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**SOUTH LOUISIANA FACILITIES CORPORATION**  
**FINANCIAL REPORT**  
**JUNE 30, 2014**

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

Release Date OCT 29 2014

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\* A Professional Accounting Corporation

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
South Louisiana Facilities Corporation  
Lafayette, Louisiana

**Report on the Financial Statements**

We have audited the accompanying statements of financial position of South Louisiana Facilities Corporation (a nonprofit organization) as of June 30, 2014 and 2013 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.

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 South Louisiana Facilities Corporation as of June 30, 2014 and 2013, and the changes in its nets assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated September 18, 2014, on our consideration of South Louisiana Facilities Corporation'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 South Louisiana Facilities Corporation's internal control over financial reporting and compliance.

*Brennan, Parker, Lewis & Brown, LLP*

Lafayette, Louisiana  
September 18, 2014

SOUTH LOUISIANA FACILITIES CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash	\$ <u>16,237</u>	\$ <u>9,152</u>
<b>RESTRICTED ASSETS</b>		
Cash	\$ <u>1,282,528</u>	\$ <u>1,140,735</u>
<b>PROPERTY AND EQUIPMENT</b>		
Buildings and improvements	\$ 14,906,951	\$ 14,906,951
Furniture	1,105,167	1,105,167
Accumulated depreciation	<u>(4,303,768)</u>	<u>(3,797,398)</u>
Total property and equipment	\$ <u>11,708,350</u>	\$ <u>12,214,720</u>
<b>OTHER ASSETS</b>		
Bond issuance costs, net of accumulated amortization, \$56,486 and \$25,055, respectively	\$ <u>258,393</u>	\$ <u>289,824</u>
Total assets	\$ <u>13,265,508</u>	\$ <u>13,654,431</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
<b>PAYABLE FROM RESTRICTED ASSETS</b>		
Current maturities of bond payable	\$ 375,000	\$ -
Accrued interest payable	<u>101,692</u>	<u>101,692</u>
Total current liabilities	\$ 476,692	\$ 101,692
<b>LONG-TERM LIABILITIES</b>		
Bonds payable less current maturities, net of unamortized bond premium of \$245,177 and \$274,687, respectively	<u>13,055,177</u>	<u>13,459,687</u>
Total liabilities	\$ <u>13,531,869</u>	\$ <u>13,561,379</u>
<b>NET ASSETS</b>		
Unrestricted	\$ (1,544,394)	\$ (1,043,195)
Temporarily restricted	<u>1,278,033</u>	<u>1,136,247</u>
Total net assets	\$ <u>(266,361)</u>	\$ <u>93,052</u>
Total liabilities and net assets	\$ <u>13,265,508</u>	\$ <u>13,354,431</u>

See Notes to Financial Statements.

SOUTH LOUISIANA FACILITIES CORPORATION

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES:</b>			
Rental income	\$ 406,769	\$ -	\$ 406,769
Contributions	20,000	141,414	161,414
Interest income	6	372	378
Total revenues	\$ 426,775	\$ 141,786	\$ 568,561
<b>EXPENSES:</b>			
Legal services	\$ 6,695	\$ -	\$ 6,695
Accounting and auditing	6,210	-	6,210
Interest expense	408,689	-	408,689
Depreciation expense	506,370	-	506,370
Bank charges	10	-	10
Total expenses	\$ 927,974	\$ -0-	\$ 927,974
Change in net assets	\$ (501,199)	\$ 141,786	\$ (359,413)
Net assets at beginning of year	(1,043,195)	1,136,247	93,052
Net assets at end of year	\$ (1,544,394)	\$ 1,278,033	\$ (266,361)

See Notes to Financial Statements.

