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NSU FACILITIES CORPORTION
THIBODAUX, LA

FINANCIAL STATEMENTS

June 30, 2006
with
INDEPENDENT AUDITORS' REPORT

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 8/22/07

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NSU Facilities Corporation

June 30, 2006

Introductory Section:

Financial Section:

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Lanaux & Felger

— Certified Public Accountants —
A Professional Corporation

Thomas J. Lanaux, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
NSU Facilities Corporation
Thibodaux, Louisiana

We have audited the accompanying statement of financial position of NSU Facilities Corporation (the Corporation) (a nonprofit organization) as of June 30, 2006, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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. 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 the Corporation as of June 30, 2006, 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.

Lanaux & Felger

March 9, 2007

NSU Facilities Corporation
Statement of Financial Position
June 30, 2006

ASSETS

Current assets:	
Investment - bond reserves	$ 7,733,215
Lease income receivable - Series 2006A	265
Accrued interest receivable	21,170
Total current assets	7,754,650
Restricted for debt service:	
Investment - debt service reserves	681,813
Other assets:	
Construction in progress	626,942
Debt issuance costs, net	544,338
Total other assets	1,171,280
Total assets	$ 9,607,743

LIABILITIES AND NET ASSETS

Current liabilities:	
Accrued interest payable	$ 65,901
Current maturities of long-term debt	245,000
Total current liabilities	310,901
Long-term liabilities:	
Taxable bonds payable, net	4,838,085
Tax-exempt bonds payable, net	3,128,377
Deferred lease income	1,232,214
Total long-term liabilities	9,198,676
Total liabilities	9,509,577
Net assets, unrestricted	98,166
Total liabilities and net assets	$ 9,607,743

See accompanying notes to financial statements.

NSU Facilities Corporation
Statement of Activities
For the Year Ended June 30, 2006

Changes in unrestricted net assets:	
Revenues:	
Lease income	$ 108,511
Interest income	37,106
Total revenues	145,617
Expenses:	
Amortization expense	3,634
Interest expense	43,817
Total expenses	47,451
Change in net assets	98,166
Net assets:	
Beginning of the year	-
End of the year	$ 98,166

See accompanying notes to financial statements.

NSU Facilities Corporation
Statement of Cash Flows
For the Year Ended June 30, 2006

Operating activities:	
Change in net assets	$ 98,166
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization of bond discount and bond issuance costs	3,634
Increase in lease income receivable	(265)
Increase in accrued interest receivable	(21,170)
Net interest capitalized	(5,241)
Increase in accrued interest payable	65,901
Total adjustments	42,859
Net cash provided by (used in) operating activities	141,025
Investing activities:	
Purchase of investments	(8,823,165)
Proceeds from investments	408,137
Payments for construction in progress	(621,701)
Net cash provided by (used in) investing activities	(9,036,729)
Financing activities:	
Proceeds from bond issuance	8,210,832
Deferred lease income received	1,232,214
Debt issuance costs	(547,342)
Net cash provided by (used in) financing activities	8,895,704
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents	
Beginning of year	-
End of year	$ -
Supplemental disclosure of cash flow information:	
Cash paid for interest	$ -

See accompanying notes to financial statements.

NOTE 1- FORMATION, OWNERSHIP, AND BUSINESS OF THE CORPORATION

The Organization

The NSU Facilities Corporation (the Corporation) is a nonprofit and is formed to promote, assist, and benefit the mission of Nicholls State University (the University) through the acquisition, construction, development, management, leasing as lessor or lessee, mortgaging and/or conveying student housing and facilities on the campus of the University.

The Corporation 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.

The Corporation participated in bond issuance by borrowing money from The Louisiana Local Government Environmental Facilities and Community Development Authority (the "Issuer") who issued $3,320,000 (Series 2006A) and $5,000,000 (Series 2006B) in revenue bonds which will be payable solely from the revenues of the Corporation. The revenue bonds were issued pursuant to a Trust Indenture dated May 1, 2006, between the Issuer and the Bond Trustee. The proceeds of the of the Series 2006A tax-exempt bonds were loaned to the Corporation pursuant to a Loan Agreement dated as of May 1, 2006 between the Issuer and the Corporation and are being used to finance improvements to streets and parking facilities. The proceeds of the of the Series 2006B taxable bonds were loaned to the Corporation pursuant to a Loan Agreement dated as of May 1, 2006 between the Issuer and the Corporation and are being used to finance improvements to the cafeteria and Student Union facilities. To secure the Corporation's obligations to repay the moneys loaned, the Corporation executed a Mortgage, Assignment of Leases and Security Agreement. The Corporation granted to the Trustee, first mortgage lien on its leasehold interest in the property, equipment, furnishings and other intangible property included in the facilities and first priority security interest in the leases and subleases affecting the facilities, including, without limitation, the facilities lease agreement and all revenue rentals, and other sums due or becoming due under leases. The underlying property on which the projects are located is leased to the Corporation by a ground lease agreement. The facilities are leased to the Board of Supervisors for the University of Louisiana System (the Board) under a facilities lease agreement. At such time as the financing for the Corporation is paid in full, the obligation will be cancelled and the interest in the facility and the underlying property will be conveyed to the educational institution.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned; expenses and costs are recognized when incurred.

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.

Unrestricted net assets

None of the Corporation's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets in accordance with Statement of Financial Accounting Standards No. 117, *Financial Statements for Not-For-Profit Organizations.*

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates; however, in the opinion of management such differences will not be material to the financial statements.

Revenue recognition

The Corporation leases the improvements to the streets and parking lots and renovations to the cafeteria and student union to the University. Lease payments from the University are due five days before the bond payments are due and consist of semi-annual bond interest payments and annual bond principal payments. Lease income is accrued ratably over the life of the lease.

