

RAGIN' CAJUN FACILITIES, INC.
FINANCIAL REPORT
JUNE 30, 2017

C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1 and 2
FINANCIAL STATEMENTS	
Statements of financial position	4 and 5
Statements of activities	6 and 7
Statements of cash flows	8 and 9
Notes to financial statements	10 - 22
SUPPLEMENTARY INFORMATION	
Schedule of compensation, benefits and other payments to agency head	23
INDEPENDENT AUDITOR' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	25 and 26
Schedule of findings and questioned costs	27
Schedule of prior year findings	28

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ragin' Cajun Facilities, Inc.
Lafayette, Louisiana

Report on the Financial Statements

We have audited the accompanying statements of financial position of Ragin' Cajun Facilities, Inc. (a nonprofit organization) as of June 30, 2017 and 2016 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

- 1 -

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ragin' Cajun Facilities, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits and other payments to agency head on page 22 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated October 9, 2017, on our consideration of Ragin' Cajun Facilities, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Ragin' Cajun Facilities, Inc.'s internal control over financial reporting and compliance.



Lafayette, Louisiana
October 9, 2017

This page intentionally left blank.

RAGIN' CAJUN FACILITIES, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$ 3,058,181	\$ 224,268
Accounts receivable	<u>2,332</u>	<u>33,435</u>
	<u>\$ 3,060,513</u>	<u>\$ 257,703</u>
RESTRICTED ASSETS		
Debt service reserves	\$ 5,280,737	\$ 12,281,161
Maintenance reserves	6,967,654	5,101,525
Project and other funds	<u>919,577</u>	<u>13,747,432</u>
	<u>\$ 13,167,968</u>	<u>\$ 31,130,118</u>
PROPERTY AND EQUIPMENT		
Buildings	\$231,039,814	\$230,961,721
Furniture and equipment	7,765,777	7,765,777
Construction in progress	<u>39,229,575</u>	<u>7,698,503</u>
	<u>\$278,035,166</u>	<u>\$246,426,001</u>
Accumulated depreciation and amortization	<u>(37,172,718)</u>	<u>(28,912,666)</u>
Total property and equipment	<u>\$240,862,448</u>	<u>\$217,513,335</u>
Total assets	<u>\$257,090,929</u>	<u>\$248,901,156</u>

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Current maturities of bonds payable	\$ 5,360,000	\$ 4,145,000
Current portion of long-term debt	447,121	108,921
Accounts payable	3,505,871	2,368,931
Due to ULL	808,891	317,002
Accrued interest payable	<u>2,225,315</u>	<u>2,564,955</u>
Total current liabilities	<u>\$ 12,347,198</u>	<u>\$ 9,504,809</u>
LONG-TERM LIABILITIES		
Bonds payable less current maturities	\$208,245,000	\$203,930,000
Bond issue (discount) premium, net of accumulated amortization of \$254,533 and \$353,453, respectively	8,193,869	(1,878,643)
Bond issuance costs, net of accumulated Amortization of \$1,367,705 and \$1,230,947, respectively	(4,561,826)	(5,373,852)
Long-term debt, less current portion	10,665,779	1,112,901
Long-term debt costs, net of accumulated amortization of \$5,693 and \$1,185, respectively	<u>(58,745)</u>	<u>(7,551)</u>
Total long-term liabilities	<u>\$222,484,077</u>	<u>\$197,752,855</u>
Total liabilities	<u>\$234,831,275</u>	<u>\$207,287,664</u>
NET ASSETS		
Unrestricted	\$ 15,292,000	\$36,511,967
Temporarily restricted	6,967,654	5,101,525
	<u>\$ 22,259,654</u>	<u>\$ 41,613,492</u>
Total liabilities and net assets	<u>\$257,090,929</u>	<u>\$248,901,156</u>

RAGIN' CAJUN FACILITIES, INC.