SOUTH LOUISIANA FACILITIES CORPORATION

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES:</b>			
Rental income	\$ 550,878	\$ -	\$ 550,878
Contributions	20,000	141,414	161,414
Interest income	<u>1,150</u>	<u>251</u>	<u>1,401</u>
Total revenues	<u>\$ 572,028</u>	<u>\$ 141,665</u>	<u>\$ 713,693</u>
<b>EXPENSES:</b>			
Legal services	\$ 3,548	\$ -	\$ 3,548
Accounting and auditing	7,299	-	7,299
Repairs and maintenance	-	16,046	16,046
Interest expense	508,074	-	508,074
Depreciation expense	506,369	-	506,369
Loss on refunding	<u>644,937</u>	<u>-</u>	<u>644,937</u>
Total expenses	<u>\$ 1,670,227</u>	<u>\$ 16,046</u>	<u>\$ 1,686,273</u>
Change in net assets	\$ (1,098,199)	\$ 125,619	\$ (972,580)
Net assets at beginning of year	<u>55,004</u>	<u>1,010,628</u>	<u>1,065,632</u>
Net assets at end of year	<u>\$ (1,043,195)</u>	<u>\$ 1,136,247</u>	<u>\$ 93,052</u>

See Notes to Financial Statements.

SOUTH LOUISIANA FACILITIES CORPORATION

STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2014 and 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (359,413)	\$ (972,580)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	506,370	506,369
Amortization included in interest expense:		
Bond issuance costs	31,431	30,208
Bond discount	-	3,478
Bond premium	(29,510)	(23,720)
Interest paid on defeased bonds	-	329,568
Interest earned on bond proceeds	-	(1,141)
Loss on refunding	-	644,937
Decrease in accrued interest payable	-	(63,092)
Net cash provided by operating activities	<u>\$ 148,878</u>	<u>\$ 454,027</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash used in investing activities	<u>\$ -0-</u>	<u>\$ -0-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from refunding bonds	\$ -	\$ 13,483,407
Payment to bond refunding escrow agent	-	(14,912,138)
Costs of issuance for refunding bonds	<u>-</u>	<u>(314,879)</u>
Net cash used in financing activities	<u>\$ -0-</u>	<u>\$ (1,743,610)</u>
Net (decrease) increase in cash	\$ 148,878	\$ (1,289,583)
Cash, beginning of year	<u>1,149,887</u>	<u>2,439,470</u>
Cash, end of year	<u>\$ 1,298,765</u>	<u>\$ 1,149,887</u>

See Notes to Financial Statements.

SOUTH LOUISIANA FACILITIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization:

South Louisiana Facilities Corporation (the "Corporation"), is a Louisiana nonprofit corporation chartered in December 2001. Its purpose is to promote, assist and benefit the mission of the South Louisiana Community College.

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 maintains balances in money market deposit accounts required for financing the costs of the development, design, construction and equipping of a new campus and related facilities (collectively, the "Facilities") for students, faculty and staff of the South Louisiana Community College, 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. The funds are held in trust and can only be disbursed in accordance with the trust agreement by the trustee.

These 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 pledging financial institutions trust department, but not in the Corporation's name. These funds are reflected as restricted cash on the statement of financial position.

Cash and cash equivalents -

For the purposes of the statements of cash flows, the Corporation considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

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 Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2014, 2013, 2012, and 2011 are subject to examination by the IRS, generally for 3 years after they were filed.

Bond Issuance Costs -

Costs incurred in obtaining long-term financing have been capitalized and being amortized over the lives of the bonds under the effective interest method.

Bond Discount and Premium -

Bond discount and premium resulting from the issuance of revenue are amortized over the life of the bonds under the effective interest method. The Series 2002 revenue bonds were issued at a discount. However, when the bonds were refunded with the Series 2012 revenue bond, the refunding bonds were issued at a premium.

Property and equipment -

Purchased property and equipment is recorded at cost at the date of acquisition. Depreciation is computed by the straight-line method at rates based on the following estimated useful lives:

	<u>Years</u>
Building and improvements	20 - 40
Capitalized interest costs	40
Furniture and equipment	10

Interest on debt issued to finance the construction of the Facilities has been capitalized as a portion of the cost of the project. Investment earnings on temporary investments earned during the construction phase were netted against capitalized interest. Accordingly, bond cost and bond discount amortization during the construction phase were netted against capitalized interest.

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.

NOTES TO FINANCIAL STATEMENTS

Note 2. Long-Term Debt

Series 2002 revenue bonds, with an aggregate principal amount of \$17,840,000, 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. In September 2012, the Corporation issued \$13,185,000 of non-taxable refunding revenue bonds through the Lafayette Public Trust Financing Authority. The purpose of the 2012 refunding bonds was to refund the Series 2002 revenue bonds of the Corporation to lower debt service payments resulting from lower interest rates available at the time of refunding.

