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UNIVERSITY FACILITIES, INC.
Hammond, Louisiana

Financial Statements and
Independent Auditor's Report

June 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 1-12-00

UNIVERSITY FACILITIES, INC.
Hammond, Louisiana

CONTENTS

Durnin & James

•CERTIFIED PUBLIC ACCOUNTANTS•

John N. Durnin, CPA*
Dennis E. James, CPA*
*A Professional Corporation

Charles D. Mathews, CPA
Bryon C. Garrety, CPA
Jessie Travis-Gill, CPA
Charles F. Dismukes, CPA

Member
American Institute of
Certified Public Accountants

Member
Society of Louisiana
Certified Public Accountants

October 25, 1999

INDEPENDENT AUDITOR'S REPORT

University Facilities, Inc.
c/o 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, 1999, 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 generally accepted auditing standards, 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 statements 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, 1999, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 1999, 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.

Respectfully submitted,

Durnin & James

DURNIN & JAMES, CPA's

401 East Thomas Street • Hammond, Louisiana 70401 • (504)345-6262 • Fax: (504)345-9987
112 East Chestnut Street • Amite, Louisiana 70422 • (504)748-5134 • Fax: (504)748-4116

EXHIBIT A

UNIVERSITY FACILITIES, INC.
Hammond, Louisiana

STATEMENT OF FINANCIAL POSITION
June 30, 1999

	1999
ASSETS	
Current Assets:	
Cash	$ 22,828
Investments	916,494
Accounts Receivable - Rental	152,375
Prepaid Insurance	24,444
Total Current Assets	$1,116,141
Restricted Assets:	
Investments	614,172
Property, Equipment, and Leasehold Improvements (Net of accumulated depreciation of $57,879)	6,996,760
Other Assets:	
Deferred financing costs net of accumulated amortization of $23,358	578,718
TOTAL ASSETS	$9,305,791
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts Payable	$ 2,431
Accrued Interest Payable	209,521
Payroll Withholdings	1,118
Construction Deposit	417,991
Total Current Liabilities	$ 631,061
Revenue bonds payable	8,650,000
TOTAL LIABILITIES	$9,281,061
NET ASSETS	
Unrestricted	
Designated by Board for acquisition of fixed assets	$ 24,730
Undesignated	(6,996,760)
Fixed assets	6,996,760
TOTAL NET ASSETS (DEFICIT)	24,730
TOTAL LIABILITIES AND NET ASSETS	$9,305,791

The accompanying notes are an integral part of this statement.

EXHIBIT B

UNIVERSITY FACILITIES, INC.
Hammond, Louisiana

STATEMENT OF ACTIVITIES
Year Ended June 30, 1999

	1999
UNRESTRICTED NET ASSETS:	
Revenues and Other Support:	
Investment return	$ 153,961
TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT	153,961
EXPENSES:	
Program Services:	-
Total Programs	-
Supporting Services:	
General and Administrative	129,231
TOTAL UNRESTRICTED EXPENSES	129,231
INCREASE/DECREASE IN UNRESTRICTED NET ASSETS	24,730
CAPITALIZATION OF CONSTRUCTION IN PROGRESS	(6,847,887)
NET ASSETS AT BEGINNING OF YEAR	(173,603)
NET ASSETS (DEFICIT) AT END OF YEAR	$(6,996,760)

The accompanying notes are an integral part of this statement.

EXHIBIT C

UNIVERSITY FACILITIES, INC.
Hammond, Louisiana

STATEMENT OF CASH FLOWS
June 30, 1999

	1999
Cash Flows from Operating Activities:	
Change in Net Assets	$ 24,730
Adjustments to Reconcile Change in Net Assets To Net Cash Used by Operating Activities:	
Depreciation and Amortization	77,949
(Increase) in Accounts Receivable	(152,375)
Decrease in Accrued Interest Receivable	23,949
(Increase) in Prepaid Insurance	(24,444)
(Increase) in Deferred Financing Costs	(25,669)
Increase in Accounts Payable	2,431
Increase in Accrued Interest Payable	133,331
Increase in Payroll Liabilities	1,118
Net Cash Provided by (Used in) Operating Activities	61,020
Cash Flows from Investing Activities:	
Purchases of Fixed Assets	(6,881,039)
Liquidation of Investment Securities	6,424,856
Net Cash Used in Investing Activities	(456,183)
Cash Flows from Financing Activities:	
Proceeds from Construction Deposits	417,991
Net Cash Provided by Financing Activities	417,991
Net Increase/(Decrease) in Cash and Cash Equivalents	22,828
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	$ 22,828

The accompanying notes are an integral part of this statement.