STATEMENTS OF ACTIVITIES
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES:			
Rental income	\$ 15,785,989	\$ -	\$ 15,785,989
Contributions	6,533,271	2,521,122	9,054,393
Interest income	<u>44,189</u>	<u>14,054</u>	<u>58,243</u>
	\$ 22,363,449	\$ 2,535,176	\$ 24,898,625
Released from restriction	<u>669,047</u>	<u>(669,047)</u>	<u>-</u>
	<u>\$ 23,032,496</u>	<u>\$ 1,866,129</u>	<u>\$ 24,898,625</u>
EXPENSES:			
Depreciation and amortization	\$ 8,260,051	\$ -	\$ 8,260,051
Repairs and maintenance	129,291	-	129,291
Other expenses	30,959	-	30,959
Loss on refunding	16,257,245	-	16,257,245
ULL Contribution (assumption of bonded indebtedness)	10,005,922	-	10,005,922
Interest expense	<u>9,568,995</u>	<u>-</u>	<u>9,450,863</u>
	<u>\$ 44,252,463</u>	<u>\$ -0-</u>	<u>\$ 44,252,463</u>
Change in net assets	\$(21,219,967)	\$ 1,866,129	\$(19,353,838)
Net assets at beginning of year	<u>36,511,967</u>	<u>5,101,525</u>	<u>41,613,492</u>
Net assets at end of year	<u>\$ 15,292,000</u>	<u>\$ 6,967,654</u>	<u>\$ 22,256,654</u>

See Notes to Financial Statements.

RAGIN' CAJUN FACILITIES, INC.

STATEMENTS OF ACTIVITIES
Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES:			
Rental income	\$ 13,816,553	\$ -	\$ 13,816,553
State grant revenues	10,657,454	-	10,657,454
Contributions	1,589,154	1,893,627	3,482,781
Interest and investment losses, net	<u>7,692</u>	<u>5,054</u>	<u>12,746</u>
	\$ 26,070,853	\$ 1,898,681	\$ 27,969,534
Released from restriction	<u>24,000</u>	<u>(24,000)</u>	<u>-</u>
	<u>\$ 26,094,853</u>	<u>\$ 1,874,681</u>	<u>\$ 27,969,534</u>
EXPENSES:			
Depreciation and amortization	\$ 7,986,971	\$ -	\$ 7,986,971
Rent expense	23,274	-	23,274
Other expenses	15,110	-	15,110
Interest expense	<u>9,450,863</u>	<u>-</u>	<u>9,450,863</u>
	<u>\$ 17,476,218</u>	<u>\$ -0-</u>	<u>\$ 17,476,218</u>
Change in net assets	\$ 8,618,635	\$ 1,874,681	\$ 10,493,316
Net assets at beginning of year	<u>27,893,332</u>	<u>3,226,844</u>	<u>31,120,176</u>
Net assets at end of year	<u>\$ 36,511,967</u>	<u>\$ 5,101,525</u>	<u>\$ 41,613,492</u>

See Notes to Financial Statements.

RAGIN' CAJUN FACILITIES, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (19,353,838)	\$ 10,493,316
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,260,051	7,986,972
Loss on refunding	16,257,245	-
Assumption of indebtedness	10,005,922	
Amortized premiums on investments	-	7,923
Amortization of deferred bond cost, loan costs and bond discount and premium included in interest expense	256,502	307,711
(Increase) decrease in receivables	31,103	(32,853)
Decrease in accrued interest receivable	-	41,097
(Increase) decrease in accrued interest payable	<u>(377,140)</u>	<u>230,083</u>
Net cash provided by operating activities	<u>\$ 15,079,845</u>	<u>\$ 19,034,249</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	\$ (28,493,993)	(29,165,932)
Capitalization of interest, net of interest and investment earnings	<u>(701,035)</u>	<u>(431,614)</u>
Net cash used in investing activities	<u>\$ (29,194,806)</u>	<u>\$ (25,104,442)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short term borrowings	\$ -	\$ (168,378)
Principal payments on bonds payable	(4,145,000)	(3,925,000)
Proceeds from long-term debt	10,000,000	1,300,000
Proceeds from issuance of bond debt, net of underwriter's discount and bond insurance premium	102,861,500	18,114,063
Cash payments to escrow agent for refunded bonds	(108,941,465)	-
Payments on long-term debt	(108,922)	(78,178)
Payments for bond issuance costs	(623,687)	(198,774)
Payments for loan costs	<u>(55,702)</u>	<u>(8,736)</u>
Net cash provided by (used in) financing activities	<u>\$ (1,013,276)</u>	<u>\$ 15,034,997</u>
Net increase (decrease) in cash	\$ (15,128,237)	\$ 8,964,804
Cash, beginning of year	<u>31,354,386</u>	<u>22,389,582</u>
Cash, end of year	<u>\$ 16,226,149</u>	<u>\$ 31,354,386</u>

See Notes to Financial Statements.

