ATHLETIC DEPARTMENT
LOUISIANA STATE UNIVERSITY
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

AGREED-UPON PROCEDURES REPORT
ISSUED FEBRUARY 15, 2017

LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF FINANCIAL AUDIT
ERNEST F. SUMMERVILLE, JR., CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of $1.20. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.lla.la.gov. When contacting the office, you may refer to Agency ID No. 3478 or Report ID No. 80160177 for additional information.

TABLE OF CONTENTS

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 12, 2017

Independent Accountant's Report on the
Application of Agreed-Upon Procedures

DR. F. KING ALEXANDER, PRESIDENT
LOUISIANA STATE UNIVERSITY
AND A&M COLLEGE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have performed the procedures enumerated below, which were agreed to by you as president and chancellor of the university, solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the Louisiana State University and A&M College (LSU) Athletic Department is in compliance with the National Collegiate Athletic Association (NCAA) Constitution 3.2.4.15 for the year ended June 30, 2016, and to assist you in your evaluation of the effectiveness of the LSU Athletic Department's internal control over financial reporting as of June 30, 2016. LSU's management is responsible for the Statement (unaudited) and related notes (unaudited) and compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management of LSU. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures were not performed on specific reporting categories that are less than 0.5% of the total revenues or expenses. The procedures that we performed and our findings are as follows:

MINIMUM COMPLIANCE AGREED-UPON PROCEDURES

INTERNAL CONTROL

1. We obtained, through discussions with management, the identity of those aspects of internal control that management considers unique to intercollegiate athletics.

2. We performed procedures to test specific elements of the control environment and accounting systems that are unique to intercollegiate athletics to determine

adherence to established policies and procedures relating to revenues and expenses. The following procedures were performed:

(a) We randomly selected one football, two men's basketball, and three baseball operating revenue receipts from the ticket sales category as of June 30, 2016, and followed them through the university's control system to determine adherence to established policies and procedures.

(b) We randomly selected two team travel and two recruiting expense transactions as of June 30, 2016, and followed them through the university's control system to determine adherence to established policies and procedures regarding travel.

(c) We selected all football, baseball, and men's basketball games with game guarantee expenses and followed them through the university's control system to determine adherence to established policies and procedures.

We found no exceptions as a result of these procedures.

3. We obtained the university's procedures for gathering information on the nature and extent of affiliated and outside organizational activity for, or on behalf of, the university's intercollegiate athletics program and determined the university's adherence to these procedures.

   We found no exceptions as a result of these procedures.

STATEMENT OF REVENUES AND EXPENSES

GENERAL PROCEDURES

1. We obtained written representations from management as to the fair presentation of the Statement, completeness of required schedules and related financial information, adequacy of controls, compliance with NCAA rules and legislations, completeness of the list of all known affiliated and outside organizations, and other information we considered necessary for the year ended June 30, 2016.

   In the representation letter, management disclosed minor instances of Level II secondary violations of NCAA rules and regulations, which were self-reported to the NCAA during the year ended June 30, 2016.

2. We verified the mathematical accuracy of the amounts on the Statement and agreed each operating revenue and expense category on the Statement to supporting schedules provided by the university and/or the university's general ledger.

   We found no exceptions as a result of these procedures.

3. We compared each major operating revenue and expense account over 10% of total revenue and expense for June 30, 2016, to June 30, 2015, amounts and budget estimates. We obtained and documented the university's explanations for the variances over the lesser of $1 million or 10% from June 30, 2016.

   We have included this analysis as Appendix A.

MINIMUM AGREED-UPON PROCEDURES FOR REVENUES

1. Using a schedule prepared by the university for football, baseball, and men's basketball, we compared the value of the tickets sold, complementary tickets provided, and unsold tickets for the reporting period per the schedule to the related revenue reported by the university in the general ledger and Statement and to the related attendance figures to determine if the variance totals less than 1%. We also selected one football, two men's basketball, and three baseball operating revenue receipts transactions from the ticket sales category and agreed to adequate supporting documentation.

   We found no exceptions as a result of these procedures.

2. No procedures were performed on game guarantee contracts since the amount was less than 0.5% of total revenues.

3. We obtained information on Tradition Fund contribution revenue. For contributions related to season tickets, this included the contribution amount for each section in the stadium and the number of seats in each section required to make the contribution. For contributions related to parking permits, this included the contribution amount for each type of parking lot and the number of parking permits in each type of lot required to make the contribution. We calculated Tradition Fund contribution revenue using this information and compared to the amount recorded in the general ledger to identify variances of 5% or greater.

   We identified no variances that were 5% or greater for Tradition Fund contribution revenue.

4. We compared the in-kind recorded by the university during the reporting period with a schedule of in-kind donations. We recalculated the totals.

   We found no exceptions as a result of these procedures.

