RECEIVED
LEGISLATIVE AUDITOR

04 DEC 29 PM 12:28

MANAGEMENT'S DISCUSSION AND ANALYSIS AND

BASIC FINANCIAL STATEMENTS

JEFFERSON FACILITIES, INC.

Year ended June 30, 2004

HMH

HANFORD M. HARRISON, L.L.C.

Certified Public Accountants

GRETNA, LOUISIANA

JEFFERSON FACILITIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS AND
BASIC FINANCIAL STATEMENTS

Year ended June 30, 2004

TABLE OF CONTENTS

Report of Independent Auditors 1

Management's Discussion and Analysis.. 3

Basic Financial Statements

Statement of Net Assets.. 6

Statement of Activities, and Changes in Net Assets.. 7

Statement of Cash Flows 8

Notes to Basic Financial Statements 10

Special Reports of Certified Public Accountants

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of *Financial Statements Performed in Accordance with* Government Auditing Standards..15

Schedule of Findings and Questioned Costs.. 16

HMH

HANFORD M. HARRISON, L.L.C.

Certified Public Accountants

Hanford M. Harrison, C.P.A.
Vincent R. Protti, Jr., C.P.A.

Marshall R. Harrison

Member
American Institute
Certified Public Accountants
The Society of Louisiana CPAs
Government Finance Office Assn.

Independent Auditor's Report

Jefferson Facilities, Inc.
1100 4th Street
Gretna, LA 70002

We have audited the accompanying component unit financial statements of Jefferson Facilities, Inc., (a non-profit corporation) Gretna, LA, a component unit of the Parish of Jefferson, State of Louisiana, under accounting principles generally accepted in the United States of America, as of and for the year ended June 30, 2004, as listed in the table of contents to the report. These financial statements are the responsibility of the Jefferson Facilities, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Jefferson Facilities, Inc., Louisiana, as of June 30, 2004, and the results of its operations and cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the financial statements, Jefferson Facilities, Inc. adopted the provisions of the Governmental Accounting Standards Board Statement Number 34,, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, during the year ended June 30, 2004.

Management's discussion and analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

(504) 368-2501
Fax: (504) 362-0589
1027 Whitney Avenue • Gretna, LA 70056

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2004 on our consideration of the Jefferson Facilities, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Hanford M Harrison LLC

Hanford M. Harrison, LLC.
October 25, 2004

JEFFERSON FACILITIES, INC
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2003 and 2004

The Management's Discussion and Analysis (MD&A) of Jefferson Facilities, Inc.'s (JFI) financial performance provides an overview and an objective narrative analysis of JFI's financial activities for the year ended June 30, 2004. Please read it in conjunction with JFI's financial statements.

The MD&A is a new element of the Required Supplementary Information specified in the Governmental Accounting Standards Boards (GASB) Statement No. 34. Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Government 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 liabilities of JFI exceeded its assets by $9.8 million for fiscal year ending 2004 compared to $9.4 million in the prior year. This is due to the structure of JFI. Jefferson Redevelopment Inc. (JRI), a public benefit non-profit corporation, and the Parish of Jefferson (Parish). JFI and JRI were created by the governing authority of Jefferson Parish. To date, the only project undertaken by JFI and JRI is the construction and management of a parking garage for Jefferson Parish. Jefferson Parish leased certain tracts of 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 a 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 of 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 August 2004 on behalf of JFI.

- Parking Garage revenue reduced operating expenses by $55,887 for the fiscal year ending 2004 compared to $20,752 in the prior year.

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 $102,731 and total liabilities are $9,914,413 which results in unrestricted net assets stated at a negative $9,811,682. The change in net assets for the current year resulted in a $399,768 loss. For fiscal year ending 2003, the unrestricted net assets were a negative $9,411,914. The increase in negative unrestricted assets is due primarily to the liability due to Jefferson Parish of $445,107 for interest costs of the bond obligation and $165,000 liability reflecting the principal due on the bond obligation. Both the interest and principal were paid by the Parish of Jefferson.

JFI's total operating revenues for the year ended 2004 are $333,100, of which 99% is derived from parking garage fees compared to $257,199, of which 99% was also derived from parking garage fees in 2003. The major operating expenses for the year ended 2004 include payroll of $126,440 (46%), insurance of $50,547 (18%), and base management fees of $48,000 (17%) compared to payroll of $124,052 (52%), insurance of $44,337 (19%), and base management fees of $44,000 (18%) for the year ended 2003.

