# RAGIN' CAJUN FACILITIES, INC.

## FINANCIAL REPORT

## JUNE 30, 2014

C O N T E N T S

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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, 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 Ragin' Cajun Facilities, Inc. as of June 30, 2014 and 2013, 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 Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued a report dated September 22, 2014, 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 South Louisiana Facilities Corporation's internal control over financial reporting and compliance.

Broussard, Poche', Lewis & Breaux, LLP

Lafayette, Louisiana
September 22, 2014

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RAGIN' CAJUN FACILITIES, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

| ASSETS | 2014 | 2013 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash | $ 99,602 | $ 64,991 |
| Contributions receivable | - | 307,000 |
| Accrued interest receivable | 110,464 | 95,497 |
| | $ 210,066 | $ 467,488 |
| RESTRICTED ASSETS | | |
| Cash | $ 40,390,051 | $ 23,313,910 |
| Investments | 22,383,443 | 18,991,677 |
| | $ 62,773,494 | $ 42,305,587 |
| PROPERTY AND EQUIPMENT | | |
| Buildings | $111,161,777 | $108,797,757 |
| Furniture and equipment | 4,941,341 | 4,762,237 |
| Construction in progress | 60,230,726 | 19,245,841 |
| | $176,333,844 | $132,805,835 |
| Accumulated depreciation and amortization | (15,525,053) | (11,405,487) |
| Total property and equipment | $160,808,791 | $121,400,348 |
| OTHER ASSETS | | |
| Bond issuance costs, net of accumulated amortization, $698,179 and $468,198, respectively | $ 5,510,206 | $ 4,620,760 |
| Total assets | $229,302,557 | $168,794,183 |

See Notes to Financial Statements.

| LIABILITIES AND NET ASSET | 2014 | 2013 |
| --- | --- | --- |
| CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS | | |
| Current maturities of bonds payable | $ 2,090,000 | $ 1,795,000 |
| Accounts payable | 8,762,630 | 2,713,673 |
| Short term loans - LPTFA | 184,786 | 31,163 |
| Accrued interest payable | 2,362,620 | 1,841,176 |
| Total current liabilities | $ 13,400,036 | $ 6,381,012 |
| LONG-TERM LIABILITIES | | |
| Bonds payable less current maturities, net of original issue discount (premium), $1,796,459 and 1,517,712, respectively | 191,703,541 | 145,262,288 |
| Total liabilities | $205,103,577 | $151,643,300 |
| NET ASSETS | | |
| Unrestricted | $ 22,267,874 | $ 15,191,855 |
| Temporarily restricted | 1,931,106 | 1,959,028 |
| | $ 24,198,980 | $ 17,150,883 |
| Total liabilities and net assets | $229,302,557 | $168,794,183 |

RAGIN' CAJUN FACILITIES, INC.

STATEMENTS OF ACTIVITES
Year Ended June 30, 2014

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| REVENUES: | | | |
| Rental income | $ 8,597,134 | $ - | $ 8,597,134 |
| Contributions | 9,219,450 | - | 9,219,450 |
| Interest and investment losses, net | 91,341 | 190 | 91,531 |
| | $ 17,907,925 | $ 190 | $ 17,908,115 |
| Net assets released from restriction | 28,112 | (28,112) | - |
| | $ 17,936,037 | $ (27,922) | $ 17,908,115 |
| EXPENSES: | | | |
| Depreciation and amortization | $ 4,119,566 | $ - | $ 4,119,566 |
| Rent expense | 107,420 | - | 107,420 |
| Other expenses | 30,292 | - | 30,292 |
| Interest expense | 6,602,740 | - | 6,602,740 |
| | $ 10,860,018 | $ -0- | $ 10,860,018 |
| Change in net assets | $ 7,076,019 | $ (27,922) | $ 7,048,097 |
| Net assets at beginning of year | 15,191,855 | 1,959,028 | 17,150,883 |
| Net assets at end of year | $ 22,267,874 | $ 1,931,106 | $ 24,198,980 |

See Notes to Financial Statements.

RAGIN' CAJUN FACILITIES, INC.