5. We inquired of management regarding the relevant terms and conditions of all agreements related to the university's participation in revenues from broadcast, television, radio, and Internet rights during the reporting period, and we compared and agreed the related revenues to the summary statement and the general ledger. We also obtained the largest revenue receipt related to media rights and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

6. We compared all NCAA distributions amounts recorded in the revenue and expense reporting during the reporting period to the general ledger for NCAA distributions and other corroborative supporting documentation. We recalculated the totals.

   We found no exceptions as a result of these procedures.

7. Based on the relevant terms and conditions of all agreements related to the university's Conference distributions and participation in revenues from Conference tournaments during the reporting period, we compared and agreed the related revenues to the university's general ledger and the corroborative supporting documentation. We recalculated the totals.

   We found no exceptions as a result of these procedures.

8. Based on the relevant terms and conditions of two randomly-selected agreements related to the university's participation in revenues from royalties, licensing, advertising, and sponsorships during the reporting period, we compared and agreed the related revenues to the general ledger and adequate supporting documentation. We recalculated the totals.

   We found no exceptions as a result of these procedures.

9. We obtained and inspected the largest endowment and investment income revenue receipt and compared and agreed the classification and use of the endowment and investment income reported in the Statement for the reporting period to the defined uses of the income. We recalculated the totals.

   We found no exceptions as a result of these procedures.

10. We compared the amount recorded by the university during the reporting period for program sales, concessions, novelty sales, and parking to the general ledger detail. We also randomly selected two operating revenue receipts from the program sales, concessions, novelty sales, and parking receipts category and agreed to adequate supporting documentation. We recalculated the totals.

    We found no exceptions as a result of these procedures.

11. Based on the relevant terms and conditions for the university's revenues from post-season bowl participation during the reporting period, we compared and agreed the revenues to the university's general ledger. We recalculated the totals.

    We found no exceptions as a result of these procedures.

12. We randomly selected three other operating revenue transactions, two of which were high-dollar transactions, and agreed to adequate supporting documentation. We recalculated the totals.

    We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR EXPENSES

1. We selected 20% of total student athletes from the listing of university student aid recipients and obtained individual student-account detail for each selection and compared total aid allocated from the related aid award letter to the student's account. We performed a check of each student selected to ensure their information was reported accurately to the NCAA Membership Financial Reporting System. We recalculated the totals for each sport and overall.

   The University was unable to locate a copy of the student aid award letter for three out of 74 students sampled. LSU did provide documentation from its accounting system providing the information that was included in the student's award letter, and based on this documentation; we were able to compare to student-account detail with no exceptions noted. No exceptions were noted for the other 71 students sampled.

2. We selected all football, baseball, and men's basketball games with game guarantee expenses and agreed the amounts to the general ledger and to the contractual agreements. We recalculated the related settlement report.

   We found no exceptions as a result of these procedures.

3. We obtained from management a list of coaches and support staff/administrative personnel paid by the university and related entities during the reporting period. We examined the contracts for the two highest paid support staff/administrative personnel, one random sample of support staff/administrative personnel, and all head coaches from football and men's and women's basketball. The following procedures were performed:

   (a) We compared and agreed the financial terms and conditions in the contract of each coach selected to the related coaching salaries, benefits, and other compensation recorded by the university and related entities in the Statement.

   (b) We obtained and inspected payroll summary registers for the reporting year for each selection.

   (c) We compared and agreed related payroll summary registers for each selection to the amounts recorded by the university and related entities in the Statement during the reporting period.

(d) We compared and agreed the totals recorded to any employment contracts executed for the sample selected.

(e) We recalculated the totals.

We found no exceptions as a result of these procedures.

4. We obtained from management a list of coaches and support staff/administrative personnel paid by third parties during the reporting period and examined the related contracts for one support staff/administrative personnel and for all head coaches from football and men's and women's basketball. The following procedures were performed:

(a) We compared and agreed the financial terms and conditions in the contracts to the related other compensation and benefits recorded by the university in the Statement.

(b) We obtained and inspected payroll summary registers for each selection.

(c) We compared and agreed related payroll summary registers for each selection to the related amounts recorded by the university in the Statement during the reporting period.

(d) We recalculated the totals.

We discussed with management that some amounts reported as paid by third parties appear to meet the definition of being paid by a related entity, which would be reported in the categories that includes payments from the university and related entities. In total, the compensation amounts included in the four salaries and compensation categories are accurate, and at this time, management has not determined the specific amounts to be adjusted. Management has decided to make necessary changes beginning in 2017. No other exceptions were noted as a result of these procedures.

5. No procedures were performed on severance payments since the amount was less than 0.5% of total expenses.

6. We compared and agreed the university's recruiting expense policies to existing university and NCAA-related policies. We randomly selected two recruiting expenses and validated the existence of the transaction and accuracy of reporting. We obtained the general ledger detail and compared it to the total expenses reported. We recalculated the totals.

