

RAGIN' CAJUN FACILITIES, INC.
FINANCIAL REPORT
JUNE 30, 2018

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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, 2018 and 2017 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.

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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, 2018 and 2017, 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 25 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 September 27, 2018, 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.

Branson P. Peltz, CPA

Lafayette, Louisiana
September 27, 2018

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RAGIN' CAJUN FACILITIES, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash	\$ 234,597	\$ 3,058,181
Accounts receivable	<u>-</u>	<u>2,332</u>
	<u>\$ 234,597</u>	<u>\$ 3,060,513</u>
RESTRICTED ASSETS		
Debt service reserves	\$ 5,285,357	\$ 5,280,737
Maintenance reserves	3,405,394	6,967,654
Project and other funds	<u>49,628,791</u>	<u>919,577</u>
	<u>\$ 58,319,542</u>	<u>\$ 13,167,968</u>
PROPERTY AND EQUIPMENT		
Buildings	\$255,127,499	\$231,039,814
Furniture and equipment	25,665,788	7,765,777
Construction in progress	<u>8,617,471</u>	<u>39,229,575</u>
	\$289,410,758	\$278,035,166
Accumulated depreciation and amortization	<u>(47,621,635)</u>	<u>(37,172,718)</u>
Total property and equipment	<u>\$241,789,123</u>	<u>\$240,862,448</u>
Total assets	<u>\$300,343,262</u>	<u>\$257,090,929</u>

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Current maturities of bonds payable	\$ 5,820,000	\$ 5,360,000
Current portion of long-term debt	119,186	447,121
Accounts payable	2,164,546	3,505,871
Due to ULL	-	808,891
Accrued interest payable	2,714,043	2,225,315
Deferred revenue	<u>1,700</u>	<u>-</u>
Total current liabilities	<u>\$ 10,819,475</u>	<u>\$ 12,347,198</u>
LONG-TERM LIABILITIES		
Bonds payable less current maturities	\$259,980,000	\$208,245,000
Bond issue premium (discount), net of accumulated amortization of \$210,323 and \$(254,533), respectively	12,632,758	8,193,869
Bond issuance costs, net of accumulated amortization of \$1,642,517 and \$1,367,705 respectively	(5,700,165)	(4,561,826)
Long-term debt, less current portion	879,775	10,665,779
Long-term debt costs, net of accumulated amortization of \$3,951 and \$5,693, respectively	<u>(4,785)</u>	<u>(58,745)</u>
Total long-term liabilities	<u>\$267,787,583</u>	<u>\$222,484,077</u>
Total liabilities	<u>\$278,607,058</u>	<u>\$234,831,275</u>
NET ASSETS		
Unrestricted	\$ 18,330,810	\$ 15,292,000
Temporarily restricted	<u>3,405,394</u>	<u>6,967,654</u>
	<u>\$ 21,736,204</u>	<u>\$ 22,259,654</u>
Total liabilities and net assets	<u>\$300,343,262</u>	<u>\$257,090,929</u>

RAGIN' CAJUN FACILITIES, INC.

STATEMENTS OF ACTIVITIES
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES:			
Rental income	\$ 13,742,851	\$ -	\$ 13,742,851
Contributions	5,281,055	2,346,422	7,627,477
Interest income	<u>53,822</u>	<u>43,994</u>	<u>97,816</u>
	\$ 19,077,728	\$ 2,390,416	\$ 21,468,144
Released from restriction	<u>5,952,676</u>	<u>(5,952,676)</u>	<u>-</u>
	<u>\$ 25,030,404</u>	<u>\$ (3,562,260)</u>	<u>\$ 21,468,144</u>
EXPENSES:			
Depreciation and amortization	\$ 10,448,917	\$ -	\$ 10,448,917
Repairs and maintenance	1,872,332	-	1,872,332
Other expenses	51,710	-	51,710
Loss on refinancing	149,823	-	149,823
Interest expense, net	<u>9,468,812</u>	<u>-</u>	<u>9,568,812</u>
	<u>\$ 21,991,594</u>	<u>\$ -0-</u>	<u>\$ 21,991,594</u>
Change in net assets	\$ 3,038,810	\$ (3,562,260)	\$ (523,450)
Net assets at beginning of year	<u>15,292,000</u>	<u>6,967,654</u>	<u>22,259,654</u>
Net assets at end of year	<u>\$ 18,330,810</u>	<u>\$ 3,405,394</u>	<u>\$ 21,736,204</u>

See Notes to Financial Statements.

