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

AGREED-UPON PROCEDURES REPORT
ISSUED FEBRUARY 14, 2018

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

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 16, 2018

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 of the Louisiana State University System, solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the Louisiana State University and A&M College (University) Athletic Department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15 for the year ended June 30, 2017. University management is responsible for the accuracy of the Statement (unaudited) and the related notes (unaudited) and the 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 the University. 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 were less than 4% 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 discussion 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 transactions from the ticket sales category as of June 30, 2017, 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, 2017, 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 performed procedures to determine 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 legislation, completeness of the list of all known affiliated and outside organizations, and other information as we considered necessary for the year ended June 30, 2017.

   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, 2017.

2. We verified the mathematical accuracy of the amounts on the Statement and compared and agreed the amounts 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 revenue and expense account over 10% of total revenues or expenses for June 30, 2017, to June 30, 2016, amounts and budget estimates, to identify variances greater than 10% from June 30, 2016.

   We reported the analysis in Appendix A to this report.

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, complimentary 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 that the variance totals less than 1%. We selected one football, one men's basketball, and one baseball game and recalculated the ticket sales based on attendance records and the University ticket policy. We also selected one football, two men's basketball, and three baseball random operating revenue receipts transactions from the ticket sales category as of June 30, 2017, and agreed to adequate supporting documentation.

   We found no exceptions as a result of these procedures.

2. 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. In addition, we reviewed supporting documentation for each contribution of monies, goods, or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency, or group of individuals (two or more) not included above (e.g., contributions by corporate sponsors) that constitutes 10% or more in the aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting period. We recalculated the totals.

   We identified no variances that were 5% or greater for Tradition Fund contribution revenue and we found no exceptions as a result of these procedures.

3. We obtained and inspected agreements to understand the University's total media (broadcast, television, radio) rights received by the University or through its conference offices as reported in the Statement. We compared and agreed the media rights revenues recorded to a summary statement of all media rights identified and compared and agreed related revenues to the general ledger and the Statement. We also obtained the largest revenue receipt related to media rights and agreed to supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

4. We obtained and inspected agreements related to the University's conference distributions and participation in revenues from tournaments during the reporting period to gain an understanding of the relevant terms and conditions. We compared and agreed the related revenues to the University's general ledger, corroborative supporting documents and the Statement. We recalculated the totals.

   We found no exceptions as a result of these procedures.

5. 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 as well as any other corroborative supporting documents. We randomly selected two operating revenue receipts from the program sales, concessions, novelty sales and parking receipts category and agreed to adequate supporting documentation.

   We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR EXPENSES

1. We selected a sample of 60 student athletes from the listing of University student aid recipients during the reporting period. We obtained individual student account detail for each selection, and compared total aid in the University's student system to the University report that ties directly to the NCAA Membership Financial Reporting System. We performed a check of each student selected to ensure his/her information was entered directly into the NCAA Membership Financial Reporting System using the criteria found in 2017 NCAA Agreed-Upon Procedures. We recalculated the totals for each sport and overall for all sports.

   We noted that for one selected student athlete that the University calculated the equivalency value for both the Fall and Spring semesters of fiscal year 2017 and then summed them when entering into the NCAA Membership Financial Reporting System which resulted in double counting the equivalency value for the student athlete. NCAA guidelines stipulate that an equivalency value must be calculated for each student athlete for the entire academic year. The student athlete selected had exhausted their athletic eligibility or was inactive due to medical reasons. We brought this error to University management's attention and management acknowledged the error and indicated that it impacted other student athletes that had exhausted their athletic eligibility or were inactive due to medical reasons. Management corrected these errors and revised the related information in the NCAA Membership Financial Reporting System. We noted no other exceptions related to these procedures.

2. We obtained and inspected 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 and a random sample of one 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 selection to the related 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 payroll summary registers for each selection to the related salaries, benefits, and bonuses paid by the University and related entities' expense recorded by the University in the Statement.

   (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.

3. We obtained and documented an understanding of the University's team travel policies, and compared and agreed the University's team travel policies to existing University and NCAA related policies. In addition, we obtained the general ledger detail and compared the detail to the total expenses reported. We randomly selected a sample of two team travel expenses and validated the existence of the transaction and accuracy of recording. We recalculated the totals.