We found no exceptions as a result of these procedures.

7. We compared and agreed the university's team travel policies to existing university and NCAA-related policies. We randomly selected two team travel expenses and validated the existence of the transaction and accuracy of reporting.

We obtained the general ledger detail and compared it to the total expenses reported. We recalculated the totals.

We found no exceptions as a result of these procedures.

8. We obtained a listing of debt service schedules, lease payments, and rental fees for athletics facilities and compared the two highest facility payments to additional supporting documentation. We obtained the general ledger detail and compared it to total expenses reported. We recalculated the totals.

   We found no exceptions as a result of these procedures.

9. We randomly selected two equipment, uniforms, and supplies expense transactions and validated the existence of the transaction and accuracy of recording. We obtained the general ledger detail and compared it to total expenses reported. We recalculated the totals.

   We found no exceptions as a result of these procedures.

10. We randomly selected two spirit group expense transactions and validated the existence of the transaction and accuracy of recording. We obtained the general ledger detail and compared it to total expenses reported. We recalculated the totals.

    We found no exceptions as a result of these procedures.

11. We randomly selected one operating expense transaction from each expense category not previously mentioned above and validated the existence of the transaction and accuracy of recording. Also, for each expense category not previously mentioned above, obtained the general ledger detail and compared it to the total expenses reported for that category. We recalculated the totals.

    We found no exceptions as a result of these procedures.

12. We compared and agreed the selected expense transactions from above to adequate supporting documentation.

    We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR NOTES AND DISCLOSURES

1. From university management, we obtained a list of contributions received by the athletic department to identify any individual contributions that constitute 10% or more of all contributions received for intercollegiate athletics during the reporting period. We obtained and reviewed supporting documentation for such contributions and ensured that the source of funds, goods, and services, as well as

the value associated with these items, is disclosed within the notes to the Statement.

No individuals or outside organizations, other than the Tiger Athletic Foundation (TAF) and Nike, contributed monies, goods, or services for, or on behalf of, the athletic department that exceeded 10% of the total contributions included in Statement A. The value of the contributions from TAF and Nike is disclosed in note 1 to the statement.

2. We obtained a description of the university's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets and ensured that the university's policies and procedures were properly disclosed within the notes to the Statement.

   We found no exceptions as a result of these procedures.

3. We obtained the repayment schedules for all outstanding intercollegiate athletics debt maintained by the university during the reporting period. We recalculated annual maturities and agreed to supporting schedules provided by the university and the university's general ledger. We ensured that the repayment schedules were properly disclosed within the notes to the Statement.

   We found no exceptions as a result of these procedures. The repayment schedules are disclosed in note 3 to the Statement.

MINIMUM AGREED-UPON PROCEDURES FOR AFFILIATED AND OUTSIDE ORGANIZATIONS

1. We obtained from university management a listing of all affiliated and outside organizations for the reporting period.

2. We obtained from university management statements for all affiliated and outside organizations and confirmed revenues and expenses directly with a responsible official of the organization.

   We found no exceptions as a result of these procedures.

3. We obtained written representations from management of the university that TAF and the LSU Track and Field Officials Association were the only outside organizations created for or on behalf of the athletic department. The LSU Track and Field Officials Association does not make any disbursements on behalf of the athletic department. Instead, the LSU Track and Field Officials Association supports athletics with direct contributions to TAF. For the year ended December 31, 2015, the LSU Track and Field Officials Association donated $70,000 to TAF.

4. We obtained from management a summary of revenues and expenses for or on behalf of intercollegiate athletics programs by TAF to be included with the agreed-upon procedures report.

The following is the summary of revenues and expenses for or on behalf of intercollegiate athletics programs by TAF for the year ended December 31, 2015:

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
REVENUES						
Contributions	$1,645,255	$200,919	$75,529	$825,747	$5,158,960	$7,906,410
Compensation and benefits provided by a third party	591,598	7,950	6,705	4,257	9,876	620,386
Total revenues	2,236,853	208,869	82,234	830,004	5,168,836	8,526,796
EXPENSES						
Coaching, other compensation, and benefits paid by a third party	591,598	7,950	6,705	4,257	9,876	620,386
Recruiting	262,695	58,490	12,266	25,076		358,527
Team travel	1,576	18,247	12,490	92,877	25,236	150,426
Sports equipment, uniforms, and supplies	2,763	22,781		49,284		74,828
Game expenses	602,923	7,647		52,364		662,934
Fundraising, marketing, and promotion	135,319	52,613	31,990	242,719	520,860	983,501
Spirit groups					3,622	3,622
Membership and dues	13,891	3,087		8,259	9,924	35,161
Other operating expense	626,088	38,054	18,783	355,168	4,599,318	5,637,411
Total expenses	2,236,853	208,869	82,234	830,004	5,168,836	8,526,796
EXCESS (Deficiency) OF REVENUES OVER EXPENSES	NONE	NONE	NONE	NONE	NONE	NONE

In addition to the operating contributions listed above, TAF also made a capital contribution of $14,077,326 through a donation of the LSU Tennis Complex in the fall of 2015. Operating and capital contributions made by TAF in 2015 total $22,604,122. TAF made distributions to or on behalf of the University for both restricted and unrestricted purposes in the amount of $20,798,774; $1,375,569 from booster clubs; and $429,779 from affiliated chapters.