UNIVERSITY FACILITIES, INC.
Hammond, Louisiana

NOTES TO FINANCIAL STATEMENTS

June 30, 1999

UNIVERSITY FACILITIES, INC.
Hammond, Louisiana

NOTES TO FINANCIAL STATEMENTS

June 30, 1999

A. 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.

1. Organization

The 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 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.

2. Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the organization, the accounts of the organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities, and net assets of University Facilities, Inc. are reported in self-balancing fund groups as follows:

Operating Funds include resources available to support the operations of University Facilities, Inc. Primary support is provided from leasing facilities to the University of Louisiana System, State of Louisiana.

Property Fund includes resources invested in property and equipment used in University Facilities, Inc. operations.

3. 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.

4. **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.

5. **Accounts Receivable**

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

6. **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.

7. **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.

8. **Property and Equipment**

The Organization capitalized all property and equipment acquisitions in excess of $1,000. Purchased property and equipment is 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 asset 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. **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 accrual. Expenditures of unrestricted funds are recognized as expenses when expended or upon incurrence of the related liability.

10. **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.

11. **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.

12. **Deferred Financing Costs**

The cost of issuing mortgage revenue bonds are 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.

13. **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.

B. 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 $57,879 for fiscal year 1999. 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, 1999:

Leasehold Improvements	$2,779,635
Furniture Fixtures and Equipment	278,011
Construction In Progress	3,996,993
	7,054,639
Less Accumulated Depreciation	(57,879)
Total	$6,996,760

C. **FUNCTIONAL EXPENSES**

Expenses incurred were for:

	Program Services Grant	Support Services General & Administrative	1999 Total
Personal Services	$ -	$ -	$ -
Related Benefits	-	-	-
Travel	-	-	-
Operating Services	-	42,394	42,394
Supplies	-	1,401	1,401
Professional Services	-	7,487	7,487
Capital Assets	-	-	-
Depreciation and Amortization	-	77,949	77,949
Totals	$ -	$129,231	$129,231

D. **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:

	Carrying Amount	Fair Value
Financial Assets:		
Cash	$ 22,828	$ 22,828

E. **OPERATING LEASE COMMITMENTS**

As of May 6, 1998, the Organization entered into a non-cancellable 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. 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.

F. DEDICATION OF PROCEEDS AND FLOW OF FUNDS

The Organization, through its governing authority, entered into a loan and assignment agreement with Hammond-Tangipahoa Home Mortgage Authority (the "Authority") dated May 1, 1998 in connection with the issuance of $8,650,000 aggregate principal amount of Hammond-Tangipahoa Home Mortgage Authority Revenue Bonds (University Facilities, Inc. Project) Series 1998 (the "Bonds"), the proceeds of the sale of such Bonds to be loaned to the Organization for the purpose of acquiring, constructing and equipping a student housing facility, including all equipment, furnishings, fixtures and facilities incidental or necessary in connection therewith for the Corporation to be located on the campus of the University in Tangipahoa Parish, Hammond, Louisiana, and to be leased to the University of Louisiana System, State of Louisiana, also known as the University of Louisiana System (the "Board") for the benefit of the University (collectively, the "Facilities"), (ii) funding a deposit to the reserve fund, and (iii) paying costs of issuance of the Bonds. The Trust Indenture relative to the bonds requires that upon delivery of and payment for the Bonds, the following special trust funds and accounts shall be established and maintained with the Trustee so long as any bonds issued under the Indenture are outstanding to be used for the following purposes:

1. The *Bond Proceeds* Fund shall be maintained with the Trustee and used to receive the proceeds of the Bonds; to transfer to the Interest Account in the Debt Service Fund that portion of the proceeds of the Bonds representing accrued interest on the Bonds in an amount specified in the request and authorization delivered pursuant to Section 3.12; to transfer to the Debt Service Reserve Fund an amount of proceeds equal to the Debt Service Reserve Fund Requirement; to retain such sum, in a special account called the Costs of Issuance Account, as shall be specified in the request and authorization delivered pursuant to Section 3.12; and to transfer to the Project Fund the balance of the proceeds of the Bonds.

2. The *Debt Service Fund* and its corresponding Accounts shall be maintained with the Trustee and used for the following purposes:

    a. The *Interest Account* shall be used to receive the portions of the Payments applicable to interest on the Bonds; to receive the accrued interest on the Bonds paid by the purchasers of the Bonds on the Closing Date as provided in Section 4.1(a) hereof; and to pay the interest on the Bonds as it becomes due and payable; and

    b. The *Principal Account* shall be used to receive the portion of the Payments applicable to the principal requirements of the Bonds; to pay the principal of the Bonds as it becomes due and payable whether at maturity or upon scheduled sinking fund redemption; and, if funds are available for such purpose and at the written direction of the Authority, to effect the redemption of the Bonds prior to their maturity in accordance with the redemption provisions thereof or the purchase of Bonds prior to their maturity in the open market at a price not in excess of the principal amount thereof, premium, if any, plus accrued interest.