   We found no exceptions as a result of these procedures.

4. 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 compared amounts recorded to the general ledger detail. We recalculated the totals.

   We found no exceptions as a result of these procedures.

5. We randomly selected a sample of one expense from each category not previously mentioned above and validated the existence of the transaction and accuracy of recording. We also obtained the general ledger detail and compared to the total expenses reported. We recalculate the totals.

   We found no exceptions as a result of these procedures.

6. 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 OTHER REPORTING ITEMS

1. We obtained the general ledger detail for excess transfers to the University and compared the detail to the total expenses reported. We selected a sample of one transaction to validate the existence of the transaction and the accuracy of its recording. We recalculated the totals.

   We found no exceptions as a result of these procedures.

2. We obtained the repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. We recalculated the annual maturities provided in the schedules obtained. We agreed the total annual maturities to supporting documentation and the University's general ledger and agreed total outstanding athletic debt to supporting documentation.

   We found no exceptions as a result of these procedures.

3. We agreed the total outstanding University debt to supporting documentation and the University's general ledger.

   We found no exceptions as a result of these procedures.

4. We obtained the schedule of all athletics dedicated endowments maintained by athletics, the University, and affiliated organizations. We agreed the fair market value in the schedule to the supporting documentation.

   We found no exceptions as a result of these procedures.

5. We agreed the total fair market value of University endowments to supporting documentation.

   We found no exceptions as a result of these procedures.

6. We obtained a schedule of athletics related capital expenditures made by athletics, the University, and affiliated organizations during the reporting period. We obtained the general ledger detail and compared the detail to the total expenses reported. We selected a sample of one transaction to validate the existence of the transaction and the accuracy of its recording. We recalculated the totals.

   We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR NOTES AND DISCLOSURES

1. We obtained from University management a list of contributions of monies, goods, or services received directly by the intercollegiate athletics program from any affiliated or outside organization, agency, or individuals (e.g., contributions by corporate sponsors) that constitutes 10% or more of all contributions received for intercollegiate athletics during the reporting period, and ensured the source(s) of the funds, goods, and services, as well as the value associated with these items, were properly disclosed in the notes to the Statement.

   We noted the Tiger Athletic Foundation (TAF) and Nike are the only outside organizations that provided individual contributions of monies, goods, or services to the athletic department that exceeded 10% of the total contributions (see 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. We ensured that the University's policies and procedures are properly disclosed within the notes to the Statement.

   We found no exceptions as a result of these procedures (see note 2 to the Statement).

3. We obtained from University management the repayment of schedules for all outstanding intercollegiate athletics debt maintained by the University during the reporting period. We ensured the repayment schedule is properly disclosed within the notes to the Statement.

   We found no exceptions as a result of these procedures (see note 3 to the Statement).

MINIMUM AGREED-UPON PROCEDURES FOR AFFILIATED AND OUTSIDE ORGANIZATIONS

1. We obtained from management a listing of all affiliated and outside organizations for the reporting period. We obtained written representations from management that TAF and the LSU Track and Field Officials Association are the only outside organizations created for or on behalf of the athletic department.

   We found no exceptions as a result of these procedures.

2. We obtained from management of the University 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 from University management a summary schedule of revenues and expenses for or on behalf of intercollegiate athletics programs by affiliated and outside organizations not under the accounting control of the University to be included with the agreed-upon procedures report. We obtained written representations from management as to the fair presentation of the summary schedule. 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, 2016:

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
REVENUES						
Contributions	$2,459,612	$293,961	$60,561	$1,472,455	$6,310,055	$10,596,644
Total revenues	2,459,612	293,961	60,561	1,472,455	6,310,055	10,596,644
EXPENSES						
Coaching, other compensation, and benefits paid by related entities	635,894	13,646	6,435	10,591		666,566
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	28,835				135,389	164,224
Severence payments	303,463		28,017			331,480
Recruiting	277,397	39,028	3,598	72,398		392,421
Team travel	6,991	76	553	197,201	3,012	207,833
Sports equipment, uniforms, and supplies	4,604	7,097	312	76,874	833	89,720
Game expenses	146,770	7,093		94,067		247,930
Fundraising, marketing, and promotion	120,559	84,569	9,984	172,835	493,736	881,683
Spirit groups					2,456	2,456
Memberships and dues	20,967	3,814		12,972	12,304	50,057
Other operating expenses	914,132	138,638	11,662	835,517	5,662,325	7,562,274
Total expenses	2,459,612	293,961	60,561	1,472,455	6,310,055	10,596,644
EXCESS (Deficiency) OF REVENUES OVER EXPENSES	NONE	NONE	NONE	NONE	NONE	NONE

In addition to the operating contributions listed above, TAF also made capital contributions totaling $12,839,551 through donations of the Golf Practice Facility Locker Room renovations, the Gymnastics Facility, the Bob Pettit statue, and an additional donation of the Tennis Facility. TAF distributions to or on behalf of the University for both restricted and unrestricted purposes included $1,397,104 from booster clubs; and $305,390 from affiliated chapters.

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, 2016, the LSU Track and Field Officials Association donated $115,000 to TAF.

4. For all outside organizations that had an independent audit, we obtained the independent auditor's report to identify any significant deficiencies relating to the outside organization's internal controls. We were to make inquiries of management to document any corrective action taken in response to the significant deficiencies.

TAF's statements were audited by an independent certified public accountant for the years ended December 31, 2016, and 2015. The audit report dated April 1, 2017, included no significant deficiencies on the outside organization's internal control.

ADDITIONAL MINIMUM AGREED-UPON PROCEDURES

1. In order for the NCAA to place reliance on the Division 1 financial reporting for NCAA distribution purposes, we performed the following procedures:

   (a) We compared and agreed the sports sponsored and reported in the NCAA Membership Financial Reporting System to the University's squad lists.

   (b) We obtained the University's Sports Sponsorship and Demographics Forms Report for the reporting year. We validated that the countable sports reported by the University meet the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and the number of participants in each contest that are counted toward meeting the minimum contest requirement. Once countable sports were confirmed, we ensured the University has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.

   (c) For Pell Grants, we agreed the total number of Division I student athletes who, during the academic year, received a Pell Grant award (e.g., Pell Grant recipients on Full Grant-in-Aid, Pell Grant recipients on Partial Grants-in-Aid, and Pell Grant recipients with no Grants-in-Aid) and the total value of these Pell Grants reported in the NCAA Membership Financial Reporting System to a report, generated out of the University's financial aid records, of all student-athlete Pell Grants.

   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 and related notes of the University's Athletic Department or on its compliance with NCAA Bylaw 3.2.4.15 or on the effectiveness of the University Athletic Department's internal control over financial reporting for the year ended June 30, 2017. 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 of the University and is not intended to be, and should not be, used by anyone other than this specified party. 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, CPA, CFE
Legislative Auditor