5. We obtained written representations as to the fair presentation of the summary of revenues and expenses for the year ended December 31, 2015.

6. We obtained the independent auditor's reports for all outside organizations that had an independent audit to identify any significant deficiencies relating to their internal control and made inquiries of management to document any corrective action taken in response to the significant deficiencies.

The financial statements of TAF for the year ended December 31, 2015, were audited by an independent certified public accounting firm. The audit report was dated March 16, 2016, and did not include a report on internal control.

ADDITIONAL MINIMUM AGREED-UPON PROCEDURCES

1. We obtained squad lists from the institution and compared and agreed the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the institution.

   We found no exceptions as a result of these procedures.

2. We obtained the institution's Sports Sponsorship and Demographics Forms Report and verified that the number of contests and participants in each contest were in compliance with NCAA Bylaw 20.9.6.3. We also verified that the institution properly reported the appropriate sports as countable for revenue distribution within the NCAA Membership Financial Reporting System.

   We found no exceptions as a result of these procedures.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying Statement of Revenues and Expenses and related notes of the LSU Athletic Department, or on its compliance with NCAA Constitution 3.2.4.15, or on the effectiveness of the LSU Athletic Department's internal control over financial reporting for the year ended June 30, 2016. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the president and chancellor of LSU and is not intended to be, and should not be, used by anyone other than the president and chancellor of LSU. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

AEB:JPT:BH:EFS:ch

LSU NCAA 2016

Statement A

ATHLETIC DEPARTMENT
LOUISIANA STATE UNIVERSITY AND A&M COLLEGE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Revenues and Expenses
For the Year Ended June 30, 2016

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON-PROGRAM SPECIFIC	TOTAL
REVENUES						
Operating revenues:						
Ticket sales	$38,865,803	$2,079,994	$145,365	$2,911,750	$1,219,856	$45,222,768
Guarantees	550,000			2,000		552,000
Contributions	22,498,352	862,744	75,530	2,720,136	5,585,840	31,742,602
In-kind	650,000	70,000	70,000	798,514	208,686	1,797,200
Compensation and benefits provided by a third party	712,138	23,893	6,705	33,017	195,164	970,917
Media rights	11,440,333	3,100,076			20,859,539	35,399,948
NCAA distributions		2,080,461	72	597,309		2,677,842
Conference distributions	6,899,127	376,548			1,245,239	8,520,914
Program, novelty, parking, and concession sales	2,850,866	82,650	10,428	364,436	3,845,482	7,153,862
Royalties, licensing, advertisements, and sponsorships					3,306,735	3,306,735
Athletics restricted endowment and investments income					993,336	993,336
Other operating revenue					1,971,036	1,971,036
Bowl revenues	1,342,300					1,342,300
Total operating revenues	85,808,919	8,676,366	308,100	7,427,162	39,430,913	141,651,460
EXPENSES						
Operating expenses:						
Athletic student aid	4,596,381	729,404	980,089	7,927,644	1,085,332	15,318,850
Guarantees	4,290,500	602,000	83,904	116,403		5,092,807
Coaching salaries, benefits, and bonuses paid by the University and related entities	10,972,904	2,711,018	1,438,234	6,897,209		22,019,365
Coaching salaries, benefits, and bonuses paid by a third party	618,555	23,893	6,705	33,017		682,170
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	1,568,695	358,973	252,225	734,345	15,443,864	18,358,102
Support staff/administrative compensation, benefits, and bonuses paid by a third party	93,583				195,164	288,747
Severance payments	93,159	42,865	22,919		63,343	222,286
Recruiting	821,042	306,821	153,808	629,987	36,641	1,948,299
Team travel	1,493,565	797,557	768,184	3,085,658	48,191	6,193,155
Sports equipment, uniforms, and supplies	1,006,538	109,300	78,504	1,559,210	686,021	3,439,573
Game expenses	1,490,442	290,736	159,077	801,292	6,609,823	9,351,370
Fundraising, marketing, and promotion	138,669	52,613	31,990	244,584	718,901	1,186,757
Athletic facilities debt service, leases and rental fees					12,811,581	12,811,581
Direct overhead and administrative expenses	51,670	805	3,780	453,505	9,725,857	10,235,617
Spirit groups					729,927	729,927
Medical expenses and insurance	207,126	50,403	44,398	216,940	291,088	809,955
Memberships and dues	17,954	4,552	900	29,517	42,656	95,579
Student-athlete meals					886,934	886,934
Other operating expenses	1,549,766	244,422	183,271	1,817,857	8,966,411	12,761,727
Bowl expenses	1,520,111					1,520,111
Total operating expenses	30,530,660	6,325,362	4,207,988	24,547,168	58,341,734	123,952,912
Excess transfers to institution					5,887,756	5,887,756
Total expenses	30,530,660	6,325,362	4,207,988	24,547,168	64,229,490	129,840,668
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	$55,278,259	$2,351,004	($3,899,888)	($17,120,006)	($24,798,577)	$11,810,792

