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

**JEFFERSON FACILITIES, INC.**

**Year ended June 30, 2017**

**JEFFERSON FACILITIES, INC.**

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

Year ended June 30, 2017

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

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

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**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, 2017 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.

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Gretna, LA 70053

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 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**

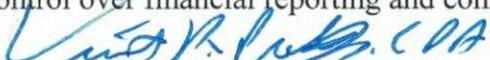
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson Facilities, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **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 November 30, 2017, 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

November 30, 2017

**JEFFERSON FACILITIES, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

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, 2017. 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 \$6,505 million for fiscal year ending 2016 compared to \$6,856 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 2016 and 2015 on behalf of JFI.
- Parking garage operating revenues (or deficit) from the parking garage activities were \$5,238 and \$(17,080) for 2016 and 2015, 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, 2016**

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, 2016, the aggregate principal outstanding on these certificates was \$17,990,000.

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 \$294,025 and total liabilities are \$6,799,195 which result in unrestricted net deficit of \$6,505,170.

JFI's total operating revenues for the year ended 2016 are \$417,917 of which 99% is derived from parking garage fees compared to \$410,674, of which 99% was also derived from parking garage fees in 2015. The major operating expenses for the year ended 2016 include payroll of \$150,641 and insurance of \$78,153, compared to payroll of \$147,043 and insurance of \$72,780, for the year ended 2015.

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 2016.

**JEFFERSON FACILITIES, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

**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>
2017	\$ 335,000	\$ 211,294	\$ 546,294
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 - 2026	2,045,000	606,376	2,651,376
2027 - 2031	<u>2,465,000</u>	<u>260,186</u>	<u>2,725,186</u>
	<u>\$ 6,285,000</u>	<u>\$ 1,836,582</u>	<u>\$ 8,121,582</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, 2016**

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 \$5,238 and \$(17,080) for the years ended 2016 and 2015, 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 2016 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, 2016, the aggregate principal outstanding on these certificates was \$17,990,000.

**JEFFERSON FACILITIES, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

**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, 2017**

ASSETS	
Current Assets	
Cash and Cash Equivalent	\$ 66,145
Accounts Receivable	<u>10,086</u>
Total Current Assets	76,231
Non-current Assets	
Deferred Amount on Refunding	71,829
Unamortized Issuance Cost	<u>115,997</u>
Total Non-current Assets	<u>187,826</u>
Total Assets	\$ <u>264,057</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 17,000
Bond Interest Payable	35,215
Loan Payable - Current	335,000
Due to Jefferson Redevelopment, Inc.	191
Due to Jefferson Parish	<u>191</u>
Total Current Liabilities	<u>\$ 387,597</u>
Non-current Liabilities	
Unamortized Premium on Refund	121,916
Loan Payable - Noncurrent	<u>5,950,000</u>
Total Non-current Liabilities	<u>6,071,916</u>
Total Liabilities	<u>\$6,459,513</u>
NET ASSETS	
Unrestricted (Deficit)	<u>(6,195,456)</u>
Total Net Assets (Excess of Liabilities)	<u>\$ (6,195,456)</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, 2017**

	<u>TOTAL</u>	<u>PROGRAM SERVICES EXPENSES</u>	<u>MANAGEMENT &amp; GENERAL EXPENSES</u>
<b>OPERATING REVENUES:</b>			
Parking Garage Revenue	\$ 406,969		
Other Revenue	<u>2,661</u>		
Total Operating Revenue	<u>409,630</u>		
<b>OPERATING EXPENSES:</b>			
Accounting	29,615		29,615
Amortization	4,652		4,652
Auto Mileage	1,250	1,250	
Bank & Credit Card Service Charges	16,581		16,581
Base Management Fees	21,600		21,600
Board Compensation	12,150		12,150
Bond Trustee Fees	3,000		3,000
Contract Sweeping	1,950	1,950	
Insurance	82,831		82,831
Legal	31,151	31,151	
Meals	3,177		3,177
Miscellaneous	1,122	1,122	
Office Expenses	11,092	11,092	
Payroll	145,853	145,853	
Professional Fees	4,442		4,442
Rent	24		24
Repairs and Maintenance	10,212	10,212	
Retirement	3,342	3,342	
Sales Tax	35,437	35,437	
Sponsorships	37,000	37,000	
Total Operating Expenses	<u>456,481</u>	<u>278,409</u>	<u>178,072</u>
Operating Income/(Loss)	(46,851)		
<b>NONOPERATING REVENUES/ (EXPENSE)</b>			
Administrative Fee Income	36,000		
Bond Interest Expense	<u>( 213,494)</u>		
Total Non-operating Revenues/ (Expenses)	<u>( 177,494)</u>		
Income/ (loss) before Contributions and Transfers	( 224,345)		
<b>CAPITAL TRANSFERS</b>			
Capital Transfers In	544,594		
Capital Transfers (Out)	<u>( 10,535)</u>		
Total Capital Transfers In (Out)	<u>534,059</u>		
Change in Net Assets	309,714		
Net Assets (Excess of Liabilities) Beginning of Year	<u>(6,505,170)</u>		
Net Assets (Excess of Liabilities) End of Year	<u>\$ (6,195,456)</u>		