	<u>2017</u>	<u>2016</u>
Cash:		
Operating	\$ 3,058,181	\$ 224,268
Restricted	<u>13,167,968</u>	<u>31,130,118</u>
	<u>\$ 16,226,149</u>	<u>\$ 31,354,386</u>

RAGIN' CAJUN FACILITIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization:

Ragin' Cajun Facilities, Inc. (the "Corporation") is a Louisiana nonprofit corporation chartered in January 2001. Its purpose is to promote, assist and benefit the educational, scientific, research and public service mission of University of Louisiana at Lafayette (the "University"). The objectives of the Corporation are to acquire, construct, develop, manage, lease as lessor or lessee, mortgage and/or convey student housing and other facilities on the campus of the University.

The accompanying financial statements of the Corporation have been prepared on the accrual basis of accounting.

Significant accounting policies:

Allowance for doubtful accounts -

The Corporation considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Restricted cash -

The Corporation's trustee maintains money market balances and other short-term investments required for financing the costs of the development, design, construction and equipping of new student housing and child care facilities (collectively, the "Facilities") for students, faculty and staff of the University, funding a debt service reserve fund, paying capitalized interest on the bonds, and paying costs of issuance of the bonds, including the premium for the Bond Insurance Policy. These reserved amounts are reflected as restricted cash on the statement of financial position. The funds are held in trust and can only be disbursed in accordance with the trust agreement by the trustee and intended for debt service payments, construction repair and maintenance activities.

Money market funds are not bank deposits or obligations, are not guaranteed by the Bank in trust and are not insured by the FDIC, the Federal Reserve Board, or any other government agency and are collateralized by securities held by the financial institution's trust department, but not in the Corporation's name. These funds are reflected as restricted cash on the statement of financial position.

NOTES TO FINAANCIAL STATEMENTS

Cash and cash equivalents -

For the purposes of the statement of cash flows, the Corporation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Property and equipment -

Purchased property and equipment is recorded at cost at the date of acquisition. Depreciation is computed basis over the estimated useful life of the related assets at rates based on the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	30
Appliances, furniture and equipment	10-15
Technology costs	15

Interest on debt issued to finance the construction of the facilities is capitalized as a part of the project and amortized over the same useful life of buildings and improvements. Investment earnings on temporary investments earned during the construction phase are netted against capitalized interest. When fixed assets are placed in service, they are transferred to the respective accounts and depreciated. Amortization of capitalized interest is consistent with the depreciation method used for buildings and improvements.

Federal income taxes -

The Corporation qualifies for an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

The Foundation's Form 990, *Return of Organization Exempt from Income Tax*, is no longer subject to examination by tax authorities for years prior to 2014.

Use of estimates -

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

Fair values of financial instruments -

The Corporation has adopted the provisions of the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (ACS 820) for all financial assets and liabilities and

NOTES TO FINAANCIAL STATEMENTS

nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

The Corporation's financial instruments are cash and cash equivalents, investments, accounts payable, contracts payable, interest payable and long-term debt. The recorded values of cash and cash equivalents and accounts payable approximate their fair values based on their short-term nature. The recorded values of investments and long-term debt are estimated based on the quoted market prices of the same or similar investments or issues.

ASC 820 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including the Corporation's own credit risk.

In addition to defining fair value, ASC 820 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety.

These levels are: The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

NOTES TO FINANCIAL STATEMENTS

Concentrations of credit risk -

The Corporation receives 100% of its facilities lease rental revenue from the University of Louisiana at Lafayette.

The Corporation periodically maintains cash in trust accounts in excess of insured limits. The Corporation has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 2. Long-Term Debt - Bonds

Series 2002 revenue bonds with an aggregate principal amount of \$19,065,000 were issued by the Lafayette Public Trust Financing Authority and the proceeds were loaned to the Corporation pursuant to a loan agreement dated October 1, 2002. Bond proceeds were used to construct the first phase of the Legacy Park Apartment Complex for students of the University of Louisiana at Lafayette at a cost of \$15,464,451, plus capitalized interest incurred during the project of \$1,461,966.

In October 2012, the Corporation issued \$14,740,000 of non-taxable refunding revenue bonds, the Series 2012 bonds, through the Lafayette Public Trust Financing Authority. The purpose of the issue was to refund the Series 2002 revenue bonds of the Corporation and reduce debt service payments on the outstanding indebtedness in a falling interest rate environment. The Series 2012 refunding bonds were issued at a premium of \$818,273 and costs of issuance deducted from the bond proceeds consisted of \$110,550 of underwriter's discount and the bond insurance premium of \$233,595. Additional payments for costs of issuance of \$176,337 were paid by the Corporation.

