

**UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-22-04

University Facilities, Inc.
Hammond, Louisiana

As of and for the Year Ended June 30, 2004

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Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
HAMMOND, LA • AMITE, LA

John N. Durnin, CPA
Dennis E. James, CPA

Member
American Institute of CPA's
Society of Louisiana CPA's

August 23, 2004

Independent Auditor's Report

University Facilities, Inc.
c/o Mr. Stephen Smith
SLU Box 10709
Hammond, Louisiana 70402

We have audited the accompanying statement of financial position of University Facilities, Inc., (a nonprofit organization) as of June 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of University 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 financial statements referred to above present fairly, in all material respects, the financial position of University Facilities, Inc., as of June 30, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2004, on our consideration of University Facilities, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

Respectfully submitted,



Durnin & James, CPAs
(A Professional Corporation)

University Facilities, Inc.
Hammond, Louisiana

Exhibit A

Statement of Financial Position

June 30, 2004

	<u>2004</u>
Assets	
Current Assets:	
Cash	\$ 30,066
Investments	109,877
Accounts Receivable - Rental	72,684
Prepaid Insurance	<u>63,576</u>
Total Current Assets	\$ 276,203
Restricted For Debt Service:	
Cash	\$ 481,781
Property, Equipment, and Leasehold Improvements:	
Equipment	\$ 58,636
Leasehold Improvements	17,199,776
Portable Building	5,332
Less: Accumulated Depreciation	<u>(3,691,389)</u>
Total Property, Equipment, and Leasehold Improvements	\$ 13,572,355
Other Assets:	
Deferred Financing Costs	\$ 296,672
Less: Accumulated Amortization	<u>(45,158)</u>
Total Other Assets	\$ <u>251,514</u>
Total Assets	\$ <u><u>14,581,853</u></u>

(Continued)

University Facilities, Inc.
Hammond, Louisiana

Exhibit A
(Continued)

Statement of Financial Position (Continued)

June 30, 2004

	<u>2004</u>
Liabilities and Net Assets	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 2,175
Salaries Payable	9,429
Note Payable - Hibernia	<u>397,246</u>
Total Current Liabilities	\$ 408,850
Current Liabilities (Payable from Restricted Assets):	
Revenue Bonds Payable	\$ 945,455
Accrued Interest Payable	<u>112,861</u>
Total Current Liabilities (Payable from Restricted Assets)	\$ 1,058,316
Long-Term Liabilities:	
Revenue Bonds Payable	\$ 13,999,545
Note Payable - Hibernia	<u>398,542</u>
Total Long-Term Liabilities	<u>\$ 14,398,087</u>
Total Liabilities	\$ 15,865,253
Net Assets	
Unrestricted, Undesignated	<u>\$ (1,283,400)</u>
Total Net Assets	<u>\$ (1,283,400)</u>
Total Liabilities and Net Assets	<u><u>\$ 14,581,853</u></u>

The accompanying notes are an integral part of this statement.

University Facilities, Inc.
Hammond, Louisiana

Exhibit B

Statement of Activities

For the Year Ended June 30, 2004

	<u>2004</u>
Unrestricted Net Assets - Revenues and Other Support	
Rental Income	\$ 1,578,755
Donations	-
Interest Income	<u>7,909</u>
Total Unrestricted Revenues and Other Support	\$ 1,586,664
Expenses:	
Amortization Expense	\$ 11,615
Depreciation Expense	941,138
Equipment Expense	-
Financing Costs:	
Administrative Costs	10,231
Interest Costs	393,845
Letter of Credit Fees	133,651
Remarketing Fees	15,208
Insurance	130,844
Interest Expense - Loan Interest	25,959
Loan Servicing Fee	825
Payroll Expenses	81,547
Professional Fees	7,035
Miscellaneous	<u>393</u>
Total Expenses	\$ 1,752,291
Increase / (Decrease) in Unrestricted Net Assets	\$ (165,627)
Net Assets - Beginning of the Year	<u>\$ (1,117,773)</u>
Net Assets - End of the Year	<u>\$ (1,283,400)</u>

The accompanying notes are an integral part of this statement.