NOTES TO THE FINANCIAL STATEMENT
(UNAUDITED)

INTRODUCTION

Louisiana State University and A&M College (LSU), a part of the Louisiana State University System, is a publicly-supported institution of higher education. The system is a component unit of the State of Louisiana within the executive branch of government. The LSU Athletic Department is a part of the operations of LSU's auxiliary enterprises. LSU uses the fiscal year July 1 through June 30 for financial reporting purposes.

The LSU Athletic Department is supported by the Tiger Athletic Foundation (TAF). TAF was founded on May 17, 1983, as a nonprofit corporation under Louisiana Revised Statute 12:201(7). TAF's primary objective is to encourage support and raise funds for LSU and its intercollegiate athletics program. Funds are primarily used to defray the costs of scholarships, to help maintain and improve LSU's athletic facilities, and to retire present indebtedness. TAF is governed by a board of directors elected from its membership. TAF's activities are monitored by the board of directors in cooperation with and approval of the LSU Athletic Department. TAF escrow accounts, which include booster clubs and affiliated chapters, are deposits in which TAF acts as custodian or fiscal agent on behalf of booster organizations. TAF acts as a nonaffiliated party to oversee the revenues generated by booster clubs and affiliated chapters and to provide institutional control as required by NCAA rules. TAF uses the calendar year for financial reporting purposes.

The accompanying statement of revenues and expenses presents information as to the transactions for the intercollegiate athletics program of both LSU and TAF for their fiscal years ended June 30, 2016, and December 31, 2015, respectively.

1. CONTRIBUTIONS

No individuals or outside organizations, other than TAF and Nike, contributed monies, goods, or services for, or on behalf of, the athletic department that exceeded 10% of the total contributions included in Statement A.

The athletic department received contributions totaling $8,526,796 from TAF for the year ended December 31, 2015, and $1,639,500 from Nike for the fiscal year ended June 30, 2016. Contributions from TAF on Statement A reflect gifts in the form of goods, services, and benefits paid for or on behalf of the athletic department as follows:

Contributions	$9,545,910
Compensation and benefits provided by a third party	620,386
Total	$10,166,296

2. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the university system's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that total $100,000 or more and significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and three to 10 years for most movable property. All departments within the university follow standardized policies and procedures for acquiring, approving, depreciating, and disposing of capital assets.

<u>Cooperative Endeavors - Expansion of Tiger Stadium</u>

On December 21, 1998, LSU entered into a cooperative endeavor agreement with TAF for an addition to the east side of Tiger Stadium. TAF agrees to lease a parcel of land located adjacent to Tiger Stadium for up to 50 years and to construct additional seats on the land as part of Tiger Stadium, including approximately 70 skyboxes. LSU will lease these stadium improvements from TAF for $2 million per year for a 35-year lease term or until TAF donates such improvements to LSU. The estimated value to LSU of this addition over the term of the agreement is approximately $49 million. The cooperative endeavor agreement will end on April 4, 2049.

On September 26, 2003, LSU entered into a cooperative endeavor agreement with TAF for the expansion and renovation of the west side of Tiger Stadium. TAF agrees to lease land and certain existing improvements for expanding and renovating facilities and to complete general stadium improvements. Effective September 1, 2005, LSU leased these improvements from TAF for $2.5 million per year for a 35-year lease term or until TAF donates such improvements to LSU. The estimated value to LSU of this addition over the term of the agreement is approximately $100 million. This agreement is scheduled to expire on March 31, 2041.

TAF entered into a cooperative endeavor and lease agreement with the Board of Supervisors of LSU. The lease agreement stipulates that TAF will lease from LSU certain land (Ground Lease) and existing improvements thereon (Facilities Lease) in order to provide necessary, new, expanded and renovated Facilities/South, South End Zone Scoreboards and Olympic Sports Improvements, all as defined by LSU. TAF entered into the cooperative endeavor for the purpose of, and shall have the continuing obligation of, developing and constructing the Facilities/South and South End Zone Scoreboards in accordance with plans and specifications approved by LSU, and shall ensure the maintenance, operation, management and replacement of the Facilities/South and South End Zone Scoreboards. TAF shall expend a total amount, including for both hard and soft costs, of $100 million for the financing, design, development, performance, and construction of the Facilities/South and Olympic Sports Improvements in accordance with the plans and specifications approved by LSU. The expenditures necessary for the South End Zone Scoreboards will be outside of and in addition to the $100,000,000.