During the 2009 fiscal year, Series 2009 revenue bonds with an aggregate principal amount of \$12,500,000 were issued by the Lafayette Public Trust Financing Authority and the proceeds were loaned to the Corporation pursuant to a loan agreement dated April 14, 2009. The purpose of the Series 2009 bonds was to construct a second phase of the Legacy Park Apartment complex. The bonds were issued with an original issue discount of \$204,335. Bond issuance costs are made up of an underwriter's discount of \$105,000, the bond insurance premium of \$339,070 and additional closing costs of \$159,190. As part of the loan agreement, \$72,500 was contributed to the project by the University. Bond proceeds were used to construct the second phase of the Legacy Park Apartment Complex for students of the University of Louisiana at Lafayette at a cost of \$9,783,019, plus capitalized interest incurred during the project of \$871,139.

During the 2017, the Series 2009 revenue bonds were refunded along with a substantial portion of the outstanding Series 2010 Parking and Housing Bonds as the Series 2017 Refunding Bonds. The loss on the refunding of the \$11,630,000 Series 2009 Bonds outstanding was \$1,751,542, which

NOTES TO FINAANCIAL STATEMENTS

includes the write off of unamortized bond costs and issue discounts of \$573,574 on the date the refunding took place, April 19, 2017.

During the 2011 fiscal year, the Organization issued Series 2010 bonds for the construction of two new projects. The first project is the renovation and expansion of the University's Student Union building. The University initially contributed \$19,312,000 toward the project along with the issuance of bonds in the amount \$22,200,000 to finance the cost of demolishing certain facilities, renovate and expand the existing UL Student Union, renovate the O. K. Allen Hall to provide for a student health center and construction of a new food services center and other facilities. The proceed from the bonds are \$21,377,384, which is net of the issue discount on the bonds of \$374,142, the underwriters discount of \$157,620 and the bond insurance premium of 290,854. Additional bond issuance costs of \$273,853 were paid from the bond proceeds. Through June 30, 2017, the University made additional contributions throughout the five year construction term totaling \$12,995,607. As of June 30, 2016, the facility was completed at a cost of \$52,543,370, in additional to \$3,891,414 of capitalized interest, net of interest and investment earnings on bond proceeds.

The second project had multiple phases and involves the demolition of existing residence halls and the construction of four new large residence halls, the renovation of four existing halls and construction of a six level parking garage. In connection with this project, the Corporation issued bonds in the amount of \$100,050,000, which are also Series 2010. Proceeds from the sale of bonds of \$95,374,130, is net of an issue discount of \$1,959,680, an underwriter discount of \$725,363 and a bond insurance premium of \$1,990,827. Additional bond issuance costs of \$526,699 were paid from bond proceeds.

The parking garage and all the eight halls included in the Series 2010 Student Housing were completed in 2014 at an aggregate cost of \$7,469,682 and capitalized interest \$7,469,682. An additional \$2,491,708 for furniture, fixtures and equipment for those facilities were also expended and capitalized. These projects were completed in the 2012 and 2013 fiscal years.

As noted in Series 2009 revenue bond description, a substantial portion of the bonds outstanding for the Series 2010 Parking and Housing Bonds were refunded with the Series 2009 bonds in a Series 2017 refunding bond issue. At April 19, 2017, outstanding bonds of \$85,645,000 for maturities of October 1, 2021 through October 1, 2041 were refunded with a loss on the refunding of \$14,505,703. The loss on the refunding includes the write down of unamortized bond costs and issue discounts attributed to the refunded bonds of \$3,987,206. After the refunding, the remaining Series 2010 Parking and Housing Bonds outstanding of \$8,150,000 had maturities through October 1, 2020.

During the 2014 fiscal year, the Organization issued Series 2013 bonds for the construction of two new projects, the Athletic Facilities Project and

NOTES TO FINAANCIAL STATEMENTS

the Lewis Street Parking Garage. The Athletic Facilities Project involves the design, development, equipping, renovation, reconstruction and/or construction of an addition to the Leon Moncla Indoor Athletic Practice Facility to provide football locker rooms, a weight room, coach's offices and training facilities; the construction of an additional 5,900 seats in the south end zone of Cajun Field football stadium; the construction of a new visitor's football locker room; and the construction of a new track/soccer office, concession and locker room building on the campus of the University of Louisiana at Lafayette.

The University initially contributed \$1,000,000, during the 2014 fiscal year toward the project, concurrent with the issuance of the 2014 Series bonds in the amount \$23,605,000. Proceeds from the bonds are \$23,096,239, which is net of the issue discount on the bonds of \$147,923, the underwriter's discount of \$182,939 and the bond insurance premium of \$177,899. Additional bond issuance costs of \$178,964 were paid from the bond proceeds. During the June 30, 2016 and 2015 fiscal years, the University contributed another \$224,000 and \$915,956, respectively, toward the project, in addition to contributions of \$860,000 and \$3,000,000, respectively, made by the Ragin' Cajun Athletics Foundation.