STATEMENTS OF ACTIVITES
Year Ended June 30, 2013

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| REVENUES: | | | |
| Rental income | $ 6,881,291 | $ - | $ 6,881,291 |
| Contributions | 3,040,000 | 307,000 | 3,347,000 |
| Interest and investment losses, net | 133,735 | 201 | 133,936 |
| | $ 10,055,026 | $ 307,201 | $ 10,362,227 |
| Net assets released from restriction | 164,798 | (164,798) | - |
| | $ 10,219,824 | $ 142,403 | $ 10,362,227 |
| EXPENSES: | | | |
| Depreciation and amortization | $ 3,976,732 | - | $ 3,976,732 |
| Rent expense | 107,420 | - | 107,420 |
| Miscellaneous expenses | 3,652 | - | 3,652 |
| Interest expense | 6,652,484 | - | 6,652,484 |
| | 939,313 | - | 939,313 |
| | $ 11,679,601 | $ -0- | $ 11,679,601 |
| Change in net assets | $ (1,459,777) | $ 142,403 | $ (1,317,374) |
| Net assets at beginning of year | 16,651,632 | 1,816,625 | 18,468,257 |
| Net assets at end of year | $ 15,191,855 | $ 1,959,028 | $ 17,150,883 |

See Notes to Financial Statements.

RAGIN' CAJUN FACILITIES, INC.

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

| | 2014 | 2013 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | $ 7,048,097 | $ (1,317,374) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,119,566 | 3,976,732 |
| Losses on investments | - | 1,731 |
| Amortized premiums on investments | 161,968 | 201,731 |
| Amortization of deferred bond cost and bond discount included in interest expense | 200,711 | 211,446 |
| Loss on refunding | - | 939,313 |
| Decrease in rent and contributions receivable | 307,000 | 1,036,747 |
| Decrease in accrued interest receivable | 56,505 | 117,675 |
| Decrease in accrued interest payable | (8,400) | (62,671) |
| Net cash provided by operating activities | $ 11,885,447 | $ 5,105,330 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | $(26,258,240) | $(19,331,043) |
| Proceeds from matured investments | 22,704,506 | 24,763,050 |
| Acquisition of fixed assets | (35,210,618) | (16,287,410) |
| Capitalization of interest, net of interest and investment earnings | (1,735,626) | (1,122,833) |
| Net cash flows used in investing activities | $(40,499,978) | $(11,978,236) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in short term borrowings | $ 153,623 | $ (142,103) |
| Principal payments on bonds payable | (1,795,000) | (945,000) |
| Proceeds from issuance of refunding debt, including issue premium, net of underwriters discount and bond insurance premium | 47,746,067 | 15,214,128 |
| Payments to escrow agent for bond refunding | - | (16,317,553) |
| Payments for bond issuance costs | (379,407) | (176,337) |
| Net cash used in financing activities | $ 45,725,283 | $ (2,366,865) |
| Net increase (decrease) in cash | $ 17,110,752 | $ (9,239,771) |
| Cash, beginning of year | 23,378,901 | 32,618,672 |
| Cash, end of year | $ 40,489,653 | $ 23,378,901 |

(Continued)

RAGIN' CAJUN FACILITIES, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended June 30, 2014 and 2011

| | 2014 | 2013 |
|---|---|---|
| Cash: | | |
| Operating | $ 99,602 | $ 64,991 |
| Restricted | 40,390,051 | 23,313,910 |
| | $ 40,489,653 | $ 23,378,901 |

See 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 or construction 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

Restricted investments -

The Corporation's trustee invests idle bond proceeds during the construction phase in other short term investments to maximize interest earnings. At June 30, 2014 and 2013, the trustee had purchased a number of state and local bonds with short-term maturities. In accordance with the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC"), the Corporation's investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position.

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:

| | Years |
|---|---|
| Buildings and improvements | 30 |
| Appliances, furniture and equipment | 10 |

Interest on debt issued to finance the construction of the facilities is capitalized as a part of the project. 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 2010.

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 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.

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. Short Term Loans

Ragin Cajun Facilities, Inc. has entered into a loan arrangement with Lafayette Public Trust Financing Authority ("LPTFA") to borrow up to $400,000 at no interest, in accordance with a Cooperative Endeavor Agreement between the two entities. Under the loan agreement the Corporation may make draws on this line of credit to facilitate the renovation or construction of acquired properties for sustainable student housing. Payment of the advances are secured by the Corporation granting to the lender a first priority mortgage encumbering the property and improvements being constructed by the Corporation in furtherance of the Cooperative Endeavor Agreement.