University Facilities, Inc.
Hammond, Louisiana

Exhibit C

Statement of Cash Flows

For the Year Ended June 30, 2004

	2004
Cash Flows from Operating Activities:	
Change in Net Assets	\$ (165,627)
Adjustments to Reconcile Change in Net Assets to	
Net Cash Used by Operating Activities:	
Depreciation and Amortization	952,753
(Increase) / Decrease in Accounts Receivable	(60,618)
(Increase) / Decrease in Prepaid Insurance	3,690
Increase / (Decrease) in Accounts Payable	(41)
Increase / (Decrease) in Salaries Payable	9,429
Increase / (Decrease) in Accrued Interest Payable	43,841
Net Cash Provided by Operating Activities	\$ 783,427
 Cash Flows from Investing Activities:	
Purchases of Fixed Assets	\$ -
Liquidation of Restricted & Unrestricted Investment Securities	(923)
Net Cash (Used) in Investing Activities	\$ (923)
 Cash Flows from Financing Activities:	
Principal Payments on Hibernia Loan	\$ (416,400)
Principal Payments on Bonds	(340,000)
Net Cash (Used) by Financing Activities	\$ (756,400)
Net Increase / (Decrease) in Cash and Cash Equivalents	\$ 26,104
 Cash and Cash Equivalents - Beginning of the Year	\$ 485,743
Cash and Cash Equivalents - End of the Year	\$ 511,847
 Cash and Cash Equivalents:	
Unrestricted	\$ 30,066
Restricted for Debt Service	481,781
	\$ 511,847
 Supplemental Data:	
Interest Paid (Net of Amounts Capitalized)	\$ 419,804

The accompanying notes are an integral part of this statement.

University Facilities, Inc.
Hammond, Louisiana

Notes to Financial Statements

June 30, 2004

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University Facilities, Inc.
Hammond, Louisiana

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

The financial statements of University Facilities, Inc. (the Organization) have been prepared on the accrual basis. The significant accounting policies that follow are provided to enhance the usefulness of the financial statements to the reader.

A. Organization

University Facilities, Inc. is a private nonprofit organization and is formed to promote, assist, and benefit the mission of Southeastern Louisiana University through the acquisition, construction, development, management, leasing or otherwise assisting in the acquisition, construction, development, management, or leasing of student housing or other facilities on the campus of Southeastern Louisiana University. The majority of the Organization's revenue comes from the leasing of facilities to the University of Louisiana System, State of Louisiana.

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

B. Fair Values of Financial Instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash – The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

C. Investment Securities

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

D. Accounts Receivable

Accounts receivable are fully collectible; therefore, no allowance for uncollectibles is required.

E. Statement of Cash Flows

For the purposes of the statement of cash flows, all investments with a maturity of 90 days or less from the date of purchase are considered to be cash equivalents.

University Facilities, Inc.
Hammond, Louisiana

Notes to Financial Statements (Continued)

June 30, 2004

F. Estimates

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

G. Property and Equipment

The Organization capitalized all property and equipment acquisitions in excess of \$5,000. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the shorter of their estimated useful lives or the applicable lease term.

H. Revenue Recognition

Unrestricted contributions, pledges, and grants are recognized as revenue in the statement of financial activity upon receipt. Other unrestricted revenues are recognized as earned either upon receipt or upon accrual. Expenditures of unrestricted funds are recognized as expenses when expended or upon incurrence of the related liability.

I. Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by the new statement, the Organization does not use fund accounting.

University Facilities, Inc.
Hammond, Louisiana

Notes to Financial Statements (Continued)

June 30, 2004

J. Contributions

The Organization has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

K. Deferred Financing Costs

The cost of issuing mortgage revenue bonds is deferred and amortized over the life of the bonds as a financing expense. In the event all remaining bonds outstanding under a particular issue are retired, the unamortized balance is recognized as a component of the loss from the early extinguishment of debt.

L. Bond Discounts

Original issue discounts realized upon issuance of bonds are deferred and presented as a reduction of the face amount of bonds payable on the balance sheet. The deferred amount is amortized over the life of the bonds as a component of interest expense. In the event all remaining bonds outstanding under a particular issue are retired, the unamortized balance is recognized as a component of the loss from the early extinguishment of debt.

University Facilities, Inc.
Hammond, Louisiana

Notes to Financial Statements (Continued)

June 30, 2004

2. Property and Equipment

Fixed assets are recorded at cost or, in the case of donated property, at estimated fair market value at the date of receipt. Depreciation is calculated by the straight-line method for all property acquired. Estimated useful lives of property used in depreciation calculations will be adopted at the appropriate time. Depreciation was \$941,138 for fiscal year 2004. Expenditures for maintenance and repair are charged against revenues as incurred; cost of major additions and improvements are capitalized.