Through June 30, 2017, accumulated construction costs for the Athletics Facilities Project was \$25,309,602, along with capitalized interest of \$1,709,891, are included in buildings and improvements. Equipment and technology costs of \$1,214,011 are included in furniture and equipment at June 30, 2017 in connection with these projects.

The Series 2013 Lewis Street Parking Garage Project entailed the construction of a multi-level parking garage on the campus of the University of Louisiana at Lafayette, which is estimated to provide 1,150 parking spaces. Bonds with a face amount of \$25,205,000 were issued in the 2014 fiscal year to facilitate construction of the project. Proceeds from the bonds are \$24,649,828, which is net of the issue discount on the bonds of \$175,990, the underwriter's discount of \$189,038 and the bond insurance premium of \$190,144. Additional bond issuance costs of \$200,444 were paid from the bond proceeds. Through June 30, 2017, the accumulated construction costs for the completed Lewis Street Garage Project was \$21,708,768, in addition to capitalized interest of \$1,244,444.

In August 2015, the Organization issued bonds for the University of Louisiana at Lafayette Cajundome Project. The Series 2015 bonds were issued to fund improvements to the University's Cajundome Facility. The bonds issued for the project will be used for designing, renovating, constructing, furnishing and/or equipping certain improvements for the Cajundome, including seating replacement, parking lot improvements, courtyard improvements, storage improvements, elevator improvements, kitchen improvements, lobby improvements, roof improvements, boiler replacement and lighting improvements. Bonds with a face amount of \$18,500,000 were issued in the 2016 fiscal year which netted bond proceeds of \$18,114,064 after an original issue discount of \$118,297, an underwriter's discount of \$148,000 and bond insurance premium of \$49,640.

NOTES TO FINAANCIAL STATEMENTS

Additional bond issuance costs of \$198,774 were paid from bond proceeds by the bond trustee.

Through June 30, 2017, \$19,140,104 had been incurred on the project, in addition to \$1,394,738 of capitalized interest, net of earnings on undisbursed bond proceeds. As part of the Cajundome Series 2017 Refunding Bond issue, an additional \$1,470,276 of bond proceeds and Cajundome contributions were added to the project budget. While the project is substantially complete at June 30, 2017, construction is continuing and final cost information is not yet available. It is anticipated that the project will be completed and moved to the property accounts in the 2018 fiscal year.

During the 2017 fiscal year, the University of Louisiana at Lafayette refunded revenue bonds outstanding of \$9,790,000 that it carried in the University's financial statements. The \$11,005,000 Series 2016 Revenue Bonds and Refunding was issued through Ragin' Cajun Facilities, Inc. Cost of issuance in connection with the refunding was \$239,284. The refunding of the existing indebtedness was accomplished through transfers of funds accumulated in debt service reserves of the Cajundome in addition to proceeds of the Series 2016 refunding. The refunding also accomplished an additional \$1,470,276 of funding that was added to the Cajundome Improvement Project being developed with the Series 2015 Revenue Bonds. To record the assumption of the liability, \$10,005,922 was recorded as a contribution to the University, or otherwise an assumption of a debt.

As noted in previous discussion of the Series 2009 Revenue Bonds and the Series 2010 Parking and Housing Revenue Bonds, all of the Series 2009 Bonds and all maturities after October 1, 2020 of the Series 2010 Parking and Housing Bonds were refunded. In April 2017, \$95,945,000 of Refunding Bonds were issued at a premium of \$8,479,654. Bond Issue costs of \$1,563,154 were netted in the bond proceeds of \$102,861,500 deposited with the bond trustee. An additional \$593,687 of bond costs were paid by the bond trustee. Additional transfers of debt service funds of \$7,005,925 from trustee funds on the refunding bonds along with the bond proceeds of \$102,231,924 were transferred to the escrow agent to refund the bonds outstanding for the two series of \$97,275,000, \$11,630,000 for Series 2009 and \$85,645,000 for 2022 and later maturities of the Series 2010 Parking and Housing Bonds.

While the refunding resulted in a net loss of \$16,257,245, the calculation does not take into account that the bonds were issued at a premium of \$8,479,654, which is being amortized over the life of the refunding bonds on the interest method. The loss on refunding includes the write down of unamortized bond issue costs and issue discounts in the amount of \$4,560,780 in connection with the refunded 2009 and 2020 issues. The refunding has the effect of reducing future debt service payments from the previous debt service schedule and results in a present value savings of \$4,377,835, despite the recorded loss on the financial reporting basis.