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

**JEFFERSON FACILITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**JUNE 30, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash Received from Parking Garage Operations	\$ 109,435
Other Operating Cash Receipts	575
Cash Payments for Professional Services	(71,302)
Cash Payments for Board Commissions	(15,327)
Cash Payments for Sponsorships	(37,000)
Cash Payments for Insurance	(24,551)
Cash Payments for Other Goods and Services	<u>( 5,983)</u>
Net cash provided (used) by operating activities	<u>(44,153)</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 ( 8,153)

CASH AND CASH EQUIVALENTS, beginning of year 74,298

CASH AND CASH EQUIVALENTS, end of year \$ 66,145

**SUPPLEMENTAL DISCLOSURES**

Interest Paid	\$ 213,494
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, 2017**

**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, 2017**

**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, 2017, the carrying amount of JFI's unrestricted deposits was \$66,145 which equaled the bank balances.

**NOTE C - LEASED FACILITIES**

The parking operations of JRI 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, 2017**

**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, 2017**

**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>	
2018 - 2022	\$ 120
2023 - 2027	120
2028 - 2031	<u>76</u>
Total	<u>\$ 316</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, 2017**

**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 - 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>
2017	\$ 335,000	\$ 211,294	\$ 546,294
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 - 2026	2,045,000	606,376	2,651,376
2027 - 2031	<u>2,465,000</u>	<u>260,186</u>	<u>2,725,186</u>
	<u>\$ 6,285,000</u>	<u>\$ 1,836,582</u>	<u>\$ 8,121,582</u>

**JEFFERSON FACILITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE D - LONG-TERM DEBT (Continued)**

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 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 E - 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.

**JEFFERSON FACILITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE F - 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.

**NOTE G - 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, 2017, the aggregate principal outstanding on these certificates was \$15,880,000.

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.

**JEFFERSON FACILITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE H - 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 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 date this report was released, no lawsuit has been filed.

Jefferson Facilities, Incorporated also refinanced their only outstanding bond on November 1, 2012 with the Series 2012 Bonds.

**JEFFERSON FACILITIES, INC.  
BOARD COMPENSATION  
FOR THE YEAR ENDED JUNE 30, 2017**

**BOARD MEMBERS**

	<u>Meals</u>	<u>Compensation</u>	<u>Total</u>
James Juneau, President	\$ 0.00	\$ 4,050.00	\$ 4,050.00
Ross P. Liner, Vice-President	\$ 0.00	\$ 4,050.00	\$ 4,050.00
Elliot J. Hano, Secretary	\$ 3,177.16	\$ 4,050.00	\$ 7,227.16

# VINCENT R. PROTTI, JR., LLC

*Certified Public Accountant*

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

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## **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, 2017, and the related notes to the financial statements, and have issued my report thereon dated November 30, 2017.

### 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.

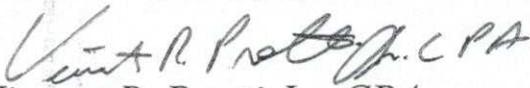
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during 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.