Cash and cash equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months except for short-term investments held in the Corporation's investment account, which are primarily held for investment in long-term assets or reserved for the payment of long-term debt. The carrying value of cash and cash equivalents is cost, which approximates fair value because of the short maturities of those financial instruments. The Corporation has no cash or cash equivalents at June 30, 2006.

Construction in progress

Construction in progress consists of development costs, direct and indirect construction costs and capitalized interest. The costs are accounted for as construction in progress until such time as the project is complete and the assets are placed into service. The assets are then classified as property and equipment and depreciated accordingly.

Capitalized interest is recorded based upon interest expense incurred on the Corporation's borrowings, offset by the investment income earned on the related tax-exempt bond proceeds. The net amount of capitalized interest at June 30, 2006 was $5,421.

Debt issuance costs

Costs incurred in connection with the issuance of the bonds are amortized using the straight-line method over the lives of the associated bonds. These costs are shown net of accumulated amortization of $544,338 at June 30, 2006.

NOTE 3 – INVESTMENTS - BOND RESERVES

The funds held by the Bond Trustees consist of cash, money market investments, and a guaranteed investment contract issued by an insurance company. These short-term investments are primarily stated at cost, which approximates market.

Under the terms of the various Trust Indentures or similar documents, various funds such as Project, Capitalized Interest, Replacement, and Debt Service must be established and maintained for each of the projects. These or associated documents govern the types of investments and requirements for collateralization.

The bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum bond coverage's.

Investment income, is generally reported as a change in net assets. Investment income on the proceeds of tax-exempt bonds is reported as a change in net assets to the extent it exceeds capitalized interest on the related project.

Investment reserves consist of the following at June 30, 2006.

	Cost	Fair Value
Investment – bond reserves		
Money Market Funds	$ 2,715,896	$ 2,715,896
Guaranteed investment contract - Transamerica Life Insurance 4.9%	5,017,319	5,017,319
	$ 7,733,215	$ 7,733,215
Investment – debt services reserves		
Money Market Funds	$ 681,813	$ 681,813

NOTE 4 – GROUND LEASE

Pursuant to a ground lease agreement between the Corporation and the Board, the Corporation (the Lessee) will lease the land on which the facilities is located from the Board of Supervisors of the University of Louisiana System (the Lessor), for the term beginning on May 1, 2006. The lease requires $1 annually in advance.

NOTE 5 – FACILITIES LEASE

Under a facilities lease agreement (the "Facilities Lease"), the Corporation will lease the Facilities to the Board. The rental payment under the Facilities Lease will be Base Rental and Additional Rental beginning on May 1, 2006. Base Rental consists of semiannual interest payments and annual principal payments in the amount equal to the payments due for the Series 2006B Bonds. Additional Rental consists of any and all expenses, of every nature, character, and kind whatsoever, incurred by the Corporation on behalf of the Board and/or by the Board or the University in the management, operation, ownership, and/or maintenance of the facilities. The Board shall be entitled to a credit against and reduction of each Base Rental payment in an amount equal to any amounts derived from accrued interest from the sale of the Bonds and/or surplus moneys, including investment earnings.

NOTE 6 – LONG-TERM DEBT

Bonds payable

On May 1, 2006, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued $3,320,000 of non-taxable Series 2006A Bonds and $5,000,000 of taxable Series 2006B Bonds pursuant to an Indenture of Trust between the Issuer and the J.P. Morgan Trust Company, N.A. (the Trustee).

Pursuant to loan agreements between the Issuer and the Corporation, the Issuer has loaned the proceeds of the Bonds to the Corporation. The proceeds are being used to finance improvements to streets and parking facilities and the cafeteria and Student Union facilities, provide working capital for operation of the new and renovated facilities, fund interest on the bonds during the construction and renovation period, fund a Debt Service Reserve Fund, and pay the cost of issuing the bonds.

Pursuant to security agreements, leasehold deeds to secure debt, assignment of contract documents and assignment of rents between the Corporation and the Trustees, the Corporation grants to the Trustee first lien security title in the leasehold estates created by the ground leases and a security interest in the revenues and accounts generated by the operations of the Corporation. The Corporation also assigned to the Trustee its rights under various agreements and contracts. Pursuant to the Indenture, the Issuer assigned all of their interest in the loan agreements to the Trustee to secure the bonds.

Long-term debt consists of the following at June 30, 2006:

$3,320,000 tax-exempt term bonds payable dated May 1, 2006; due at various intervals through April 1, 2026; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.7563%; secured by leasehold deed and assignment of rents.	$ 3,320,000
Less unamortized discount on tax-ememept bonds payable	(66,623)
	3,253,377
Less current maturities	(125,000)
TOTAL TAX-EXEMPT BONDS	$ 3,128,377
$5,000,000 taxable term bonds payable dated May 1, 2006; due at various intervals through April 1, 2031; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 6.6899%; secured by leasehold deed and assignment of rents.	$ 5,000,000
Less unamortized discount on tax-ememept bonds payable	(41,915)
	4,958,085
Less current maturities	(120,000)
TOTAL TAXABLE BONDS	$ 4,838,085

Net unamortized discount

The net bond discount recognized upon the issuance of the bonds is being amortized over the life of the bonds using the straight-line method which materially approximates the effective interest method.

Maturities of long-term debt at June 30, 2006 are as follows:

	Tax-exempt bonds payable	Taxable bonds payable
Year ending June 30		
2007	$ 125,000	$ 120,000
2008	110,000	90,000
2009	115,000	100,000
2010	120,000	105,000
2011	125,000	110,000
2012 and thereafter	2,725,000	4,475,000
	$ 3,320,000	$ 5,000,000

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Carrying amounts of the Corporation's financial instruments including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short maturities.