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, net	<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>\$ 22,259,654</u>

See Notes to Financial Statements.

RAGIN' CAJUN FACILITIES, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (523,450)	\$ (19,353,838)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,448,917	8,260,051
Loss on refunding	-	16,257,245
Loss on refinancing	149,823	-
Assumption of indebtedness	-	10,005,922
Amortization of deferred bond cost, loan costs and bond discount and premium included in interest expense	(169,533)	256,502
Decrease in receivables	2,332	31,103
Increase (decrease) in accrued interest payable	485,707	(377,140)
Increase in deferred revenue	<u>1,700</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 10,395,496</u>	<u>\$ 15,079,845</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	\$ (13,314,022)	\$ (28,493,993)
Capitalization of interest, net of interest and investment earnings	<u>(225,139)</u>	<u>(701,035)</u>
Net cash used in investing activities	<u>\$ (13,539,161)</u>	<u>\$ (29,194,806)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on bonds payable	\$ (5,360,000)	\$ (4,145,000)
Proceeds from long-term debt	-	10,000,000
Proceeds from issuance of bond debt, net of underwriter's discount and bond insurance premium	61,360,580	102,861,500
Cash payments to escrow agent for refunded bonds	-	(108,941,465)
Payments on long-term debt	(10,113,939)	(108,922)
Payments for bond issuance costs	(414,986)	(623,687)
Payments for loan costs	<u>-</u>	<u>(55,702)</u>
Net cash provided by (used in) financing activities	<u>\$ 45,471,655</u>	<u>\$ (1,013,276)</u>
Net increase (decrease) in cash	\$ 42,327,990	\$ (15,128,237)
Cash, beginning of year	<u>16,226,149</u>	<u>31,354,386</u>
Cash, end of year	<u>\$ 58,554,139</u>	<u>\$ 16,226,149</u>

See Notes to Financial Statements.

	<u>2018</u>	<u>2017</u>
Cash:		
Operating	\$ 234,597	\$ 3,058,181
Restricted	<u>58,319,542</u>	<u>13,167,968</u>
	<u>\$ 58,554,139</u>	<u>\$ 16,226,149</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 FINANCIAL 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	20-30
Appliances, furniture and equipment	5-20
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 2015.

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 FINANCIAL 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, 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.

Recent accounting pronouncements

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, "Statement of Cash Flows (Topic 230) - Restricted Cash". This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The ASU is effective for fiscal years beginning after December 15, 2018. The Corporation has early adopted the pronouncement.

In August 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update (ASU) "Presentation of Financial Statements of Not-for Profit Entities". This update makes improvements to current reporting requirements by addressing the following: (1) the use of the currently required three classes of net assets that focus on the absence or presence of donor-imposed restrictions and whether those restrictions are temporary or permanent, (2) deficiencies in assessing the entity's liquidity caused by misunderstandings and confusion about the term unrestricted net assets, and how restrictions imposed by donors, grantors, board and others affect the entity's liquidity, (3) inconsistencies in the type of information provided about expenses of the period, and (4) impediment of preparing the indirect method reconciliation if an entity chooses to use the direct method of presenting operating cash flows. The update is effective for years beginning after December 15, 2017. The amendments in this update are expected to require certain changes in the way the financial statements are presented along with the related disclosures.

Note 2. Long-Term Debt - Bonds

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 to reduce debt service on the remaining outstanding obligation in a falling interest rate environment. The original Series 2002 revenue bonds 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

NOTES TO FINANCIAL STATEMENTS

\$1,461,966. 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. Interest rates on bond outstanding at June 30, 2018 range from 3.00% to 5.00%, with an average interest rate of 4.01%

During the 2017 fiscal year, the Corporation's 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. That portion of the loss on the refunding of the \$11,630,000 Series 2009 Bonds outstanding was \$1,751,542, which includes the write off of unamortized bond costs and issue discounts of \$573,574. That portion of the Series 2010 Parking and Housing revenue bonds included the refunding were bonds outstanding of \$85,645,000 for maturities from October 1, 2021 through October 1, 2041 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 remaining maturities through October 1, 2020. Interest rates on bonds outstanding for the remaining Series 2010 bonds at June 30, 2018 range from 5.00% to 5.25%, with an average interest rate of 5.14%

The purpose of the Series 2009 bonds was to construct a second phase of the Legacy Park Apartment complex. The bonds were originally issued for 12,500,000. The bonds 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.