Property and equipment consist of the following at June 30, 2004:

Equipment	\$ 58,636
Leasehold Improvements	17,199,776
Portable Building	<u>5,332</u>
	\$ 17,263,744
Less: Accumulated Depreciation	<u>(3,691,389)</u>
 Total	 <u>\$ 13,572,355</u>

3. Functional Expenses

Expenses incurred for support services were as follows:

	General & Administrative	2004 Total
Personal Services	\$ 76,422	\$ 76,422
Related Benefits	5,125	5,125
Operating Services	710,956	710,956
Professional Services	7,035	7,035
Depreciation & Amortization	<u>952,753</u>	<u>952,753</u>
 Totals	 <u>\$ 1,752,291</u>	 <u>\$ 1,752,291</u>

University Facilities, Inc.
Hammond, Louisiana

Notes to Financial Statements (Continued)

June 30, 2004

4. Fair Values of Financial Instruments

The estimated fair values of the Organization's financial instruments, none of which are held for trading purposes, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash	\$ 511,847	\$ 511,847

5. Operating Lease Commitments

As of May 6, 1998, the Organization entered into a non-cancelable operating lease for approximately 10.36 acres of land owned by the University of Louisiana System, State of Louisiana, located on the campus of Southeastern Louisiana University. The lease commenced May 6, 1998 and ends at midnight on July 15, 2027, or the date on which bonds issued on behalf of the organization to pay for construction of facilities have been paid in full, whichever is later. The lease requires \$1 annually in advance, with the first such payment being due on May 6, 1998 and a like installment due on each anniversary thereafter during the term of the lease. The lease was amended and restated on July 27, 2000.

6. Dedication of Proceeds and Flow of Funds

University Facilities, Inc. (the "Borrower") entered into a Reimbursement Agreement with Hibernia National Bank, a national banking association (the "Bank") as of July 12, 2001 regarding the borrowing of funds from the Louisiana Public Facilities Authority.

The Louisiana Public Facilities Authority, a public instrumentality of the State of Louisiana (the "Issuer"), agreed to issue its Equipment and Capital Facilities Loan Program Revenue Bonds, Series 2000 (the "Bonds") for the purpose of financing (a) the acquisition of new equipment, the construction of new capital improvements, and the refinancing of capital improvements by various qualified borrowers, and (b) the cost of issuing the Bonds.

The Bonds were issued pursuant to a Trust Indenture, dated as of June 1, 2000 (the "Indenture"), between the Issuer and Hancock Bank of Louisiana (the "Trustee").

The Issuer agreed to lend \$7,680,000 pursuant to (i) a Loan Agreement, dated as of June 1, 2000 between the Issuer and the Borrower (the "First Loan Agreement") to finance improvements at the Borrower's facility in Hammond, Louisiana (the "Facility") and (ii) \$8,265,000 under a Loan Agreement, dated as of June 1, 2000, between the Issuer and the Borrower (the "Second Loan Agreement") to refinance the Borrower's existing indebtedness under the Hammond-Tangipahoa

University Facilities, Inc.
Hammond, Louisiana

Notes to Financial Statements (Continued)

June 30, 2004

Home Mortgage Authority Revenue Bonds (University Facilities, Inc.) Series 1998 (the "HMA Bonds").

The Project Note relative to the bonds requires the Borrower to make loan payments to the Trustee as follows:

Monthly on or before the 25th day of each month commencing August 25, 2000, an amount equal to (i) one-third (1/3rd) of the estimated interest due and payable on the Bonds attributable to the Loan on the next Interest Payment Date except for the first Interest Payment Date on October 2, 2000, there shall be paid on August 25, 2000 an amount accrued on the Bonds through such date and on September 25, 2000 the balance of the interest due on October 2, 2000 shall be paid, and (ii) one-twelfth (1/12th) or such other proportional amount of the principal amount of the Bonds whose proceeds were loaned to the Borrower and which are maturing or are subject to required redemption under the Reimbursement Agreement between the Front Letter of Credit and the Borrower on the next principal payment date except that for the first date, the Borrower shall, together, in each case, with such additional amounts as shall be necessary to cause the amount deposited in the Borrower's Bond Account to equal the principal and interest payable on the Bonds on each Interest Payment Date (each such day being a "Loan Payment Date"). In addition, to provide funds to pay the Bond Service Charges on the Bonds as and when due at any other time, the Borrower shall make Loan Payments on any other date on which any Bond Service Charges on the Bonds attributable to the Borrower's Loan shall be due and payable, whether at maturity, upon acceleration, call for redemption or otherwise and to make Administrative Payments on the twenty-fifth day of each month in the amount set forth in Section 4.5 of the Agreement.