At June 30, 2014 and 2013, respectively, the Corporation owed $184,786 and $31,163 on the loan. The agreement expires June 15, 2016. Because advances are anticipated to be repaid through the sale of individual housing projects upon completion, the indebtedness is classified as a current liability as the duration of individual projects will be under one year.

Note 3. Long-Term Debt

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. The bonds were issued with an original issue discount of $332,626. Bond costs at issuance were underwriter's costs of $152,520, the bond insurance premium of $280,000 and additional issuance costs paid at closing of $150,193. Bond proceeds were used to construct the first phase of the Legacy Park Apartment Complex for students of the University of Louisiana at Lafayette.

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. The balance of the debt service reserve in the amount of $1,289,767 were combined with the 2013 refunding series net bond proceeds of $15,214,128, of which $186,341 was transferred to cost of issuance account for payment of bond issue costs. The remaining funds of $16,317,553 were deposited into an escrow fund created pursuant to an escrow agreement dated October 30, 2013 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 refund $15,935,000 of Series 2002 bonds maturing October 1, 2014 to October 1, 2032.

The Series 2012 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. The refunding resulting in a loss of $939,313, of which $556,761 was the write-off of unamortized bond issue costs of $387,074 and unamortized original issue discount of 202,322 on the Series 2002 bonds at the date of the refunding. The refunding reduced the total debt service payments by $3,637,311 from the remaining Series 2002 obligation, which resulted in an economic gain of $2,615,000.

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.

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. During the June 30, 2014, 2013 and 2012 fiscal years, the University made additional contributions to the project in the amounts of $8,204,000, $2,250,000 and $750,000, respectively. Through June 20, 3014, accumulated construction costs for the Student Union Project of $39,523,191 and capitalized interest of $3,366,441 are included in construction in progress. Completion of the project is anticipated during the 2015 fiscal year.

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.

As of the June 30, 2013 fiscal year, the parking garage and all one of the eight halls included in the Series 2010 Student Housing project were substantially completed and during the second quarter of the fiscal year. The aggregate amount of these completed facilities and capitalized interest of $76,611,720 of $7,079,096, respectively, were transferred from construction in process and capitalized during the 2013 and 2012 fiscal years. An additional $2,467,708 of furniture, fixtures and equipment in those facilities were also capitalized. Early in the June 30, 2014 fiscal year, the remaining hall was completed and transferred from construction in progress at a cost of $1,973,435 and capitalized interest of $390,586. At the time of respective transfers, these assets commenced being depreciated as the assets were placed in service.

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 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 toward the project along 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. Through June 20, 3014, accumulated construction costs for the Athletics Facilities Project was $4,082,846, along with capitalized interest of $621,202, are included in construction in progress. Completion of the project is anticipated during the 2015 fiscal year.

The Series 2013 Lewis Street Parking Garage Project entails 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 20, 3014, accumulated construction costs for the Lewis Street Garage Project was $11,765,098, in addition to capitalized interest of $687,162, are included in construction in progress. Completion of the project is anticipated during the 2015 fiscal year.

Aggregate maturities required on long-term debt, including interest of $133,821,021 are as follows at June 30:

| | Principal | Interest | Total |
|---|---|---|---|
| 2015 | 2,090,000 | 9,413,580 | 11,503,580 |
| 2016 | 3,925,000 | 9,323,855 | 13,248,855 |
| 2017 | 4,145,000 | 9,212,533 | 13,357,533 |
| 2018 | 4,280,000 | 9,088,539 | 13,369,724 |
| 2019 | 4,435,000 | 8,934,724 | 13,369,724 |
| 2020-2024 | 25,180,000 | 41,688,653 | 66,868,653 |
| 2025-2029 | 31,575,000 | 35,301,884 | 66,876,855 |
| 2030-2034 | 39,131,000 | 26,616,409 | 65,745,409 |
| 2035-2039 | 45,670,000 | 15,658,500 | 61,328,500 |
| 2040-2044 | 35,160,000 | 3,501,450 | 38,661,450 |
| | $195,590,000 | $168,740,127 | $364,330,128 |

Interest paid and accrued of $2,268,334 and $1,225,863 on the bonds is capitalized as construction in progress during the years ended June 30, 2014 and 2013, respectively. Capitalized interest is reduced by interest and investment earnings (losses) on undisbursed bond proceeds in the amounts of $23,838 and ($60,531), respectively at June 30, 2014 and 2013. Amortization of bond costs and issue discounts related to the bonds, in the amount of $74,337 and $44,075, respectively, are also included as components of capitalized interest at June 30, 2014 and 2013.