The term of the Ground Lease between LSU and TAF is 50 years; however, it will terminate with the cooperative endeavor, when, and if, the Facilities/South are donated by TAF to LSU. The Facilities Lease is scheduled to terminate June 30, 2049; however, LSU may terminate the lease at any time after the Bonds, referred to in note 3, are paid in full or legally defeased. TAF is committed to an annual rent of $25,000 for the land. Upon completion of the Facilities/South, TAF will lease to LSU a portion of that Facilities/South. Under the terms of this lease, and with anticipated completion of the construction prior to the start of the 2014 LSU football season, LSU will pay TAF $4,000,000 annually beginning September 1, 2014.

Property and Equipment - TAF

The purchase of property and equipment is recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily or permanently restricted revenue. It is TAF's policy to capitalize all fixed asset purchases greater than $1,000. Property and equipment is depreciated using the straight-line method over estimated useful lives of five to 50 years.

Construction-in-progress and other additions are stated at cost and represent costs of construction. During the construction period, interest will be capitalized on all qualifying expenditures.

Capital asset activity for the athletic department for the year ended June 30, 2016, is as follows:

LSU ATHLETIC DEPARTMENT

	Balance June 30, 2015	Additions	Transfers	Retirements	Balance June 30, 2016
Capital assets not being depreciated:					
Construction-in-progress	$941,032	$374,627	($941,032)	NONE	$374,627
Other capital assets:					
Depreciable land improvements	$22,235,560				$22,235,560
Less - accumulated depreciation	(4,541,500)	($1,075,270)			(5,616,770)
Total land improvements	17,694,060	(1,075,270)	NONE	NONE	16,618,790
Buildings	187,969,018	26,843,632	$941,032		215,753,682
Less - accumulated depreciation	(62,823,509)	(4,837,409)			(67,660,918)
Total buildings	125,145,509	22,006,223	941,032	NONE	148,092,764
Equipment	6,086,182	1,549,513	28,316	($415,264)	7,248,747
Less - accumulated depreciation	(4,395,281)	(631,713)	(26,957)	407,204	(4,646,747)
Total equipment	1,690,901	917,800	1,359	(8,060)	2,602,000
Total other capital assets	$144,530,470	$21,848,753	$942,391	($8,060)	$167,313,554
Capital asset summary:					
Capital assets not being depreciated	$941,032	$374,627	($941,032)		$374,627
Other capital assets, at cost	216,290,760	28,393,145	969,348	($415,264)	245,237,989
Total cost of capital assets	217,231,792	28,767,772	28,316	(415,264)	245,612,616
Less - accumulated depreciation	(71,760,290)	(6,544,392)	(26,957)	407,204	(77,924,435)
Capital assets, net	$145,471,502	$22,223,380	$1,359	($8,060)	$167,688,181

Capital asset activity for TAF for the year ended December 31, 2015, is as follows:

TAF

	Balance December 31, 2014	Additions	Transfers	Retirements	Balance December 31, 2015
Capital assets not being depreciated:					
Land	$3,090,000	$1,650,000			$4,740,000
Construction-in-progress		2,771,184	($2,768,937)		2,247
Total capital assets not being depreciated	$3,090,000	$4,421,184	($2,768,937)	NONE	$4,742,247
Other capital assets:					
Land and improvements	$4,568,038				$4,568,038
Less - accumulated depreciation	(498,006)	($40,570)			(538,576)
Total land improvements	4,070,032	(40,570)	NONE	NONE	4,029,462
Buildings	245,888,619	136,755	$2,768,937		248,794,311
Less - accumulated depreciation	(28,288,255)	(6,130,088)			(34,418,343)
Total buildings	217,600,364	(5,993,333)	2,768,937	NONE	214,375,968
Equipment	375,176	7,092		($8,872)	373,396
Less - accumulated depreciation	(300,905)	(19,178)		8,872	(311,211)
Total equipment	74,271	(12,086)	NONE	NONE	62,185
Vehicles	37,165	12,916			50,081
Less - accumulated depreciation	(28,437)	(2,483)			(30,920)
Total vehicles	8,728	10,433	NONE	NONE	19,161
Total other capital assets	$221,753,395	($6,035,556)	$2,768,937	NONE	$218,486,776
Capital asset summary:					
Capital assets not being depreciated	$3,090,000	$4,421,184	($2,768,937)	NONE	$4,742,247
Other capital assets, at cost	250,868,998	156,763	2,768,937	($8,872)	253,785,826
Total cost of capital assets	253,958,998	4,577,947	0	(8,872)	258,528,073
Less - accumulated depreciation	(29,115,603)	(6,192,319)		8,872	(35,299,050)
Capital assets, net	$224,843,395	($1,614,372)	NONE	NONE	$223,229,023