7. Changes in General Long-Term Obligations

The following is a summary of the long-term obligation transactions for University Facilities, Inc. for the year ended June 30, 2004:

	Balance July 1, 2003	Notes or Bonds Issued	Bonds Retired & Other Reductions	Balance June 30, 2004
Revenue Bonds	\$ 15,285,000	\$ -	\$ 340,000	\$ 14,945,000
Notes Payable	1,212,188	-	416,400	795,788
	<u>\$ 16,497,188</u>	<u>\$ -</u>	<u>\$ 756,400</u>	<u>\$ 15,740,788</u>

Revenue bonds and notes payable are comprised of the following individual issues:

University Facilities, Inc.
Hammond, Louisiana

Notes to Financial Statements (Continued)

June 30, 2004

\$8,265,000 Louisiana Public Facilities Authority Equipment and Capital Facilities Pooled Loan Program Revenue Bonds, Series 2000 due in Annual Installments of \$155,000 to \$540,000 through July 1, 2027; Interest is variable with a floor of 4.00% for the first seven years (Payable from the lease proceeds relative to leasing facilities to the University of Louisiana System, State of Louisiana).	\$ 7,770,000
\$7,680,000 Louisiana Public Facility Authority Equipment and Capital Facilities Pooled Loan Program Revenue Bond, Series 2000 due in Annual Installments of \$15,000 to \$510,000 through July 1, 2026; Variable interest (Payable from the lease proceeds relative to leasing facilities to the University of Louisiana System, State of Louisiana).	<u>7,175,000</u>
	\$ 14,945,000
Less: Current Maturities	<u>355,000</u>
Revenue Bonds, net of current maturities	<u>\$ 14,590,000</u>

Notes payable are comprised of the following:

\$2,300,000 line of credit with Hibernia National Bank with interest at 1.550% over London Inter-Bank offered rate, due in 7 consecutive annual principal and interest payments of \$417,991 each, beginning November 20, 2000, and on the same day of each year thereafter, and one final payment on November 20, 2007. Secured by a security interest in all the intangible rights of Aramark Educational Services, Inc. and University Facilities, Inc. as their interest may appear, in the following:	<u>\$ 795,788</u>
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That certain lease between the Board of Supervisors of the University of Louisiana System on behalf of Southeastern Louisiana University and Aramark Educational Services, Inc. executed July 27, 1998 by Southeastern Louisiana University and executed July 20, 1998 by Aramark Educational Services, Inc.;

That certain agreement between Aramark Educational Services, Inc. and University Facilities, Inc. dated September 21, 1999;

That certain assignment of lease as collateral dated September 21, 1999 between Aramark Educational Services, Inc. and University Facilities, Inc.

University Facilities, Inc.
Hammond, Louisiana

Notes to Financial Statements (Continued)

June 30, 2004

At June 30, 2004, University Facilities, Inc. has accumulated \$481,781 for future debt service requirements for the Revenue Bonds. The annual requirements to amortize all bonds outstanding and notes payable at June 30, 2004, including interest of \$8,074,614 is as follows:

Year Ended June 30,	Notes Payable	\$7,680,000 Revenue Bonds	\$8,265,000 Revenue Bonds	Total
2005	\$ 417,991	\$ 470,600	\$ 474,000	\$ 1,362,591
2006	417,991	472,800	481,600	1,372,391
2007	1,794	474,600	479,000	955,394
2008	-	476,715	481,770	958,485
2009	-	477,000	482,600	959,600
2010 - 2014	-	2,405,209	2,446,871	4,852,080
2015 - 2019	-	2,451,682	2,501,550	4,953,232
2020 - 2024	-	2,537,864	2,586,821	5,124,685
2025 - 2028	-	1,141,344	2,135,600	3,276,944
	<u>\$ 837,776</u>	<u>\$ 10,907,814</u>	<u>\$ 12,069,812</u>	<u>\$ 23,815,402</u>
Interest Portion	41,988	3,732,814	4,299,812	8,074,614
	<u>\$ 795,788</u>	<u>\$ 7,175,000</u>	<u>\$ 7,770,000</u>	<u>\$ 15,740,788</u>

In connection with the issuance of the Series 2000 bonds, University Facilities, Inc. placed assets into an irrevocable trust to retire the scheduled debt payments associated with the Series 1998 bonds as they become due. At the date the Organization placed these assets into the trust, the Series 1998 bonds were considered to be extinguished and are no longer included in the Organization's financial statements. Approximately \$8,020,000 of these defeased bonds was still outstanding at June 30, 2004.

The amortization expenses related to the bonds were as follows:

Bond Issuance Costs	<u>2004</u>
	<u>\$ 11,615</u>

University Facilities, Inc.
Hammond, Louisiana

Notes to Financial Statements (Continued)

June 30, 2004

8. Investment Securities

Investments are stated at fair value and consist primarily of units in a federal trust for U.S. Treasury obligations as follows:

	Cost	Fair Value	Unrealized Appreciation / (Depreciation)
U.S. Treasury Obligations	<u>\$ 109,877</u>	<u>\$ 109,877</u>	<u>\$ -</u>

These funds represent board designated amounts set aside for the purpose of providing funds for construction of facilities.