The non-operating revenues and expenses for JFI are related to the bond issue for the construction of the parking garage and accounts for 5% of the total net assets for the years ended 2004 and 2003.

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 2004.

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%. The debt service schedule is as follows:

Year	Principal	Interest	Total Debt
2004	$ 165,000	$ 455,715	$ 620,715
2005	$ 175,000	$ 448,290	$ 623,290
2006	$ 180,000	$ 440,415	$ 620,415
2007	$ 190,000	$ 431,865	$ 621,865
2008-2012	$1,085,000	$2,026,150	$3,111,150
2013-2017	$1,360,000	$1,750,750	$3,110,750
2018-2022	$1,735,000	$1,374,750	$3,109,750
2023-2027	$2,215,000	$ 896,000	$3,111,000
2028-2031	$2,210,000	$ 283,250	$2,493,250

Economic Factors and New Year's Budget

The parking garage provides a desperately needed service for Parish administrative functions as well as the entire judicial function including the District Attorney, The Court System, and the Correctional functions. 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.

Rising operational costs such as insurance and 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 revenues exceed operating expenses by \$55,887 and \$20,752 for the years ended 2004 and 2003, respectively. However, should 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 2004 Budget to cover the total debt service obligation on the bonds.

JEFFERSON FACILITES, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2004

ASSETS	
Cash and Cash Equivalents	$ 56,082
Due from Central Parking	27,581
Due from Jefferson Redevelopment, Inc.	19,068
Total Assets	$ 102,731
LIABILITIES	
Current Liabilities:	
Accrued Expenses	$ 2,048
Bond Interest Payable	152,258
Due to Jefferson Parish	445,107
Total Current Liabilities	599,413
Non-current liabilities:	
Bonds Payable	9,315,000
Total Liabilities	9,914,413
NET ASSETS	
Unrestricted	(9,811,682)
Total Net Assets	$ (9,811,682)

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

JEFFERSON FACILITES, INC.
STATEMENT OF ACTIVITIES, AND CHANGES IN NET ASSETS
JUNE 30, 2004

OPERATING REVENUES:	
Parking Garage Revenue	$ 330,693
Other Revenue	2,407
Total Operating Revenue	$ 333,100
OPERATING EXPENSES:	
Accounting and Legal	30,072
Automobile	550
Bank Service Charges	434
Base Management Fees	48,000
Bond Trustee Fees	4,500
Construction Residual	5,000
Contract Sweeping	600
Equipment	792
Insurance	50,547
Lease Expense	12
Miscellaneous	376
Payroll	126,440
Repairs and Maintenance	5,712
Supplies	3,252
Utilities	926
Total Operating Expenses	277,213
Operating Income/ (Loss)	55,887
NONOPERATING REVENUES / (EXPENSE)	
Bond Dividend Income	60
Bond Interest Expense	(455,715)
Total Non-operating Revenues / (Expenses)	(455,655)
Income / (loss) before Contributions and Transfers	(399,768)
Capital Transfers Out	-
Change in Net Assets	(399,768)
Net Assets at Beginning of Year	(9,411,914)
Net Assets at End of Year	$(9,811,682)

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

JEFFERSON FACILITES, INC.
STATEMENT OF CASH FLOWS
JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Parking Garage Operations	93,229
Other Operating Cash Receipts	3,295
Cash Payments for Professional Services	(48,600)
Cash Payments for Other Services	(31,071)
Net cash provided (used) by operating activities	16,853
CASH FLOWS FROM CAPITAL and RELATED FINANCING ACTIVITIES:	
Transfers from Jefferson Parish	445,107
Payments for bond debt service	(455,715)
Payments for fees associated with outstanding Bonds	(80)
Net cash provided (used) by capital and related financing activities	(10,688)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Dividends on Bond Investments	140
Net cash provided (used) by investing activities	140
NET increase (decrease) in cash and cash equivalents	6,305
CASH AND CASH EQUIVALENTS, beginning of year	49,777
CASH AND CASH EQUIVALENTS, end of year	$ 56,082

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

JEFFERSON FACILITES, INC.
STATEMENT OF CASH FLOWS (continued)
JUNE 30, 2004

Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	$ 55,887
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	(41,059)
Increase (decrease) in accrued expenses	2,025
Net cash provided (used) by operating activities	$ 16,853

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, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Jefferson Facilities, Inc. (the entity) was formed on January 11, 2001 as a private non-profit corporation pursuant to the Louisiana Nonprofit Corporation Law (Chapter 2 of Title 12 of the Louisiana Revised Statues 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 Statures 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 serves without compensation.