NOTES TO FINAANCIAL STATEMENTS

Aggregate maturities required on long-term debt, including interest, are as follows at June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	5,360,000	\$ 9,022,965	\$ 14,382,965
2019	5,340,000	9,072,600	14,412,600
2020	5,535,000	8,874,472	14,409,472
2021	5,750,000	8,658,475	14,408,475
2022	5,975,000	8,436,365	14,411,365
2023-2027	33,615,000	38,483,174	72,098,174
2028-2032	41,460,000	30,386,610	71,846,610
2033-2037	46,765,000	20,379,941	67,144,941
2038-2042	53,340,000	8,396,931	61,736,931
2043-2045	10,465,000	586,775	11,051,775
	<u>\$213,605,000</u>	<u>\$142,298,308</u>	<u>\$354,270,308</u>

Interest paid and accrued of \$741,594 and \$845,257, respectively, was capitalized during the years ended June 30, 2017 and 2016 for those bond projects under construction during those fiscal years. Capitalized interest costs are reduced by interest and investment earnings on undisbursed bond proceeds in the amounts of 19,786 and \$21,717, respectively, at June 30, 2017 and 2016. Amortization of bond costs and issue discounts related to the bonds, in the amount of 16,807 and \$16,811, respectively, are also included as components of capitalized interest at June 30, 2017 and 2016.

Cash payments for bond interest expensed during the years ended June 30, 2017 and 2016 were \$9,636,727 and \$9,123,373, respectively. The 2017 and 2016 fiscal year reflects cash payments of bond interest in the amounts \$741,594 and \$598,059\$1,946,088, respectively, which are capitalized as part of the acquisition of capital assets in the statements of cash flows.

During the 2017 fiscal year, the Corporation adopted the provisions of 2015-13, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the provision of Debt Issuance Costs*. This accounting change requires the that debt issuance costs in connection with debt that is not reported are fair value are reported as a deferred charge and reported as a direct deduction from the face amount of the related indebtedness. Previously, debt issue costs were reported as deferred charges, but were classified as non-current assets in the statement of financial position. The change was applied retrospectively to the prior fiscal year.

Note 3. Long-Term Debt - Note Payable

In December 2014, the Corporation agreed to purchase a facility it leased and rents to the University, which it operates as a bookstore. The agreed-upon purchase price is \$1,200,000 and the purchase took place in September 2015. In order to purchase the facility, the bank arranged to

NOTES TO FINAANCIAL STATEMENTS

borrow \$1,300,000 from a local financial institution. Under the terms of the loan agreement, the Corporation will make monthly installments of \$13,486, including interest, with any remaining balance due on September 20, 2025, the maturity date. The interest rate on the loan is the prime lending rate plus 120 basis points, with a floor rate of interest of 4.45%. At June 30, 2017, the applicable interest rate is 4.45% and the resulting loan balance is \$1,112,901. Of the June 30, 2017 note balance, \$998,961 is due after one year and classified as long-term debt.

During the 2017 fiscal year the Company sought funding from various sources to build a new baseball stadium. In that process, the Company borrowed \$10,000,000 from the same lending institution noted in the previous paragraph to fund a portion of the construction. Under the terms of the loan agreement, the loan operates as a construction line of credit through July 22, 2017, when no additional construction draws can be made. The Company drew down on the full \$10,000,000 commitment through June 30, 2017. Based on the current interest rate, \$331,181 classified as a current liability in the statement of financial position and is the principal that will be due in the next twelve months with principal reduction beginning in August 2017. The Company is presently negotiating new terms with the lender for a reduction in the interest rate and an increase in the term from 10 years to 16 years.

On August 2, 2018, the first payment of 120 equal monthly installments of principal and interest will come due, with a final payment due on August 1, 2028. Interest on the obligation will bear interest at 1% over the Wall Street Journal Prime interest rate, with a floor of 4.5%. The interest rate is adjusted every 36 months. The applicable rate for the 2017 fiscal year was 4.5%, with interest payable monthly through the construction phase. Provisions of the loan agreement requires a minimum deposit with the financial institution of \$1,600,000 over the term of the loan and a minimum debt service ratio of athletics revenue to projected debt service of not less than 1.25:1.