Unspent proceeds from the 2002 series bonds of \$177,066 and the balance of the debt service reserve in the amount of \$1,251,776 were combined with the 2012 refunding series bond proceeds, including a portion of the contribution from the Louisiana Community and Technical College System of \$88,885 were deposited with into an escrow fund created pursuant to an escrow agreement dated September 6, 2012 between the Corporation, the Lafayette Public Trust Financing Authority and the escrow trustee. The amount of the escrow account, together with interest earnings were used to defease the October 1, 2012 Series 2002 bond maturities of \$570,000 and refund \$13,725,000 of Series 2002 bonds maturing October 1, 2013 to October 1, 2028.

The Series 2012 bonds were issued at a premium of \$298,407 and the cost of issuance consisted of \$88,999 of underwriter's discount deducted from the bond proceeds and payments of additional costs of issuance of \$225,880 were paid by the Corporation. The refunding resulting in a loss of \$644,937, of which \$356,226 was the write-off of unamortized bond issue costs of \$212,669 and unamortized original issue discount of \$143,557 on the Series 2002 bonds at the date of the refunding. The refunding reduced the total debt service payments by \$2,742,770 and resulted in an economic gain of \$1,980,000.

Bonds issued under the 2012 Series are at interest rates ranging from 2.0% to 4.0%, depending on maturity date. The average interest rate of bonds outstanding at June 30, 2014 was 3.085%.

Aggregate maturities required on long-term debt, including interest of \$3,584,742 are as follows at June 30, 2014:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	375,000	403,019	778,019
2016	810,000	387,119	1,197,119
2017	840,000	362,369	1,202,369
2018	860,000	336,869	1,196,869
2019	890,000	310,618	1,200,618
2020-2024	4,905,000	1,086,219	5,991,219
2025-2028	<u>4,505,000</u>	<u>291,759</u>	<u>4,796,759</u>
	<u>\$13,185,000</u>	<u>\$ 3,177,972</u>	<u>\$16,362,972</u>

## NOTES TO FINANCIAL STATEMENTS

Cash payments for interest during the years ended June 30, 2014 and 2013 were \$406,769 and \$561,286, respectively.

### Note 3. Facilities Lease Agreement

The Corporation entered into an agreement to lease the Facilities to the Board of Supervisors of the Louisiana Community and Technical College 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. The future minimum lease 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 South Louisiana Facilities Corporation in the management, operation, ownership, and/or maintenance of the Facilities.

### Note 4. Ground Lease Agreement

The Corporation entered into an agreement effective October 29, 2002 to lease the land on which the Facilities will be constructed from the Board. The lease term expires on October 1, 2028. The rent shall be due and paid annually in advance in the sum of \$1 per year.

### Note 5. Concentrations of Risk

The Corporation received 100% of its facilities lease rental revenues from the Board of Supervisors of the Louisiana Community and Technical College System.

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 6. Subsequent Events

The Company evaluated the need for disclosures and/or adjustments resulting from subsequent events through September 18, 2014, the date the financial statements were available to be issued.



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**INDEPENDENT AUDITORS' 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  
South Louisiana Facilities Corporation  
Lafayette, Louisiana

We have audited the financial statements of South Louisiana Facilities Corporation (a nonprofit organization) as of and for the year ended June 30, 2014, and have issued our report thereon dated September 18, 2014. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered South Louisiana Facilities Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Louisiana Facilities Corporation's financial statements are free of material misstatement, we performed test 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.

This report is intended solely for the information of management, others within the Organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Breussard, Poche, Linn & Deane, LLP*

Lafayette, Louisiana  
September 18, 2014

SOUTH LOUISIANA FACILITIES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014

We have audited the financial statements of South Louisiana Facilities Corporation as of and for the year ended June 30, 2014, and have issued our report thereon dated September 18, 2014. 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, 2014 resulted in an unqualified opinion.

Section I - Summary of Auditors' Reports

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

Internal Control

Material Weaknesses    \_\_\_ Yes    X No  
Reportable Conditions   \_\_\_ Yes    X None reported

Compliance

Compliance Material to Financial Statements   \_\_\_ Yes    X No

Section II - Financial Statement Findings

No matters are reported.

SOUTH LOUISIANA FACILITIES CORPORATION

SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2014

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

Not applicable.