1. <u>FINANCIAL REPORTING ENTITY</u>
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. <u>BASIS OF ACCOUNTING</u>
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 measurement made. The activities of Jefferson Facilities, Inc. 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 Central Parking Systems (garage management company).

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Accounting," it is Jefferson Facilities, Inc's policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Jefferson Facilities, Inc. has not adopted any Financial Accounting Standards Board Statements or Interpretations, Accounting Principles Board

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Opinion or Accounting Research Bulletins of the Committee on Accounting Procedures issued after November 30, 1989. In addition, these financial statements include the implementation of GASB Statement Number 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and related standards.

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 coextensive with the boundaries of the Jurisdiction.

The initial project undertaken by the corporation is for the development, design, construction and operation of a parking garage and operation of surface parking facilities. As of the report date, this is the only project in operation.

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 legislations adopted by the city or through restrictions imposed by contracts.

NOTE B - CASH

At June 30, 2004, the carrying amounts of Jefferson Facilities, Inc.'s unrestricted deposits were $56,081, which equaled the bank balances. No deposits were unsecured or uncollateralized at year end.

NOTE C - AGREEMENTS

1. COOPERATIVE ENDEAVOR AGREEMENT

The entity 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.

a. <u>SUBLEASE AGREEMENT</u>

The Parish of Jefferson has leased certain tracts of land situated in Jefferson Parish, Louisiana, upon which the parking garage is constructed to Jefferson Redevelopment, Inc., a public benefit non-profit organization.

Jefferson Facilities, Inc. entered into a sub-lease agreement with the Jefferson Redevelopment, Inc. on August 1, 2001 for the land on which the parking garage is built. Jefferson Facilities, Inc. has the right to use and enjoy the premises for the construction and operation of the parking garage. In consideration of this Sublease, Jefferson Facilities, Inc. agrees to design, build, maintain and operate a Parking Garage and agrees to pay rental of one dollar ($1.00) per month to Jefferson Redevelopment, Inc. The lease ends at midnight on August 1, 2031, or the date, on which the Bonds have been paid in full, whichever is later.

Future Minimum Lease Payments:

2004	$ 6.00
2005	12.00
2006	12.00
2007	12.00
2008	12.00
2009	12.00
2010-2014	60.00
2015-2019	60.00
2020-2024	60.00
2025-2029	60.00
2030-2031	19.00
Total	$325.00

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

b. <u>FACILITIES LEASE AGREEMENT</u>

Jefferson Facilities, Inc. 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 consideration for the use of the parking spaces, the Parish has contracted with Jefferson Facilities, Inc. to provide funds to Jefferson Facilities, Inc., which, when combined with rental revenues available from the operation of the parking garage, will be sufficient to pay debt service on the Bonds. The lease payments are due prior to each interest payment date for the bonds 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.

NOTE C – AGREEMENTS (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 payments 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.

NOTE D - LONG-TERM DEBT

On August 1, 2001, Jefferson Facilities, Inc. entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to obtain financing of $9,315,000 to design and construct parking facilities at the Gretna Courthouse Complex, Gretna, Louisiana. Financing of the project is through the issuance of Revenue Bonds (Jefferson Facilities, Inc.-Jefferson Parking Garage Project), Series 2001. The Bonds have yearly fixed rates of interest at an average yield of 4.55% and are due in varying installments through 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 Bonds; and to pay costs of issuance of the Bonds.

Scheduled Annual Debt Service:

YEAR	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE
2004	$ 165,000	$ 455,715	$ 620,715
2005	175,000	448,290	623,290
2006	180,000	440,415	620,415
2007	190,000	431,865	621,865
2008	200,000	422,840	622,840
2009-2013	1,130,000	1,979,310	3,109,310
2014-2018	1,430,000	1,682,750	3,112,750
2019-2023	1,820,000	1,288,000	3,108,000
2024-2028	2,325,000	785,250	3,110,250
2029-2031	1,700,000	172,750	1,872,750
	$9,315,000	$8,107,185	$17,422,185

Jefferson Facilities, Inc. is to repay the loan from receipts, revenues, income and other money received by Jefferson Facilities, Inc. from the operation of the parking garage.

