favor of the Bank of New York, as Trustee under the Indenture, its leasehold interest in and to the immovable property under the Sublease Agreement (Note 3), in order to secure the full and punctual payment and performance of the bond.

CAPITALIZED INTEREST

Interest cost incurred to get a capital asset ready for its intended use is capitalized. There was no capitalized interest during the current period.

NOTE G - GARAGE MANAGEMENT

The Parking Garage became operational in August of 2002. JFI is currently entered into a garage management contract with SP Plus Corporation. SP Plus Corporation provides all personnel and maintains controls over cash receipts, accounting procedures, and reporting systems of the garage. JFI reimburses the garage management for allowable operating costs and provides a monthly base management fee. The contract term is from August 1, 2016 through August 31, 2021.

NOTE H- ECONOMIC DEPENDENCY

JFI is dependent on the Jefferson Parish Council to renew annually the appropriation of amounts sufficient to pay the bond payments should the entity's profits not be sufficient to meet the bond requirements.

JEFFERSON FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE I - CONDUIT DEBT OBLIGATION

JFI entered into a Cooperative Endeavor Agreement with the State of Louisiana, the Louisiana

Department of Economic Development, and Northrop Grumman Ship Systems (NGSS) for the purpose of maintaining employment levels at Avondale Shipyard of NGSS. To facilitate that purpose, JFI issued \$40,615,000 of taxable certificates of participation to be used to finance the cost of acquiring and installing property and equipment for use by NGSS at its Avondale operations site in Jefferson Parish. These certificates are secured by a pledge of all rights and interests of JFI in, to and under the Cooperative Endeavor Agreement.

These certificates are special limited obligations of JFI, payable solely from legally available funds as defined in the Certificates. JFI's source of payments will be funds provided by the State of Louisiana subject to annual appropriation by the State of Louisiana pursuant to the Cooperative Endeavor Agreement. The Legislature of the State of Louisiana is not required to appropriate or provide funds for this purpose. The certificates do not constitute a debt or pledge of the general credit or an indebtedness of the State, JFI or any political subdivision of the State, and accordingly have not been reported in the accompanying financial statements. As of June 30, 2018, the aggregate principal outstanding on these certificates was \$13,640,000.

In connection with this agreement, JFI received fees of \$96,000 at the closing and is to receive additional administrative fees of \$36,000 annually beginning October 1, 2005. The final payment is due October 1, 2021. Amounts received under this agreement are reported in the financial statements as non-operating revenues.

NOTE J - SUBSEQUENT EVENTS

Under Jefferson Facilities' Cooperative Endeavor Agreement with Northrop Grumman Shipping Services (NGSS), the State and Jefferson Parish sold certificates of participation to purchase equipment which was leased to NGSS. Among other things, in return, NGSS was to retain a certain level of employment at its Avondale Shipyard in Jefferson Parish. The Cooperative Endeavor Agreement also included penalties and required a payoff of the equipment in the event of a failure to maintain said level of employment. NGSS failed to maintain this level of employment, and as a result paid the State of Louisiana the full amount due under the Cooperative Endeavor Agreement. NGSS now seeks to have the equipment, which is held by the certificate holders' lien, released. The State insists that they will pay the certificate holders the required funds. The State further maintains that they are not obligated to pay the certificate holders in full at this time; nor are they required to defease the bond. JFI has requested that the certificate holders release the equipment, but the

JEFFERSON FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE J - SUBSEQUENT EVENTS (Continued)

certificated holders have not yet agreed to do this. NGSS has threatened litigation if the equipment is not released. There has been no activity in this matter in over three years, and it appears that the status quo will remain for the foreseeable future. Management's attorney believes that JFI need not take action regarding this dispute. It is unlikely that there will be an unfavorable outcome for JFI in this matter due to their passive role in the dispute. Under this Cooperative Endeavor Agreement the State of Louisiana is obligated to reimburse JFI from appropriated funds; therefore, no amounts were recorded in the financial statements relating to this litigation. As of the September 12, 2018 these certificates were paid in full by the State of Louisiana.