The Series 2010 Parking and Housing Bond had multiple phases and involved 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. The cost of the facilities in connection with this issue was \$81,052,862, plus capitalized interest incurred during the project of \$7,469,682.

In the 2010 fiscal year, the Organization also issued the Series 2010 Student Union revenue bonds for 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. The University made additional contributions

NOTES TO FINANCIAL STATEMENTS

throughout the five year construction term totaling \$12,995,607. By the end of the 2016 fiscal year, the facility was completed at a cost of \$52,543,370, in addition to \$3,891,414 of capitalized interest, net of interest and investment earnings on bond proceeds. Interest rates on bonds outstanding for the Series 2010 Student Union Bonds at June 30, 2018 range from 3.00% to 5.00%, with an average interest rate of 4.83%

During the 2014 fiscal year, the Organization issued Series 2013 bonds for the construction of two new projects, the Athletic Facilities Project and the Lewis Street Parking Garage. The Series 2013 Athletic Facilities Project involved 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 2013 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. In the 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. The bonds were issued pursuant to the Athletic Revenue Contribution Agreement; whereby, the Ragin Cajun Athletics Foundation agreed to transfer Athletic Revenues in a minimum annual amount of \$400,000.

Through June 30, 2018, 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 \$1,899,159 are included in furniture and equipment at June 30, 2018 in connection with these projects. Interest rates on bonds outstanding for the Series 2013 Athletics Facilities Bonds at June 30, 2018 range from 3.00% to 5.00%, with an average interest rate of 4.75%

The Series 2013 Parking Garage Project involved the construction of another multi-level parking garage on the campus of the University of Louisiana at Lafayette on East Lewis Street. 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, 2018, the accumulated construction costs for the completed Lewis Street Garage Project was \$21,708,768, in addition to capitalized interest of \$1,244,444. Interest rates on bonds outstanding for the Series 2013

NOTES TO FINANCIAL STATEMENTS

Parking Garage Bonds at June 30, 2018 range from 3.00% to 5.00%, with an average interest rate of 4.76%

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

As part of the Cajundome Series 2016 Refunding Bond, an additional \$1,470,276 of bond proceeds were provided along with Cajundome contributions were added to the project budget for the Series 2015 Cajundome Improvement project. Through June 30, 2018, \$19,363,581 had been incurred on the project, in addition to \$1,394,738 of capitalized interest, net of earnings on undisbursed bond proceeds during the course of the project. Interest rates on bonds outstanding for the Series 2015 Cajundome Improvements Bonds at June 30, 2018 range from 3.50% to 4.25%, with an average interest rate of 4.03%

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 from the University, \$10,005,922 was recorded as a contribution to the college in the 2017 fiscal year. The interest rate on bonds outstanding for the Series 2016 Cajundome Refunding Bonds at June 30, 2018 is 2.47%.

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

NOTES TO FINANCIAL STATEMENTS

\$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. Interest rates on bonds outstanding for the 2017 Refunding at June 30, 2018 range from 2.00% to 5.00%, with an average interest rate of 4.64%

In the 2018 fiscal year, the Organization issued Series 2017 Baseball Stadium revenue bonds in the amount of \$10,145,000. The purpose of this issue was to refinance long-term debt with a local financial institution in the amount of \$10,000,000 the Corporation incurred in the 2017 fiscal year to facilitate construction of a new baseball stadium, in addition to a \$100,000 pre-payment penalty on the obligation and an approximate \$45,000 in issue costs. The project cost of the stadium was facilitated through additional contributions from the University and ULL Foundation of \$7,696,478 from the 2016 fiscal year through June 30, 2018. The final cost of the project were \$10,377,472 for the stadium and \$6,884,376 for related furniture and equipment. Capitalized interest during the construction phase were \$196,495. The interest rate on bonds outstanding for the Series 2017 Baseball Stadium Bonds at June 30, 2018 is 3.50%.

The Series 2018 Housing and Parking Project commenced in the 2017 fiscal year with project costs incurred and accrued of \$808,891 through June 20, 2017. Project costs prior to the issuance of bonds in May 2018 were paid by the University and reimbursed when the bonds were sold. Revenue bonds were issued in the amount of \$47,410,000 at a premium of \$4,903,746. The \$51,359,001 of bond proceeds are net of the underwriter's discount of \$341,352 and bond insurance premium and a surety bond fee of \$613,393. Additional costs of issuance of \$385,219 were paid from bond proceeds. Project costs through June 30, 2018 were \$6,941,693, including capitalized interest of 211,786. The interest rate on bonds outstanding for the Series 2018 Housing and Parking at June 30, 2018 is 5.00%.