The loan is collateralized by Security Agreement and Collateral Assignment of Contract between the Company and the lender granting a first priority security interest in that certain Athletic Revenue Contribution Agreement by and between University of Louisiana at Lafayette Foundation and the Company dated July 21, 2016 and all proceeds and products thereof and pledge of promissory note executed in connection therewith and a Collateral Assignment and Pledge of Leases and Rents executed by the Company in favor of the lender, granting a first priority security interest in and collateral assignment of all leases and rents of or arising from any portion of the facility or any movables associated with or attached to the facility.

In addition to the loan proceeds, the facility was received various donations in the amount of \$5,362,854 and an advanced rental payment of \$1,500,000 from the University of Louisiana at Lafayette. Total costs in connection with the project through June 30, 2017 were \$15,834,822. The Company also incurred costs in connection with the loan of \$64,438. While the Baseball Stadium is substantially complete and portions of it has been

NOTES TO FINAANCIAL STATEMENTS

put into use, it remains in construction in process until final costs have been incurred for completion of construction and acceptance of the project.

At June 30, 2017, principal payments on the debt over the term of the note, projected at the current interest rate, is as follows:

<u>Year Ended</u>	
2018	\$ 447,121
2019	944,729
2020	987,859
2021	1,033,656
2022	1,081,126
2023-2027	5,903,701
2028	<u>714,708</u>
	<u>\$ 11,112,900</u>

Cash payments of interest on the above notes for the June 30, 2017 and 2016 fiscal years, included in expense, is \$52,906 and \$78,178, respectively. Interest capitalized on the construction of the baseball stadium in the 2017 fiscal year was \$193,439, plus \$3,056 of loan fee amortization. Cash payments for capitalized interest was during the 2017 fiscal year was \$155,939.

Note 4. Facilities Lease Agreements

The Corporation entered into various agreements to lease the Facilities to the Board of Supervisors of the Louisiana System (the "Board"). The rental payments under this lease are to be paid semiannually (March 15 and September 15) and include a base rental equal to the sum of the principal of premium, if any, and interest due and payable on the bonds on the following April 1 or October 1 for most University related projects and March 1 and September 1 for the Cajundome funding. The future minimum rental payments to be received as base rental payments are the amounts as reflected in Note 2 above. In addition to the base rental, the Board will pay additional rental 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 of Ragin' Cajun Facilities in the management, operation, ownership, and/or maintenance of the Facilities.

Note 5. Ground Lease Agreement

The Corporation entered into an agreement effective October 29, 2002, and subsequently amended, to lease the land on which the Facilities are constructed from the Board. The lease term expires on October 1, 2045. The rent shall be due and paid annually in advance in the sum of \$1 per year.

NOTES TO FINAANCIAL STATEMENTS

Note 6. Non-Cash Transactions

Amortization of the original issue discount, net of bond premium, and the bond issuance costs for the fiscal year ended June 30, 2017 was \$(45,121) and \$300,172, respectively, and \$259,231 and \$50,295, respectively, for the June 30, 2016 fiscal year. Amortization of the bond cost and net bond discounts and premium are included in interest expense.

Capitalized interest costs of \$284,698 and \$247,198, respectively, were accrued at June 30, 2017 and 2016 and are not reflected in the respective statements of cash flows, until such time that the interest payments are made. Likewise, amortization of bond discount and costs of \$16,808 and \$16,811, respectively, included in capitalized interest at June 30, 2017 and 2016, are excluded from the statements of cash flows.

For the year ended June 30, 2016, bond proceeds of \$18,114,064 is reflected in the statements of cash flows from the sale of the Series 2015 Revenue Bonds and consists of bonds with a face amount of \$18,500,000, and reduced by an issue discount of \$188,297, the underwriter's discount in the amount of \$148,000 and bond insurance premiums of \$49,640.

In connection with the Series 2017 Refunding Bonds that occurred during the ended June 30, 2017, bond proceeds of \$102,861,500 is reflecting in the statements of cash flows from the sale of bonds and consists of bonds with a face amount of \$95,945,000, and increased by an issue premium of \$8,479,654, reduced by the underwriter's discount in the amount of \$652,426, bond insurance premiums of \$661,473 and a surety bond fee of \$249,255.

The transaction regarding the recording of the Series 2016 Cajundome Refunding bonds between the University and the Company is reflected in the statement of cash flows as a non-cash transaction in the 2017 fiscal year. That transaction resulting in the recordation of bonds payable of \$11,005,922, bond issue costs of \$270,914, net contributions from the Cajundome Commission of \$728,164 and a recorded contribution to the University for the assumption of the liability of \$10,005,922.