JEFFERSON FACILITIES, INC.
SUPPLEMENTARY INFORMATION-BOARD COMPENSATION
FOR THE YEAR ENDED JUNE 30, 2018

BOARD MEMBERS

	<u>Meals</u>	<u>Compensation</u>	<u>Total</u>
James Juneau, President	\$ 356.68	\$ 3,150.00	\$ 3,506.68
Ross P. Liner, Vice-President	\$ 0.00	\$ 3,300.00	\$ 3,300.00
Elliot J. Hano, Secretary	\$ 2,292.07	\$ 3,000.00	\$ 5,292.07

VINCENT R. PROTTI, JR., LLC
Certified Public Accountant

Member American Institute of Certified Public Accountants
The Society of Louisiana CPA's

**INDEPENDENT AUDITOR REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING
STANDARDS**

Board Members of
Jefferson Facilities, Inc.

I 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jefferson Facilities, Incorporated as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued my report thereon dated December 1, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Jefferson Facilities, Incorporated internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the effectiveness of Jefferson Facilities, Inc. 's internal control. Accordingly, I do not express an opinion on the effectiveness of Jefferson Facilities, Inc. 's internal control over financial reporting.

A deficiency in internal control 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 material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink, appearing to read 'V. Protti Jr.', with a long horizontal flourish extending to the right.

Vincent R. Protti Jr., CPA

December 1, 2018

JEFFERSON FACILITIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

I have audited the financial statements of Jefferson Facilities, Incorporated as of June 30, 2018, and have issued my report thereon dated December 1, 2018. I conducted my audit in accordance with auditing standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 2018 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness - No

Other Conditions - No

Compliance

Compliance Material to Financial Statements - No

Section II Financial Statement Findings

None

Prior Year Finding – None

VINCENT R. PROTTI, JR., LLC
Certified Public Accountant

Member American Institute of Certified Public Accountants
The Society of Louisiana CPA's

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Jefferson Facilities, Inc. (JFI) and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by Jefferson Facilities, Inc. (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018, (Year 2). The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted 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 this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions as applicable:

The entity did not have any written policies and procedures during the audit period, but has prepared them and the Board will adopt them soon.

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

No exceptions in year 1.

- 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 endure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

No exceptions in year 1.

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

No exceptions in year 1.

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

No exceptions in year 1.

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

N/A entity does not have employees.

- 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.

No exceptions in year 1.

- g) **Credit Cards (and debit card, fuel card, P-Card, if applicable)**, including (1) how card are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring car usage.

N/A entity does not have any credit cards.

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

No exceptions in year 1.

- 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 entity's ethics policy.

N/A not for profit entity.

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

No exceptions in year 1.

Board (or Finance Committee)

2. Obtain and review the board minutes for the fiscal period, and:

- a. Report whether the managing 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.

The entity met at least once a month, with a quorum present at each meeting. The entity's Board has met at least one per month, noted in the minutes are approval of Board Members per diem amounts (Meals and meetings only), disbursements, review of financial statements and budget numbers, and review of most bank reconciliations

- b. Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis)

Included in the minutes of each meeting was a budget to actual comparisons on the General fund and additional funds considered to be major funds.

- If the budget to actual comparisons show that management was deficit spending during the fiscal period, report whether 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 on board meeting during the fiscal period reflect that the board is monitoring the plan.

I noted no deficit spending or fund balance deficits

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

I noted the minutes included non-budgetary financial information.

Bank Reconciliations

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

I was provided with the listing showing 4 deposit accounts

4. Using the listing provided by managements, select all of the entity's bank accounts. (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than five accounts). If there is a change in practitioners, the new practitioner is not bound

to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, which is all, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a. Bank reconciliations have been prepared;

We were provided with reconciliations for each account for every month of the fiscal year.

- 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; and

No exceptions were noted.

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

We noted items outstanding for more than six months at the end of the fiscal period. Management provided us with documentation showing that it has researched these items.

Collections

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

No exceptions were noted.

6. Using the listing provided by management, select all of the entity's cash collection locations (IF five locations or less) or one-third of the collection locations on a three year rotating basis (if more than five locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected, which is all, obtain bank statements and reconciliations for all months in the fiscal period and report whether:**

Two locations were provided.

- a. Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report 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.

A third party performs all collection activities. They are not bonded and only one person operates the garage so that one person performs the collect, record and deposit process. There are controls from the computerized parking control system. These reports are tested and I have never noted any finds relating to this collection process.

- b. Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity 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 collection location selected.

No exceptions were noted.

- c. Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and;
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Management provided the required documentation for the selected deposits. I noted that all deposits were made within one day of collection, without exception.

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

Management provided the required documentation for the selected deposits. I noted no exceptions.