AB:JPT:BH:EFS:ch

LSUNCAA2017

UNAUDITED

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, 2017

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON-PROGRAM SPECIFIC	TOTAL
REVENUES						
Operating revenues:						
Ticket sales	$36,222,659	$1,356,178	$135,411	$2,948,171	$1,192,617	$41,855,036
Guarantees	2,100,000	150,000		14,500		2,264,500
Contributions	23,951,354	917,454	60,561	3,360,715	6,810,055	35,100,139
In-kind	780,976	70,000	70,000	816,400	136,270	1,873,646
Media rights	11,805,666	3,201,114			23,887,093	38,893,873
NCAA distributions		1,981,814	51,660	1,017,695	814,570	3,865,739
Conference distributions	6,910,799	378,774			1,918,072	9,207,645
Program, novelty, parking, and concession sales	2,898,215	80,400	10,100	397,122	3,558,143	6,943,980
Royalties, licensing, advertisements, and sponsorships					3,299,132	3,299,132
Athletics restricted endowment and investment income					907,140	907,140
Other operating revenue					2,019,823	2,019,823
Bowl revenues	1,513,580					1,513,580
Total operating revenues	86,183,249	8,135,734	327,732	8,554,603	44,542,915	147,744,233
EXPENSES						
Operating expenses:						
Athletic student aid	4,442,422	769,293	857,602	8,531,798	1,063,970	15,665,085
Guarantees	3,050,000	543,000	84,000	105,794		3,782,794
Coaching salaries, benefits, and bonuses paid by the University and related entities	11,842,483	3,184,877	1,654,359	8,688,761		25,370,480
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	1,871,475	199,386	266,342	782,480	15,406,623	18,526,306
Severance payments	421,190	79,382	28,017	82,361	123,996	734,946
Recruiting	866,544	193,023	142,646	673,608		1,875,821
Team travel	1,453,955	631,283	653,428	2,929,511	3,012	5,671,189
Sports equipment, uniforms, and supplies	1,280,708	131,877	80,315	1,483,415	548,645	3,524,960
Game expenses	607,462	215,227	162,920	571,354	5,906,020	7,462,983
Fundraising, marketing, and promotion	121,338	84,569	9,984	176,216	725,581	1,117,688
Spirit groups					1,072,686	1,072,686
Athletic facilities debt service, leases, and rental fees					13,250,430	13,250,430
Direct overhead and administrative expenses	342,675	8,036	15,220	243,229	11,429,316	12,038,476
Medical expenses and insurance	225,352	48,546	43,602	249,865	394,903	962,268
Memberships and dues	23,827	5,059	900	38,825	30,760	99,371
Student-athlete meals (non-travel)	106,925	6,695	2,097	90,954	888,998	1,095,669
Other operating expenses	1,948,658	416,117	325,783	3,513,569	11,780,582	17,984,709
Bowl expenses	1,481,553					1,481,553
Total operating expenses	30,086,567	6,516,370	4,327,215	28,161,740	62,625,522	131,717,414
Excess transfers to institution					5,336,119	5,336,119
Total expenses	30,086,567	6,516,370	4,327,215	28,161,740	67,961,641	137,053,533
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	$56,096,682	$1,619,364	($3,999,483)	($19,607,137)	($23,418,726)	$10,690,700

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, 2017, and December 31, 2016, 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 percent of the total contributions included in Statement A.

The athletic department received contributions totaling $10,596,644 from TAF for the year ended December 31, 2016, and $1,494,000 from Nike for the fiscal year ended June 30, 2017. Contributions 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	$10,596,644
In-kind contributions	1,494,000
Total	$12,090,644

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 3 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 5 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, 2017, is as follows:

LSU ATHLETIC DEPARTMENT

	Balance June 30, 2016	Additions	Transfers	Retirements	Balance June 30, 2017
Capital assets not being depreciated:					
Construction-in-progress	$374,627	$644,261	$0	$0	$1,018,888
Other capital assets:					
Depreciable land improvements	$22,235,560	$0	$0	$0	$22,235,560
Less - accumulated depreciation	(5,616,770)	(1,075,262)	0	0	(6,692,032)
Total land improvements	16,618,790	(1,075,262)	0	0	15,543,528
Buildings	215,753,682	5,445,024	0	0	221,198,706
Less - accumulated depreciation	(67,660,918)	(4,966,211)	0	0	(72,627,129)
Total buildings	148,092,764	478,813	0	0	148,571,577
Equipment	7,248,747	803,016	(48,313)	(353,762)	7,649,688
Less - accumulated depreciation	(4,646,747)	(699,632)	48,313	353,762	(4,944,304)
Total equipment	2,602,000	103,384	0	0	2,705,384
Total other capital assets	$167,313,554	($493,065)	$0	$0	$166,820,489
Capital asset summary:					
Capital assets not being depreciated	$374,627	$644,261	$0	$0	$1,018,888
Other capital assets, at cost	245,237,989	6,248,040	(48,313)	(353,762)	251,083,954
Total cost of capital assets	245,612,616	6,892,301	(48,313)	(353,762)	252,102,842
Less - accumulated depreciation	(77,924,435)	(6,741,105)	48,313	353,762	(84,263,465)
Capital assets, net	$167,688,181	$151,196	$0	$0	$167,839,377