Investment return is summarized as follows:

Interest Income	<u>\$ 986</u>
	<u>\$ 986</u>

9. Concentrations of Credit Risk

Statement of Financial Accounting Standards No. 105 identifies deposits maintained at financial institutions in excess of federally insured limits as a concentration of credit risk requiring disclosure, regardless of the degree of risk. At June 30, 2004, the Organization's uninsured demand and time deposit balances total \$381,782 (collected bank balances). Management believes that the risk is limited because the deposits are maintained in high quality financial institutions.

At June 30, 2004, other financial instruments that subject the organization to credit risk consist principally of investments in money market funds, certificates of deposit, debt instruments, equity securities, and U. S. government securities. Management believes that the diversified nature of these investments limits the amount of credit exposure in any one investment.

10. Subsequent Events

On August 13, 2004, the bonds totaling \$76,910,000 were sold by the Louisiana Local Government Environmental Facilities and Community Development Authority under a reimbursement relationship with University Facilities, Inc. with the proceeds to be used to

University Facilities, Inc.
Hammond, Louisiana

Notes to Financial Statements (Continued)

June 30, 2004

finance the cost of construction of new residential housing on the campus of Southeastern Louisiana University. Of this total, \$60,985,000 principal amount of revenue bonds will be designated "Louisiana Authority Revenue Bonds (Southeastern Louisiana University/University Facilities, Inc. Project) Series 2004A", \$15,000,000 principal amount of revenue bonds to be designated "Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds (Southeastern Louisiana University/University Facilities, Inc. Project) Series 2004B", and \$925,000 principal amount of revenue bonds to be designated "Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds (Southeastern Louisiana University/University Facilities, Inc. Project) Series 2004C". These bonds were issued for the purpose of constructing new residential housing including all furniture and equipment and to renovate an existing student housing facility all located on the campus of Southeastern Louisiana University, provide working capital for marketing and operating the new and renovated facilities, to pay interest on the Series 2004 Bonds during the construction and renovation of the facilities, to pay the cost of issuing the bonds and to fund the Debt Service Reserve Fund on the bonds. From the proceeds of the bonds, \$10,000,000 will be used to fund required reserves, \$15,000,000 will be used to retire existing outstanding bonds and the remaining \$51,910,000 will be used to fund the cost of construction. The anticipated completion date of construction is January 2005.

**Other Independent Auditor's Reports and Findings and
Recommendations**

**Independent Auditor's Report on Compliance And On
Internal Control over Financial Reporting Based On An
Audit of Financial Statements Prepared In Accordance With
*Government Auditing Standards***

Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
HAMMOND, LA • AMITE, LA

John N. Durnin, CPA
Dennis E. James, CPA

Member
American Institute of CPA's
Society of Louisiana CPA's

August 23, 2004

**Independent Auditor's Report on Compliance And On
Internal Control over Financial Reporting Based on an Audit Of
Financial Statements Prepared In Accordance With
Government Auditing Standards**

University Facilities, Inc.
c/o Mr. Stephen Smith
SLU Box 10709
Hammond, Louisiana 70402

We have audited the financial statements of University Facilities, Inc., (a nonprofit organization), as of and for the year ended June 30, 2004, and have issued our report thereon dated August 23, 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 University 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 University 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

University Facilities, Inc.
Hammond, Louisiana

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 management, the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities 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.

Respectfully submitted,

A handwritten signature in black ink that reads "Durnin & James, CPAs". The signature is written in a cursive style with a large, stylized initial 'D'.

Durnin & James, CPAs
(A Professional Corporation)

Findings and Recommendations

**University Facilities, Inc.
Hammond, Louisiana**

**Current Year Audit Findings
For the Year Ended June 30, 2004**

Findings and Recommendations

None

Corrective Action Plan for Current Year Audit Findings

University Facilities, Inc.
Hammond, Louisiana

Corrective Action Plan for Current Year Audit Findings
For the Year Ended June 30, 2004

<u>Ref #</u>	<u>Description of Finding</u>	<u>Corrective Action Plan</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
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None

Summary Schedule of Prior Audit Findings

University Facilities, Inc.
Hammond, Louisiana

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2004

Ref #	Fiscal Year Findings Initially Occurred	Description of Finding	Corrective Action	Plan Corrective Action - Partial Corrective Action Taken	Additional Explanation
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None