3. LONG-TERM LIABILITIES

Bonds Payable - LSU Athletic Department

The following is a detailed summary of bonds payable for the athletic department for the year ended June 30, 2016:

Issue	Date of Issue	Original Issue	Principal Outstanding at 6/30/2015	Issued/ (Retired)	Principal Outstanding at 6/30/2016	Interest Rates	Maturities	Interest Outstanding at 6/30/2016
2005A	06/02/05	$6,295,000	$440,000	($215,000)	$225,000	3.75%	2017	$8,437
2006	08/09/06	47,280,000	820,000	(820,000)		4.0% to 5.0%	2016	
2007	12/11/07	24,091,200	18,623,300	(555,400)	18,067,900	4.0% to 5.0%	2037	10,522,243
2008	06/27/08	6,180,000	6,040,000	(430,000)	5,610,000	4.0% to 5.0%	2026	1,538,362
2014	10/16/14	42,265,000	41,740,000		41,740,000	3.0% to 5.0%	2036	23,553,200
Total		$126,111,200	$67,663,300	($2,020,400)	$65,642,900			$35,622,242

The 2005A Bonds refunded the Series 1996 Bonds for $3,965,000 and the Series 1997 Bonds for $2,330,000. The 2006 Bonds funded the construction of Alex Box Stadium, the Women's Softball Complex, and the Maddox Fieldhouse. The 2007 Bonds funded renovations and additions to various athletic facilities, including parking facilities. The 2008 fixed rate Bonds refunded the variable rate 2005B Bonds and terminated an associated derivative interest rate swap agreement. This issue also refunded the 1988 LPFA loan agreement. The 2014 Bonds advanced refunded the Series 2006 Bonds for $42,920,000.

The following is the amortization schedule for the outstanding bonds payable for the athletic department as of June 30, 2016:

Fiscal Year Ending	Principal	Interest	Total
2017	$2,113,300	$3,002,735	$5,116,035
2018	2,184,100	2,927,318	5,111,418
2019	2,312,000	2,849,141	5,161,141
2020	2,404,900	2,733,543	5,138,443
2021	2,510,700	2,617,421	5,128,121
2022-2026	14,210,200	11,139,929	25,350,129
2027-2031	17,945,200	7,312,717	25,257,917
2032-2036	20,489,500	2,973,153	23,462,653
2037	1,473,000	66,285	1,539,285
	$65,642,900	$35,622,242	$101,265,142

Bonds and Notes Payable - TAF

The following is a detailed summary of bonds and notes payable for TAF for the year ended December 31, 2015:

Issue	Date of Issue	Original Issue	Principal Outstanding 12/31/14	Issued/ (Retired)	Principal Outstanding 12/31/15	Interest Rates	Maturities
1999 Bond	03/04/99	$43,575,000	$35,485,000	($35,485,000)		Variable	2033
2004 Bond	03/23/04	90,000,000	73,275,000	(73,275,000)		Variable	2039
2012 Bond	10/23/12	70,000,000	70,000,000		$70,000,000	Variable	2037
2012 Term Loan	10/23/12	29,622,276	22,282,667	7,339,609	29,622,276	Variable	2024
2015 Bond	07/01/15	52,000,000		52,000,000	52,000,000	2.49%	2028
2015A Bond	11/01/15	53,045,000		53,045,000	53,045,000	2.42%	2039
Total		$338,242,276	$201,042,667	$3,624,609	$204,667,276		

In 1999, TAF issued $43,575,000 in revenue bonds for financing or reimbursing a portion of the cost of certain improvements and renovations to the East Side Upper Deck of Tiger Stadium at LSU. Effective July 2015, the 1999 revenue bonds were refunded into the 2015 revenue bonds discussed below.

In 2004, TAF issued $90,000,000 in revenue bonds for financing or reimbursing a portion of the cost of certain improvements and renovations to the West Side Upper Deck at LSU's Tiger Stadium and construction of the Football Operations Center, as well as miscellaneous improvements to Tiger Stadium. On March 15, 2007, an amendment was made to the original loan agreement that waived the principal payment due on September 1, 2007, and extended the payment schedule an additional year through 2034, with the intent that the 2007 principal payment will be paid on September 1, 2034. Effective November 2009, the bonds were reissued as a single fully registered bond without coupons and shall mature September 2039. Effective July 2015, the 2004 revenue bonds were partially refunded into the 2015 revenue bonds discussed below. Effective November 2015, the remaining 2004 revenue bonds were refunded into the 2015A revenue bonds discussed below.