NOTES TO FINANCIAL STATEMENTS

A recap of the activity in the respective bond issues are as follows:

Bond Issue	Bonds Outstanding June 30, 2017	Bonds Issued	Bonds Paid	Bonds Outstanding June 30, 2018
Series 2012 Refunding	\$ 14,740,000	\$ -	\$ 625,000	\$ 12,910,000
Series 2017 Refunding Parking and Housing	95,945,000	-	645,000	95,300,000
Series 2010 Parking and Housing	8,150,000	-	1,900,000	6,250,000
Series 2010 Student Union	19,600,000	-	480,000	19,210,000
Series 2013 Parking	24,205,000	-	515,000	23,690,000
Series 2013 Athletics Complex	22,665,000	-	485,000	22,180,000
Series 2015 Cajundome Improvements	18,500,000	-	-	18,500,000
Series 2016 Cajundome Refunding	11,005,000	-	710,000	10,295,000
Series 2017 Baseball Stadium	-	10,145,000	-	10,145,000
Series 2018 Parking and Housing	-	47,410,000	-	47,410,000
	<u>\$213,605,000</u>	<u>\$57,555,000</u>	<u>\$5,360,000</u>	<u>\$265,800,000</u>

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

	Principal	Interest	Total
2019	\$ 5,820,000	\$ 11,447,369	\$ 17,267,369
2020	6,035,000	11,574,497	17,609,497
2021	6,265,000	11,340,738	17,605,738
2022	6,510,000	11,100,253	17,610,253
2023	6,760,000	10,860,237	17,620,237
2024-2028	38,110,000	49,970,721	88,080,721
2029-2033	46,880,000	40,874,876	87,754,876
2034-2038	48,725,000	29,980,663	78,705,663
2039-2043	52,950,000	17,798,438	70,748,438
2044-2048	39,915,000	6,554,909	46,469,909
2049	7,830,000	196,750	11,051,775
	<u>\$265,800,000</u>	<u>\$201,698,451</u>	<u>\$467,498,451</u>

Interest paid and accrued of \$247,198 and \$741,594, respectively, was capitalized during the years ended June 30, 2018 and 2017 for those bond projects under construction during those fiscal years. Capitalized

NOTES TO FINANCIAL STATEMENTS

interest costs are reduced by interest and investment earnings on undisbursed bond proceeds in the amounts of \$22,060 and \$19,786, respectively, at June 30, 2018 and 2017. Net amortization of bond costs, (bond premium amortization) and issue discount amortization, related to the bonds, in the amount of (\$16,374) and \$16,807, respectively, are also included as components of capitalized interest at June 30, 2018 and 2017.

Cash payments for bond interest expensed during the years ended June 30, 2018 and 2017 were \$8,957,250 and \$9,636,727, respectively. The 2018 and 2017 fiscal year reflects cash payments of bond interest in the amounts \$247,198 and \$741,594, 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 that debt issuance costs in connection with debt that is not reported at 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 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, 2018, the applicable interest rate is 4.45% and the resulting loan balance is \$998,961. Of the June 30, 2018 note balance, \$879,775 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 cease. The Corporation drew the full \$10,000,000 commitment through June 30, 2017. Based on the applicable interest rate, \$331,181 was classified as a current liability in the statement of financial position at June 30, 2017. In the 2018 fiscal year, the loan was refinanced through bonded indebtedness as more fully described in Note 2 for the Series 2017 Baseball Stadium bond issue. The loan had a provision for a one percent (1%) prepayment penalty, or \$100,000 at the date the loan paid, which is

NOTES TO FINANCIAL STATEMENTS

included in the loss on refunding in the 2018 statement of activities, in addition to the write down of unamortized loan costs of \$49,823.

Provisions of the loan agreement required 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 was 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. At the time of the refinancing with bonded indebtedness, the funds remaining in deposit account of \$1,529,612 was returned to the Foundation and netted with other contributions it made to the stadium project in the 2018 fiscal year of \$1,545,329.

In addition to the loan proceeds, the facility received various donations in the amount of \$5,653,678 through June 30, 2018, net of the sum returned to the Foundation, and extraordinary rental payments of \$467,800 and \$1,500,000, respectively, from the University of Louisiana at Lafayette in the 2018 and 2017 fiscal years. Total costs in connection with the project through June 30, 2018 were \$17,261,848 in addition to capitalized interest during construction of 196,495. The stadium was substantially complete at the time of the refinancing.