Capital asset activity for TAF for the year ended December 31, 2016, is as follows:

TAF

	Balance December 31, 2015	Additions	Transfers	Retirements	Balance December 31, 2016
Capital assets not being depreciated:					
Land	$4,740,000	$0	$0	$0	$4,740,000
Construction-in-progress	2,247	742,142	0	0	744,389
Total capital assets not being depreciated	$4,742,247	$742,142	$0	$0	$5,484,389
Other capital assets:					
Land and improvements	$4,568,038	$0	$0	$0	$4,568,038
Less - accumulated depreciation	(538,576)	(40,570)	0	0	(579,146)
Total land improvements	4,029,462	(40,570)	0	0	3,988,892
Buildings	248,794,311	(344,262) *	0	0	248,450,049
Less - accumulated depreciation	(34,418,343)	(6,482,528)	0	0	(40,900,871)
Total buildings	214,375,968	(6,826,790)	0	0	207,549,178
Equipment	373,396	22,356	0	0	395,752
Less - accumulated depreciation	(311,211)	(19,046)	0	0	(330,257)
Total equipment	62,185	3,310	0	0	65,495
Vehicles	50,081	28,119	0	(27,978)	50,222
Less - accumulated depreciation	(30,920)	(7,233)	0	27,978	(10,175)
Total vehicles	19,161	20,886	0	0	40,047
Total other capital assets	$218,486,776	($6,843,164)	$0	$0	$211,643,612
Capital asset summary:					
Capital assets not being depreciated	$4,742,247	$742,142	$0	$0	$5,484,389
Other capital assets, at cost	253,785,826	(293,787)	0	(27,978)	253,464,061
Total cost of capital assets	258,528,073	448,355	0	(27,978)	258,948,450
Less - accumulated depreciation	(35,299,050)	(6,549,377)	0	27,978	(41,820,449)
Capital assets, net	$223,229,023	($6,101,022)	$0	$0	$217,128,001

*Additions of $1,037,710 to stadium expansion and scoreboard during the year ended December 31, 2016 were offset by a $1,280,973, net sales tax rebate received on property purchased in prior years that reduced the costs basis of those assets. This resulted in a net additions balance of ($344,262).

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, 2017:

Issue	Date of Issue	Original Issue	Principal Outstanding at 6/30/2016	Issued/ (Retired)	Principal Outstanding at 6/30/2017	Interest Rates	Maturities	Interest Outstanding at 6/30/2017
2005A	06/02/05	$6,295,000	$225,000	($225,000)	$0	3.75%	2017	$0
2007	12/11/07	24,091,200	18,067,900	(18,067,900)	0	4.0% - 5.0%	2037	0
2008	06/27/08	6,180,000	5,610,000	(5,610,000)	0	4.0% - 5.0%	2026	0
2014	10/16/14	42,265,000	41,740,000	(855,000)	40,885,000	3.0% - 5.0%	2036	21,681,688
2016A	11/15/16	20,110,000	0	19,190,000	19,190,000	3.5% - 5.0%	2037	9,081,025
2016B	11/15/16	2,400,000	0	2,165,000	2,165,000	1.15% - 3.45%	2026	292,640
Total		$101,341,200	$65,642,900	($3,402,900)	$62,240,000			$31,055,353

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 the 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 2016A and 2016B Bonds advanced refunded the Athletics portion of Series 2007 and Series 2008 Bonds in the amount of $23,677,900.

The following is the amortization schedule for the outstanding bonds payable for the athletic department as of June 30, 2017:

Fiscal Year Ending	Principal	Interest	Total
2018	$2,160,000	$2,801,116	$4,961,116
2019	2,285,000	2,723,135	5,008,135
2020	2,370,000	2,617,261	4,987,261
2021	2,470,000	2,506,008	4,976,008
2022	2,565,000	2,389,277	4,954,277
2023-2027	14,550,000	9,998,868	24,548,868
2028-2032	18,595,000	6,038,038	24,633,038
2033-2037	17,245,000	1,981,650	19,226,650
Total	$62,240,000	$31,055,353	$93,295,353