Note 7. Cooperative Endeavor Agreement

In August 2014, the Corporation entered into a Cooperative Endeavor Agreement (the "CEA") with; the State of Louisiana, the Louisiana Department of Economic Development, the University of Louisiana at Lafayette, the Lafayette Economic Development Authority and CGI Federal, Inc. In order to induce CGI Federal, Inc. to relocate to Lafayette, Louisiana to establish and operate an Information Technology center of excellence, the other parties to the CEA agreed to provide an Operational Cost Grant, a Facility Cost Grant, a Land Lease Grant and a UL Lafayette Grant and other considerations.

NOTES TO FINANCIAL STATEMENTS

Pursuant to the CEA, Ragin' Cajun Facilities, Inc. is a party to the Facility Cost Grant portion of the Facility Agreement which provides for a grant of \$13.1 million for facility cost reimbursements by the State of Louisiana through the Louisiana Office of Economic Development. As part of the agreement, Ragin' Cajun Facilities will own and operate the facility through the term of the agreement and lease the Facility to CGI Federal, Inc. at a cost of \$7 per square foot per year for the first ten years, with provisions for two five-year extensions. The University of Louisiana at Lafayette will lease the facility site to the Corporation at \$1 per year during the construction phase and for the terms of the Facility Lease Agreement.

The University funded the construction costs incurred by Ragin' Cajun Facilities, Inc., as a funding mechanism until such costs are reimbursed by the State. Through June 30, 2016, the project was completed with project payments of \$13,557,756 paid for the construction of the facility, all of which had been submitted to the State for reimbursement. Through that date, \$13,524,903 had been reimbursed by the State for the project. At June 30, 2016, the Corporation had costs of \$32,853 that were paid, but had not been reimbursed by the State, and are recorded as a receivable. Grant revenues in connection with the project are reflected in the statements of activities of \$10,624,600 for the fiscal year ended June 30, 2016. \$2,900,303 of grant revenues were recorded in a prior period.

Note 8. Disclosure About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Restricted Cash:

The carrying amount approximates fair value because of the short maturity of those instruments.

Bonds payable:

Bonds are valued based on the estimated cash outflows expected discounted using market yields on tax exempt bonds with similar maturities.

Note payable:

The note payable is issued at a floating interest rate. Since the note is adjusted for changes in the market rate of interest, discounted cash outflows should approximate carrying value.

NOTES TO FINAANCIAL STATEMENTS

The following presents the carrying value and estimated fair values of each class of financial instruments as of June 30 2017.

	In Thousands	
	<u>Carrying Amount</u>	<u>Fair Value</u>
ASSETS		
Restricted cash	<u>\$ 16,226</u>	<u>\$ 16,226</u>
LIABILITIES		
Bonds payable, net of unamortized issue costs, discounts and premiums	<u>\$ 216,393</u>	<u>\$ 216,050</u>
Note payable, net of unamortized issue costs	<u>\$ 10,607</u>	<u>\$ 10,666</u>

Note 9. Commitments and Contingencies

At June 30, 2017, the Corporation had approximately \$1,200,000 remaining on construction contracts for facilities that were in progress. That amount does not include the costs for on-going project management, architectural fees, and engineering costs or other construction related activities that may be required to complete the project.

The Corporation is incurring costs that have been paid by the University in the amount of \$808,891 for the initial design and developing of a new housing complex for the University. These costs are in connection with both the feasibility of a housing project, the size of the complex and a budget for construction. The project is expected to be funded through the issuance of bonds; whereby, the University will be repaid for costs owed in the initial design phase. The Corporation anticipates issuing bonds of approximately \$55 million in connection with this project in early 2018.

Note 10. Subsequent Events

Subsequent events occurring after June 30, 2017 were evaluated through October 9, 2017 the date the financial statements were available to be issued.

This page intentionally left blank.

RAGIN' CAJUN FACILITIES, INC.

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD
Year Ended June 30, 2017

Agency Head: William J. Crist, Director

There are no transactions to report under this section.

INDEPENDENT AUDITOR' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Ragin' Cajun Facilities, Inc.
Lafayette, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Ragin' Cajun Facilities, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ragin' Cajun Facilities, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ragin' Cajun Facilities, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Ragin' Cajun Facilities, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in

internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ragin' Cajun Facilities, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Brunnard Poche, LLP". The signature is written in a cursive, slightly slanted style.

Lafayette, Louisiana
October 9, 2017

RAGIN' CAJUN FACILITIES, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2017

Section I. Internal Control and Compliance Material to the Financial Statements

Not applicable.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

The prior year's report did not include a management letter.