At June 30, 2018, principal payments on the debt over the term of the note, projected at the current interest rate, is as follows:

<u>Year Ended</u>	
2019	\$ 119,186
2020	124,391
2021	130,520
2022	136,501
2023	142,706
2024-2026	<u>345,657</u>
	<u>\$ 998,961</u>

Cash payments of interest on the above notes for the June 30, 2018 and 2017 fiscal years, included in expense, is \$157,887 and \$52,906, 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 2018 and 2017 fiscal year was \$37,500 and \$155,939, respectively.

NOTES TO FINANCIAL STATEMENTS

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.

Note 6. Non-Cash Transactions

Amortization of the bond premiums, net of the amortization of original issue discounts for the fiscal year ended June 30, 2018 and 2017 were \$(442,325) and \$(45,121), respectively, and amortization of bond issue costs were \$268,656 and \$300,173, respectively. Amortization of loan costs of \$4,137 and \$1,452, respectively, are also included in the statement of changes in net assets at June 30, 2018 and 2017. Amortization of the bond cost and net bond discounts and premium are included in interest expense.

Capitalized interest costs of \$250,219 and \$284,698, respectively, were accrued at June 30, 2018 and 2017 and are not reflected in the respective statements of cash flows, until such time that the interest payments are made. Likewise, net amortization of bond (premium) discount and bond costs of (\$16,374) and \$16,808, respectively, included in capitalized interest at June 30, 2018 and 2017, are excluded from the statements of cash flows.

For the year ended June 30, 2018, 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.

NOTES TO FINANCIAL STATEMENTS

In connection with the Series 2017 Baseball Stadium bonds that occurred during the year ended June 30, 2018, bond proceeds of \$10,001,58 is reflecting in the statements of cash flows from the sale of bonds and consists of bonds with a face amount of \$10,145,000, and decreased by a prepayment penalty of \$100,000 and cost of issuance of \$43,420.

In addition to the bonds noted above, bond proceeds of \$51,359,000 were recognized in the sale of bonds for the Series 2018 Parking and Housing Project at the end of the 2018 fiscal year. Bonds with a face value of \$47,410,000 were issued at a premium of \$4,903,745, and net of underwriter's discount, surety fees and bond insurance of \$954,745.

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.

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 constructions costs incurred by Ragin' Cajun Facilities, Inc., as a funding mechanism until such costs are reimbursed by the State. At the end of the 2016 fiscal year the project was completed with project costs of \$13,557,756 paid for the construction of the facility, all of which had been reimbursed by the Louisiana Office of Economic Development.

NOTES TO FINANCIAL STATEMENTS

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.

The following presents the carrying value and estimated fair values of each class of financial instruments as of June 30 2018.

	<u>In Thousands</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>
ASSETS		
Restricted cash	<u>\$ 58,554</u>	<u>\$ 58,554</u>
LIABILITIES		
Bonds payable, net of unamortized issue costs, discounts and premiums	<u>\$ 272,733</u>	<u>\$ 268,796</u>
Note payable, net of unamortized issue costs	<u>\$ 994</u>	<u>\$ 982</u>

Note 9. Commitments and Contingencies

At June 30, 2018, the Corporation had approximately \$46,700,000 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.

NOTES TO FINANCIAL STATEMENTS

Note 10. Subsequent Events

Subsequent events occurring after June 30, 2018 were evaluated through September 27, 2018 the date the financial statements were available to be issued.

RAGIN' CAJUN FACILITIES, INC.

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD
Year Ended June 30, 2018

Agency Head: David K. Fontenot, Chairman of the Board

There are no transactions to report under this section.

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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, 2018 and 2017, 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 September 27, 2018.

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.

Beaussonnet Peché, LLP

Lafayette, Louisiana
September 27, 2018

RAGIN' CAJUN FACILITIES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

We have audited the financial statements of Ragin' Cajun Facilities, Inc. as of and for the year ended June 30, 2018, and have issued our report thereon dated September 27, 2018. 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. Our audit of the financial statements as of June 30, 2018 resulted in an unmodified opinion.

Section I - Summary of Auditors' Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses	<u> </u> Yes	<u> X </u> No
Significant Deficiencies	<u> </u> Yes	<u> X </u> None reported

Compliance

Compliance Material to Financial Statements	<u> </u> Yes	<u> X </u> No
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Section II - Financial Statement Findings

There were no current year findings reported.

RAGIN' CAJUN FACILITIES, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2018

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.