In 2012, TAF entered into a bond purchase agreement and a resulting loan agreement so that it could borrow from the proceeds of the sale of revenue bonds due to the commitment to expend $100,000,000 on financing, design, development, performance and construction of the South Side Expansion at LSU's Tiger Stadium and Olympic Sports improvements. The bond purchase agreement was amended in 2014. At December 31, 2015, TAF had drawn $70,000,000 of the $70,000,000 amended aggregate bond principal and $29,622,276 of the $30,000,000 amended term loan.

In July 2015, TAF entered into a bond purchase agreement and a resulting loan agreement so that it could borrow the proceeds of the sale of revenue bonds for a principal amount of $52,000,000. The bonds were issued for the purpose of the current refunding of all of the Series 1999 bonds and a portion of the Series 2004 bonds. The 2015 Bonds shall mature, unless paid sooner, on September 1, 2028.

In November 2015, TAF entered into a bond purchase agreement and a resulting loan agreement so that it could borrow the proceeds of the sale of revenue bonds for a principal amount of $53,045,000. The bonds were issued for the purpose of the current refunding of all of the Series 2004 Bonds. The 2015A Bonds shall mature, unless paid sooner, on September 2, 2039.

The following is the amortization schedule for the outstanding bonds and notes payable for TAF as of December 31, 2015:

Fiscal Year Ending	Principal	Interest
2016	$10,763,842	Variable
2017	10,584,508	Variable
2018	10,668,270	Variable
2019	10,691,442	Variable
2020	10,691,606	Variable
2021-2025	55,102,608	Variable
2026-2030	53,055,000	Variable
2031-2035	31,511,000	Variable
2036-2039	11,599,000	Variable
Total	$204,667,276	

Appendix A

Appendix A includes an analysis of revenue and expense accounts that exceed 10% of total revenues and expenses. A comparison is presented of current-year amounts to prior-year amounts and of current-year amounts to budget estimates.

UNAUDITED

ATHLETIC DEPARTMENT **APPENDIX A**
LOUISIANA STATE UNIVERSITY
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Major Revenue and Expense Analysis
For the Year Ended June 30, 2016

Accounts	Fiscal Year 2016	Fiscal Year 2015	Increase/ (Decrease)	% Variance	
10% of Operating Revenues per Statement A					
Revenue Account Balances Exceeding 10% Threshold and Variance of $1 Million or 10%					
Ticket sales	$45,222,768	$41,835,448	$3,387,320	8%	1
Contributions	$31,742,602	$37,870,939	($6,128,337)	(23%)	2
Media rights	$35,399,948	$29,278,135	$6,121,813	(23%)	3
10% of Operating Expenses per Statement A					
Expense Account Balances Exceeding 10% Threshold and Variance of $1 Million or 10%					
Athletic student aid	$15,318,850	$13,271,350	$2,047,500	15%	4

Fiscal Year 2016 - Significant Budget Variances

No variances met the NCAA Guidelines threshold of significant variation of over the lesser of $1 million or 10%. No explanations are required.

NOTES:

[1] More than $3 million of the increased revenue was due to football ticket sales. The increase is mostly attributable to the McNeese State game and the South Carolina game. Although a majority of ticket sales from the McNeese State game were refunded, LSU recorded $2.5 million for loss of game insurance revenue in ticket sales. LSU hosted the South Carolina game due to weather conditions in South Carolina, and the total ticket sales recorded for this game was $2.5 million. Since this was technically South Carolina's home game, LSU paid $1.8 million to South Carolina as a guarantee and the $2.5 million remained in ticket sales. There was also a $400,000 increase in men's basketball ticket sales from FY 15 to FY 16.

[2] The decrease is mainly due to various FY 15 projects such as weatherproofing and repairs to Tiger Stadium, women's basketball completed a graphic project for their practice facility, and baseball completed a graphics and wayfinding project for the Alex Box Stadium. FY 15 also included a donation of an artificial turf infield at U-high that is utiltized by the LSU baseball team, renovations to the Student Athletes Tutorial Center, and funding the new Band Hall's maintenance fund. FY 16 did not include projects of the same magnitude as FY 15.

[3] In FY 15 the categories and the definition of what should be reported in each category for media rights, NCAA distributions, conference distributions and broadcast TV, radio and Internet rights were changed. $6 million of this increase is attributable to the fact that LSU received $7,508,000 during FY 15 and $13,535,645 during FY 16 from the SEC Network.

[4] The increase was due to a combination of higher tuition costs and the fact that FY 16 was the first full year that NCAA allowed institutions to include full cost of attendance in a student-athlete's scholarship, which added approximately $2,000 per semester to each scholarship awarded.