LOAN AND ASSIGNMENT AGREEMENT

A Loan and Assignment Agreement dated August 1, 2001 between the Louisiana Local Government Environmental Facilities and Community Development Authority and Jefferson

NOTE D – LONG-TERM DEBT (continued)

Facilities, Inc. was executed for the benefit of the Trustee for the owners from time to time of the bonds whereby Jefferson Facilities, Inc. 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, Jefferson Facilities, Inc. 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 bonds.

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. Jefferson Facilities, Inc. entered into a garage management contract with Park One / Common, LLC (who was subsequently bought by Central Parking System). Central Parking System provides all personnel and maintains controls over cash receipts, accounting procedures, and reporting systems of the garage. Jefferson Facilities, Inc. reimburses the garage management for allowable operating costs and provides a monthly base management fee. The contract term is for five years through August 31, 2007 with a five year option through August 31, 2012.

NOTE F – ECONOMIC DEPENDENCY

Jefferson Facilities, Inc. 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 – SUBSEQUENT EVENTS

Jefferson Facilities, Inc. 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. A resolution was passed on September 24, 2004 authorizing the execution of a "Credit Agreement", "Lease Agreement", and "Certificate Purchase Agreement" to facilitate that purpose.

HANFORD M. HARRISON, L.L.C.
Certified Public Accountants

Hanford M. Harrison, C.P.A.
Vincent R. Protti, Jr., C.P.A.

Marshall R. Harrison

Member
American Institute
Certified Public Accountants
The Society of Louisiana CPAs
Government Finance Office Assn.

Report on Compliance and Internal Control

JEFFERSON FACILITIES, INC.
GRETNA, LA 70002

We have audited the basic financial statements of Jefferson Facilities, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated October 25, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jefferson Facilities, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness. This report is intended solely for the information and use of the audit committee, management, Jefferson Parish Council, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Hanford M. Harrison, L.L.C.
October 25, 2004

(504) 368-2501
Fax: (504) 362-0589
1027 Whitney Avenue • Gretna, LA 70056

JEFFERSON FACILITIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

We have audited the financial statements of JEFFERSON FACILITIES, INC. as of June 30, 2004, and have issued our report thereon dated October 25, 2004. We conducted our audit in accordance with auditing standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2004 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

Prior Period Findings, Recommendations, and Responsses

Finding 2003-1

The Parking Garage Agreement states that non on-site employee's salaries should be paid from the Base Management Fee of $4,000 per month (Article VII Section 7.2). Central Parking System included such non on-site salaries in the category of "Payroll" on the monthly Variance Report, which is a reimbursable item through the Monthly Variance Report. The amount expensed to Jefferson Facilities, Inc. for non on-site salaries for fiscal year ended June 30, 2003 totaled $24,514.16.

Recommendation:

We recommend that Jefferson Facilities, Inc. review the Parking Garage Management Agreement and determine that Central Parking System has complied with the Parking Garage Management Contract.

Response:

Jefferson Facilities, Inc.'s management has amended the parking garage management agreement to include the off-site manager's pro-rated salary and benefit costs in the budget for approval. This will be in addition to the base management fee. Additionally, the garage management will eliminate the position of on-site manager whose responsibilities will be assumed by the on-site supervisor.

Finding 2003-2

The parking garage manager received pay rate increases totaling 7.66% during the fiscal year ended June 30, 2003. The garage management agreement states that raises are not to exceed 5.00% without Jefferson Facilities, Inc approval. No approval was noted in the records reviewed.

Recommendation:
We recommend that Jefferson Facilities, Inc. review the Parking Garage Management Agreement and the Payroll Distribution Reports to determine that Central Parking System has complied with the Parking Garage Management Contract.

Respose:
The garage manager's duties expanded from facility bookkeeper to include supervisory responsibilities when the on-site manager position was eliminated. The increase in salary is a result of a change in job duties.

Finding 2003-3
Jefferson Facilities, Inc. entered into an agreement with Jefferson Parish to lease to the Parish 200 parking spaces at the Gretna location. Presently there are 854 parking cards issued to various Jefferson Parish departments that would allow access to the Gretna location.

Recommendation:
We recommend that Jefferson Facilities, Inc. review the Facilities Lease Agreement with Jefferson Parish and parking activity reports that may be available to determine that Jefferson Parish has complied with the Facilities Lease Agreement.

Respose:

There is neither evidence nor reports available to indicate that Jefferson Parish parking cards are being utilized to detriment of garage revenues.