  
Vincent R. Protti Jr., CPA

Vincent R. Protti Jr., LLC  
Certified Public Accountant  
Gretna, Louisiana  
November 30, 2017

JEFFERSON FACILITIES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017

I have audited the financial statements of Jefferson Facilities, Incorporated as of June 30, 2017, and have issued my report thereon dated November 30, 2017. 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, 2017 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

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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, 2016 through June 30, 2017. 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

The entity does not have any written policies and procedures.

Board

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.
- 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 review of actual financials, no budgets.

Office (504) 365-8066  
527 Huey P. Long Avenue  
Gretna, Louisiana 70053

- 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.

The entity's Board has meet 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

#### Bank Reconciliations

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

We were provided with the listing showing 4 deposit accounts

- b. Using the listing provided by managements, select all of the entity's bank accounts. 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:
  1. Bank reconciliations have been prepared;  
We were provided with reconciliations for each account for every month of the fiscal year.
  2. Bank reconciliations include evidence that a member of management or a board has reviewed each bank reconciliation; and

The entity did not indicate on each bank reconciliation that it was reviewed nor that 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.

#### Collections

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

Management provided that there were no cash collections

#### Disbursements

- a. 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

- b. Using the disbursement population from above, randomly select 25 disbursements, there is no credit cards. Obtain supporting documentation for each transaction and report whether the supporting documentation for each transaction demonstrated that:

There is no purchase order system, requisitions, electronic equivalent, no receiving report. The Entity only has a Board that is made up of three members they sign and approved all invoices.

The entity did not post the notice required by R.S. 24:523.1 as of July 1, 2016.

JFI does not have any of the following - employees, credit cards, no cash collections, no travel reimbursements, does not have to comply with the public bid laws regarding contracts, or had any debt issued during the current year, which was obtained from management's representations.

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 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 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.

November 30, 2017

v 11/22/17 1000

# COLVIN LAW FIRM

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November 16, 2017

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

RE: *Jefferson Facilities, Inc.*  
Independent Accountant's Report on Applying Agreed-Upon Procedures

Dear Vincent:

The Board of Directors of Jefferson Facilities, Inc. (JFI) has received your report on applying agreed-upon procedures and responds as follows:

**Finding #1**

The entity does not have any written policies and procedures.

**Management's Response to Finding #1**

Since the inception of JFI, the Board has followed certain policies and procedures. Those policies and procedures were heretofore not formally recorded except for the following:

- 1) Per Diems: The Treasure[r] submits a monthly report showing the dates of Board Meetings and who attend[s] and how much they should be paid for the per diems (these reports are attached as item #7). This report is emailed to the Bookkeeper with a copy to all Board Members and General Counsel with request it be paid. Bookkeeper prepares check which requires two Board Members/Officer[s] signatures.
- 2) Meal reimbursements: The invoice that is to be reimbursed along with detail items is emailed to Bookkeeper, Board Members and General Council (sic) with request are all attached as item #5 (Note that some of the earlier details are missing). The Bookkeeper prepares check which requires two signatures of Board Members/Officers.

The above policies having been adopted, formally and in writing, via the signed Minutes of the Board of Directors, January 14, 2015 meeting with incorporated attachments. The Board is currently in the process of drafting a formal document titled Policy and Procedure Manual.

**Finding #2**

The entity did not post the notice required by R.S. 24:523.1 as of July 1, 2016.

**Management's Response to Finding #2**

A notice setting forth information concerning the reporting of misappropriation, fraud, waste, or abuse of public funds has now been posted in a conspicuous place upon the premises of JFI's office pursuant to La. R.S. 24:523.1.

**Finding #3**

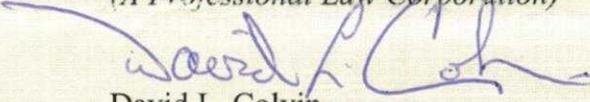
The entity did not indicate on each bank reconciliation that it was reviewed not that management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

**Management's Response to Find #3**

Although not indicated on the physical document, each bank reconciliation is reviewed by the Board. Such review is documented in the relevant minutes of the meetings of the Board. Going forward, the Board will now sign and date each bank reconciliation contemporaneously with its review.

Yours truly,

**COLVIN LAW FIRM**  
*(A Professional Law Corporation)*

  
David L. Colvin

DLC/BTS

cc: James Juneau  
Elliot Hano  
Ross Liner