3. The *Project Fund* shall be maintained by the Trustee in trust and shall be used to receive the immediate transfer from the balance of the proceeds of the Bonds as provided in Section 4.1(a) hereof. Moneys in the Project Fund shall be applied to the payment of the Costs of the Facilities pursuant to the procedure established in Section 4.9 hereof and, pending such application, shall be subject to a lien and charge in favor of the Bondholders for the further security of such Bondholders until paid out or transferred as herein provided.

4. The *Debt Service Reserve Fund* shall be maintained with the Trustee and used to receive proceeds of the Bonds and to transfer to the Interest Account or the Principal Account of the Debt Service Fund such amount as shall be necessary to remedy any deficiency therein. Whenever the amount in the Debt Service Reserve Fund, together with the amount in the Debt Service Fund, is sufficient to pay in full all outstanding Bonds in accordance with their terms, the funds on deposit in the Reserve Fund shall be transferred to the Debt Service Fund and shall be available to pay all outstanding Bonds in accordance with their terms.

5. The *Replacement Fund* shall be maintained with the Trustee and used to fund the cost of replacing any worn out, obsolete, inadequate, unsuitable or undesirable property, furniture, fixtures or equipment of Lessee placed upon or used in connection with the Facilities.

6. The *Rebate Fund* shall be maintained with the Trustee and used to make all rebate payments owed to the United States under the Code.

7. The *Capitalized Interest Fund* shall be maintained with the Trustee. The Capitalized Interest Fund shall be funded on the date of delivery of the Bonds from the proceeds thereof in the amount of $493,000.00. The amounts on deposit in the Capitalized Interest Fund shall be transferred by the Trustee as necessary for deposit to the Debt Service Fund to be used to pay the first payments of debt service on the Bonds. Earnings on amounts in the Capitalized Interest Fund shall be retained in such fund and used to pay debt service on the Bonds. Any amounts remaining in the Capitalized Interest Fund after payment of the July 15, 1999 debt service payment shall be transferred to the Project Fund.

Flow of Funds. *The Authority covenants and agrees to cause the Corporation to pay* the Payments in the amounts, time and manner as provided in Section 4.2 of the Agreement and the Trustee agrees to cause the Payments with respect to the Bonds to be applied in the amounts, time and manner as hereinafter provided:

1. Semiannually, on or before each January 15 and July 15, commencing January 15, 1999, an amount equal to the principal of, premium, if any, and interest

due and payable on the Bonds on such January 15 or July 15, as the case may be;

2. Monthly following any drawing on the Debt Service Reserve Fund in accordance with Section 4.12 hereof, an amount equal to one-twelfth (1/12th) of the amount necessary to cause the amount on deposit in the Debt Service Reserve Fund to equal the Debt Service Reserve Fund Requirement within twelve months.

3. Into any of the other foregoing funds an amount sufficient to make up any deficiency in any prior payment required to be made into such fund and to restore any loss resulting from investment or other causes from such fund and any other payment required to be made to such fund by this Indenture, within ten days of the Corporation's receipt of notice from the Trustee of such deficiency, loss or required payment. With respect to the Replacement Fund, the Trustee shall send to the Corporation notice of any deficiency on or before January 5 of each year.

The required payments for Section 4.2(a) above shall be reduced by any surplus amount contained in or investment income received in or transferred to the Interest and/or Principal Accounts.

Investments. Moneys contained in the funds and accounts held by the Trustee shall be continuously invested and reinvested by the Trustee at the direction of the Corporation in Permitted Investments, to the extent practicable, that shall mature (or be readily convertible to cash) not later than the respective dates, as estimated by the Trustee, when the moneys in said Funds and Accounts shall be required for the purposes intended, and:

1. No such investment shall be required to be made unless the cash at the time available therefor is at least equal to $1,000;

2. The Trustee shall be authorized, to the extent necessary to enable the Trustee to discharge or perform its obligations hereunder, at any one or more times to sell any part or all of the investments whenever it may, for any reason or purpose whatsoever, deem any such sale to be desirable;

3. Any income derived from and any profit or loss on any such investment of moneys on deposit in any such fund or account shall be credited or debited, as the case may be, to the respective fund or account in which earned except that earnings in the Debt Service Reserve Fund shall be transferred to the Interest Account;

4. No Permitted Investments in any fund or account may mature beyond the latest maturity date of any Bonds outstanding at the time such Permitted Investments are deposited. For the purposes of this section, the maturity date of repurchase agreements for obligations is the maturity date of such repurchase agreements and not the maturity date of the underlying obligation except as otherwise permitted in writing by the Bond Insurer; and

5. No float forward or forward purchase agreement or other arrangement,

agreement or financial product may be utilized in connection with the Debt Service Fund unless the Bond Insurer so permits and the terms thereof (including, without limitation, the parties thereto) are satisfactory to the Bond Insurer and, if satisfactory to the Bond Insurer, such agreements will constitute Permitted Investments.