7. Obtain existing written documentation (e.g. policy, manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) 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.

Management provided the policy manual containing a process to determine completeness of collections. I noted no exceptions with this policy.

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing is complete.

Management provided the cash disbursement listings

9. Using the disbursement population from #8 above, randomly select twenty-five disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than twenty-five transaction during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - 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.

Each selection, other than monthly recurring bills, were initiated using the entity's purchase order system, without exception.

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

Each selection showed evidence of approval by person who did not initiate the purchase, without exception.

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

Each selection showed evidence of approval by person who did not initiate the purchase, without exception.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

I obtained the required documentation and noted that the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the

final authorization for disbursements have no responsibility for initiating or recording purchases.

I obtained the required documentation and noted that the persons with signatory authority do not have access to the purchasing system.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

I noted the persons with signatory authority do not have access to the purchasing system and do not have the ability to print checks.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Per discussion with entity personnel, signature stamps are used with prior approval from the signer. Documentation of this approval is not maintained.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debits cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

N/A, the entity does not have any credit cards. See Management Representation letter.

15. Using the listing prepared by management, randomly select ten cards (or at least one-third of the cards if the entity has less than ten cards), that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a. Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

N/A

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

N/A

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the ten cards selected (i.e. each of the ten cards should have one month of transactions subject to testing.)

- a. For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

N/A

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

N/A

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

- b. For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity'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) and report any exceptions.

N/A – Not for Profit

- Purchase orders were not created for purchases made via credit cards.
- Some purchases made via credit cards did not have itemized receipts. We brought this to the attention of management, who subsequently provided all itemized receipts.
- Many purchases made via credit cards did not have adequate documentation of business/public purpose, as required by City policy.

- c. For each transaction, compare the entity'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.) If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We noted no exceptions in the selected transactions.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

The entity did not have any travel reimbursements only Expense reimbursements and Management required the requested listing.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Management provided their written policies and we noted no amounts that exceeded GSA rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person. Including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a. Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g. rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

N/A.

- b. Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

We were provided with an original itemized receipt for each of the selected transactions, meal reimbursements without exception.

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

We noted documentation of the business/public purpose on each of the selected transactions, without exception.

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

N/A

- c. Compare the entity'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. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We noted no exceptions in the selected transactions.

- d. Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We noted that all selected transactions showed evidence of review and approval by the Board or someone other than the person receiving the reimbursement.

Contracts

- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

N/A

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

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

N/A

- b. Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g. solicited quotes or bids, advertisement, selected lowest bidder)

N/A

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best price.

N/A

- c. Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an arrangement.

N/A

- d. Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

N/A.

- e. Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

N/A

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

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

N/A

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

N/A

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a. Report whether all selected employees/officials documented their daily attendance and leave (e.g. vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

N/A

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

N/A

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

N/A

24. Obtain from management a list of those employees/officials that terminated during the fiscal and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

N/A

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report 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.

N/A

Ethics N/A

Debt Services N/A

Other

26. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Per management, there were no funds or assets misappropriated during the period.

27. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

We viewed the notice required by R.S. 24:523.1 posted on the entity's premise and website.

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

N/A – no exception noted.

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

Management has responded, see attached.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, 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 LLA as a public document.



Vincent R. Protti Jr., CPA

527 Huey P. Long Avenue

Gretna, La. 70053

December 1, 2018

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December 14, 2018

VIA EMAIL: vrpotti@yahoo.com

Vincent R. Protti, Jr.
Certified Public Accountant
527 Huey P. Long Avenue
Gretna, LA 70053

RE: JFI AUP Report

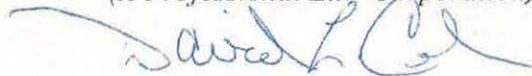
Dear Vincent:

Please be informed that this letter is sent on behalf of my client Jefferson Facilities, Inc. (JFI) and in response to your AUP report.

- 1) Please be informed that the JFI adopted Written Policies and Procedures on December 11, 2018, a copy of which I had previously provided you;
- 2) Due to economic factors there is only one employee that can be employed to handle the collection process; and
- 3) The contract JFI has with SP Plus to operate the parking facilitates does not require the operator to bond it's employees.

Yours truly,

COLVIN LAW FIRM
(A Professional Law Corporation)



David L. Colvin

DLC/dc

cc: Jefferson Facilities, Inc. Board Members *(via email)*