Cash payments for interest expensed during the years ended June 30, 2014 and 2013 were $6,409,243 and $6,503,710, respectively. The 2014 and 2013 fiscal year reflects cash payments of interest in the amounts $1,689,184 and $945,350,506, respectively, which are capitalized as part of the acquisition of capital assets in the statement of cash flows.

Note 4. Facilities Lease Agreement

The Corporation entered into 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. 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, 2039. 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 original issue discount, net of bond premium, and the bond issuance costs for the fiscal year ended June 30, 2014 was $179,226 and $21,485, respectively, and $168,582 and $44,657, respectively, for the June 30, 2013 fiscal years. Amortization of the bond cost and net bond discounts and premium are included in interest expense.

Capitalized interest costs of $463,913 and $235,263, respectively, were accrued at June 30, 2014 and 2013 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 $74,337 and $43,880, respectively, included in capitalized interest at June 30, 2014 and 2013, are excluded from the statement of cash flows.

For the year ended June 30, 2014, bond proceeds of $47,746,067 is reflected in the statement of cash flows from the sale of the Series 2013 Revenue Bonds and consists of bonds with a face amount of $48,810,000, and reduced by an issue discount of $323,914, the underwriter's discount in the amount of $371,976 and bond insurance premiums of $368,043.

For the year ended June 30, 2013, bond proceeds of $15,214,128 is reflected in the statement of cash flows from the sale of the Series 2012 Refunding Revenue Bonds and consists of bonds with a face amount of $14,740,000, an issue premium of $818,273 and is net of reductions for the underwriter's discount in the amount of $110,550 and bond insurance premiums of $233,595.

## Note 7. 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.

Investments:

Investments are carried at estimated fair market value within the financial statements.

Bonds payable:

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

The following presents the carrying value and estimated fair values of each class of financial instruments as of June 30 2014.

| | In Thousands | |
|---|---|---|
| | Carrying Amount | Fair Value |
| ASSETS | | |
| Restricted cash | $ 40,390 | $ 40,390 |
| Investments | $ 22,383 | $ 22,383 |
| LIABILITIES | | |
| Bonds payable | $ 193,794 | $ 214,880 |

In accordance with FASB ASC 820-10-50-1, the Corporation groups assets and financial liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes securities that are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. For example, municipal securities valuations are based on markets that are currently offering similar financial products. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Below is a table that presents information regarding investments measured at fair value on a recurring basis:

| | | Fair value Measures at Reporting Date |
|---|---|---|
| | Fair Value | Significant Other Observable Inputs Level 2 |
| June 30, 2014: | | |
| U.S. Agencies bonds | $ 7,778,324 | $ 7,778,324 |
| State and municipal bonds | 14,605,119 | 14,605,119 |
| | $ 22,383,443 | $ 22,383,443 |
| June 30, 2013: | | |
| State and municipal bonds | $ 18,991,677 | $ 18,991,677 |

Note 8. Subsequent Events

Subsequent events occurring after June 30, 2014 were evaluated through September 22, 2014 the date the financial statements were available to be issued.

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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 the financial statements of Ragin' Cajun Facilities, Inc. (a nonprofit organization) as of and for the years ended June 30, 2014 and 2013, and have issued our report thereon dated September 22, 2014. We conducted our audits 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 Ragin' Cajun Facilities, Inc.'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 Ragin' Cajun Facilities, Inc.'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.

Broussard, Poche', Lewis & Breaux, LLP

Lafayette, Louisiana
September 22, 2014

RAGIN' CAJUN FACILITIES, INC.

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

We have audited the financial statements of Ragin' Cajun Facilities, Inc. as of and for the year ended June 30, 2014, and have issued our report thereon dated September 22, 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 |
| Significant Deficiencies | ___ Yes | X None reported |

Compliance

| | | |
|---|---|---|
| Compliance Material to Financial Statements | ___ Yes | X No |

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, 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

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