Bonds and Notes Payable - TAF

The following is a detailed summary of bonds payable for TAF for the year ended December 31, 2016:

Issue	Date of Issue	Original Issue	Principal Outstanding 12/31/15	Issued/ (Retired)	Principal Outstanding 12/31/16	Interest Rates	Maturities
2012 Bond	10/23/12	$70,000,000	$70,000,000	$0	$70,000,000	Variable	2037
2012 Term Loan	10/23/12	30,000,000	29,622,276	(2,288,842)	27,333,434	Variable	2024
2015 Bond	07/01/15	52,000,000	52,000,000	(3,020,000)	48,980,000	2.49	2028
2015A Bond	11/01/15	53,045,000	53,045,000	(5,455,000)	47,590,000	2.42	2039
Less deferred financing costs		(795,861)	(777,559)	47,436	(730,123)		
Total		$204,249,139	$203,889,717	($10,716,406)	$193,173,311		

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 which 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. TAF has drawn the full amounts of the $70,000,000 amended aggregate bond principal and 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 sooner paid, 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 sooner paid, on September 2, 2039.

The following is the amortization schedule for the outstanding bonds and notes payable for TAF as of December 31, 2016:

Fiscal Year Ending	Principal	Interest
2017	$10,584,508	Variable
2018	10,668,270	Variable
2019	10,691,441	Variable
2020	10,691,606	Variable
2021	10,703,069	Variable
2022-2026	54,719,540	Variable
2027-2031	49,570,000	Variable
2032-2036	29,675,000	Variable
2037-2039	6,600,000	Variable
Less deferred financing costs	(730,123)	
Total	$193,173,311	

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.

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

Major Revenue and Expense Analysis
For the Year Ended June 30, 2017

Accounts Exceeding 10% Threshold and Variance Greater Than 10%	Fiscal Year 2017	Fiscal Year 2016	Increase/ (Decrease)	Percent Variance	
Operating Revenues per Statement A					
Contributions	$35,100,139	$31,742,602	$3,357,537	11%	1
Operating Expenses per Statement A					
Coaching salaries, benefits, and bonuses paid by the University and related entities	$25,370,480	$22,019,365	$3,351,115	15%	2
Other expenses	$17,984,709	$12,761,727	$5,222,982	41%	3

	Fiscal Year 2017 - Actual	Fiscal Year 2017 - Budget	Increase/ (Decrease)	Percent Variance	
Budget					
Coaching salaries, benefits, and bonuses paid by the University and related entities	$25,370,480	$29,644,276	($4,273,796)	(14%)	4

NOTES:

1 This increase was caused by a $2 million increase in TAF contributions and more revenue being collected for the Football Tradition Fund in fiscal year (FY) 17. In addition, LSU began reporting compensation and car allowances paid via TAF contributions in the Contribution category during FY17. In previous fiscal years, compensation and car allowances paid via TAF contributions had been reported as Compensation & Benefits Provided by a 3rd Party. This category experienced a decrease from $970,917 for FY16 to $0 in FY17.

2 This increase was caused mainly by coaching changes and salary increases to coaches that were retained. Football experienced the hiring of new coaches that were hired with larger salaries than their predecessor and some retained coaches received salary increases. Men's Basketball also experienced coaching changes with new coaches receiving higher salaries than their predecessors. Baseball's head coach received a significant salary increase for FY17. Finally, Men's Basketball and various other sports experienced the addition of new coaching positions.

3 This increase was caused by a $2 million increase in TAF expenses, a $1 million increase in post-season expenses, and a $500,000 increase in general travel. Also, FY17 marked the first time that LSU did not host Bayou Country Superfest. As a result, reimbursements to LSU for this event that had been credited to Other Charges in prior fiscal years did not occur in FY17.

4 This decrease is due to LSU budgeting conservatively for expenses. For budget purposes, LSU expects their coaches to be successful and trigger post-season compensation clauses in their contracts. Several of them did not have the success that was anticipated in the budget. There was also proposed NCAA legislation to add additional coaches/staff for certain sports and anticpated potential compensation increases due to the Fair Labor Standards Act being passed.