An Authorized Corporation Representative shall give to the Trustee directions respecting the investment of any money required to be invested hereunder, subject, however, to the provisions of this Article V of the Agreement, and the Trustee shall then invest such money under this Section as so directed. The Trustee shall in no event have any liability for any loss resulting from the investment of moneys in accordance with the directions of the Authorized Corporation Representative. The Trustee shall furnish the Authority annually with a written copy and the Corporation with a written copy, on at least a monthly basis, of the types, amounts, yield and maturities of all such investments.

As of June 30, 1999, balances in the Debt Service Fund, the Debt Service Reserve Fund, the Replacement Fund and the Capitalized Interest Fund were in accordance with the Bond Indenture Requirements.

G. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligations transactions for University Facilities, Inc. for the year ended June 30, 1999:

	Balance July 1, 1998	Leases or Bonds Issued	Bonds Retired and Other Reductions	Balance June 30, 1999
Revenue Bonds	$8,650,000	$ -	$ -	$8,650,000

Revenue bonds are comprised of the following individual issues:

$8,650,000 Hammond-Tangipahoa Home Mortgage Authority Revenue Bonds (University Facilities, Inc. Project) Series 1998 due in Annual Installments of $145,000 to $580,000 through July 15, 2027; Interest at 4.20% - 5.50% (Payable from the lease proceeds relative to leasing facilities to the University of Louisiana System, State of Louisiana)	$8,650,000

At June 30, 1999, University Facilities, Inc. has accumulated $614,172 in the Debt Service Fund for future debt requirements for the Revenue Bonds. The annual requirements to amortize all bonds outstanding at June 30, 1999, including interest of $8,575,400 is as follows:

Year Ended June 30,	Revenue Bonds	Total
2000	$ 457,138	$ 457,138
2001	596,301	596,301
2002	599,660	599,660
2003	597,636	597,636
2004	600,011	600,011
2005 - 2027	14,374,654	14,374,654
	17,225,400	17,225,400
Interest Portion	8,575,400	8,575,400
	$ 8,650,000	$ 8,650,000

H. 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	$1,530,666	$1,530,666	$ -

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	$ 1,586
Rental income	152,375
	$153,961

I. COMMITMENT

Financing of $3,000,000 renovations/additions to the War Memorial Student Union has been approved. University Facilities, Inc. serves as a conduit for receiving funds and making expenditures for this project on behalf of Southeastern Louisiana University. In this capacity, a receipt from Aramark Educational Services, Inc. in the amount of $417,991 was deposited in University Facilities, Inc. bank account to be used for renovations/additions, and is reflected in the statement of financial position as a construction deposit.

J. YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Organization's operations in the year 2000 and beyond. The University Facilities, Inc. uses an outside source to process its accounting. This outside source advised the Organization that it is year 2000 compliant. The University Facilities, Inc. is dependent on funding from various sources. The effect, if any the year 2000 compliance would have on the Organization's ability to obtain funding is not determinable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Organization's remediation efforts will be successful in whole or in part, or that the individuals and/or agencies that fund the University Facilities, inc. will be year 2000 ready.

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 PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Durnin & James

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October 25, 1999

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

University Facilities, Inc.
c/o 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, 1999, and have issued our report thereon dated October 25, 1999. We conducted our audit in accordance with generally accepted auditing standards, 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

401 East Thomas Street • Hammond, Louisiana 70401 • (504)345-6262 • Fax: (504)345-9987
112 East Chestnut Street • Amite, Louisiana 70422 • (504)748-5134 • Fax: (504)748-4116

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 material weaknesses.

This report is intended for the information of management, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

Respectfully submitted,

Durnin & James

DURNIN & JAMES CPA's

FINDINGS AND RECOMMENDATIONS

UNIVERSITY FACILITIES, INC.
Hammond, Louisiana

CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 1999

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, 1999

Ref.#	Description of Finding	Corrective Action Plan	Name of Contact Person	Anticipated Completion Date
None				

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

UNIVERSITY FACILITIES, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 1999

Ref.#	Fiscal Year Findings Initially Occurred	Description of Findings	Corrective Action Taken	Planned Corrective Action-Partial Corrective Action Taken	Additional Explanation
98-1	June 30, 1998	Audit report not transmitted timely.	Yes	Engaged CPA timely for FYE June 30, 1999.	N/A