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

AGREED-UPON PROCEDURES REPORT

ISSUED FEBRUARY 6, 2019

LOUISIANA LEGISLATIVE AUDITOR
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TABLE OF CONTENTS

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 15, 2019

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, 2018. 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, 2018, 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, 2018, 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 organization 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, 2018.

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, 2018, to June 30, 2017, amounts and budget estimates, to identify variations greater than 10%.

   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, 2018, and agreed to adequate supporting documentation.

   We found no exceptions as a result of these procedures.

2. We obtained documentation 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 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 recalculated the totals.

   We found no exceptions as a result of these procedures.

6. 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 recalculated the totals.

   We found no exceptions as a result of these procedures.

7. We randomly selected one operating revenue receipt from each revenue category not previously sampled 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 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 2018 NCAA Agreed-Upon Procedures. We recalculated the totals for each sport and overall for all sports.

   We found no exceptions as a result of 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 coach selected to the related salaries, benefits, and other compensation recorded by the University and related entities in the Statement during the reporting period.

(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 noted that the Head Football Coach received a $10,000 relocation incentive payment from the University that was not included in the financial terms and conditions of his contract. We found no other exceptions related to 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.

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 and general ledger detail 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 and 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 and general ledger detail 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 and the general ledger.

   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 group of 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 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 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, 2017:

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
REVENUES						
Contributions	$2,122,369	$599,767	$47,427	$1,261,486	$6,615,189	$10,646,238
In-kind	163,161			31,280	30,250	224,691
Total revenues	$2,285,530	$599,767	$47,427	$1,292,766	$6,645,439	$10,870,929
EXPENSES						
Coaching salaries, benefits, and bonuses paid by the University and related entities	579,032	25,644	2,141	69,771		676,588
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	763	4,861		417	31,202	37,243
Severence payments	141,458					141,458
Recruiting	469,442	289,679	6,301	85,910		851,332
Team travel	1,314	36		156,277	226	157,853
Sports equipment, uniforms, and supplies	63,872	8,786	780	107,280	4,845	185,563
Game expenses	356,579	11,086	327	102,994		470,986
Fundraising, marketing, and promotion	136,728	47,403	11,666	201,207	518,759	915,763
Athletic facilities debt service, leases, and rental fees				13,108		13,108
Spirit groups					11,918	11,918
Memberships and dues	21,823	5,610			10,052	37,485
Other operating expenses	514,519	206,662	26,212	555,802	6,068,437	7,371,632
Total expenses	$2,285,530	$599,767	$47,427	$1,292,766	$6,645,439	$10,870,929
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 $5,824,046 through donations of LSU Football Operations Center renovations, Tiger Stadium renovations, and Pete Maravich Assembly Center renovations. The TAF distributions to or on behalf of the University for both restricted and unrestricted purposes included $1,140,602 from booster clubs; and $331,361 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, 2017, the LSU Track and Field Officials Association donated $90,000 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, 2017, and 2016. The audit report was dated April 13, 2018, and did not include a report on internal control.

ADDITIONAL MINIMUM AGREED-UPON PROCEDURES

1. In order for the NCAA to place reliance on the Division I 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 supporting equivalency calculations from the institution.

(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 or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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, 2018. 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

Daryl G. Purpera, CPA, CFE
Legislative Auditor

ABS:JPT:BH:EFS:aa

LSUNCAA2018

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, 2018

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON-PROGRAM SPECIFIC	TOTAL
REVENUES						
Operating revenues:						
Ticket sales	$34,536,893	$1,700,956	$118,116	$3,096,587	$829,253	$40,281,805
Guarantees	4,000,000					4,000,000
Contributions	22,129,595	1,240,282	47,427	3,158,596	6,615,189	33,191,089
In-kind	788,161	70,000	70,000	832,180	119,250	1,879,591
Media rights	12,246,000	3,326,953			23,305,479	38,878,432
NCAA distributions		2,124,383	46,165	245,375		2,415,923
Conference distributions	7,593,299	343,135			1,586,842	9,523,276
Program, novelty, parking, and concession sales	2,940,310	106,090	9,800	448,459	3,826,242	7,330,901
Royalties, licensing, advertisement, and sponsorships					3,073,470	3,073,470
Athletics restricted endowment and investments income					1,019,788	1,019,788
Other operating revenue	540,294			302,500	1,180,335	2,023,129
Bowl revenues	1,805,392					1,805,392
Total operating revenues	86,579,944	8,911,799	291,508	8,083,697	41,555,848	145,422,796
EXPENSES						
Operating expenses:						
Athletic student aid	4,797,976	912,956	944,426	8,343,250	972,794	15,971,402
Guarantees	2,285,000	634,000	57,500	124,565		3,101,065
Coaching salaries, benefits, and bonuses paid by the University and related entities	12,270,390	3,972,682	1,632,277	8,625,771		26,501,120
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	2,090,557	431,742	326,633	991,255	16,620,630	20,460,817
Severance payments	191,495		14,554	42,946	76,044	325,039
Recruiting	1,287,344	511,401	118,882	743,975		2,661,602
Team travel	1,651,100	867,707	787,768	3,069,954	226	6,376,755
Sports equipment, uniforms, and supplies	1,401,520	160,589	125,946	1,833,302	386,993	3,908,350
Game expenses	614,935	329,136	142,581	857,865	5,811,672	7,756,189
Fundraising, marketing, and promotion	137,828	47,403	11,666	201,207	734,898	1,133,002
Spirit groups					1,028,408	1,028,408
Athletic facilities debt service, leases, and rental fees					13,455,276	13,455,276
Direct overhead and administrative expenses	322,833	21,786	12,083	265,540	10,801,173	11,423,415
Medical expenses and insurance	232,599	40,202	18,636	262,098	413,833	967,368
Memberships and dues	26,423	6,945	858	39,560	44,680	118,466
Student-athlete meals (non-travel)	158,159	20,288	17,390	103,353	970,942	1,270,132
Other operating expenses	2,112,817	662,041	301,983	3,258,085	12,677,167	19,012,093
Bowl expenses	1,524,401					1,524,401
Bowl expenses - coaching compensation/bonuses	456,620					456,620
Total operating expenses	31,561,997	8,618,878	4,513,183	28,762,726	63,994,736	137,451,520
Excess transfers to institution					5,294,907	5,294,907
Total expenses	31,561,997	8,618,878	4,513,183	28,762,726	69,289,643	142,746,427
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	$55,017,947	$292,921	($4,221,675)	($20,679,029)	($27,733,795)	$2,676,369

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, 2018, and December 31, 2017, 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 $10,646,238 from TAF for the year ended December 31, 2017, and $1,494,000 from Nike for the fiscal year ended June 30, 2018. 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	$10,646,238
In-kind Contributions	1,494,000
Total	$12,140,238

2. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated acquisition value at the date of donation. For movable property, the 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, 2018, is as follows:

LSU ATHLETIC DEPARTMENT

	Restated Balance June 30, 2017		Additions	Transfers	Retirements	Balance June 30, 2018
Capital assets not being depreciated:						
Land	$62,500	a				$62,500
Construction-in-progress	1,131,546	b	$3,422,278	($838,631)		3,715,193
	$1,194,046		$3,422,278	($838,631)		$3,777,693
Other capital assets:						
Depreciable land improvements	$22,173,060	a				$22,173,060
Less - accumulated depreciation	(6,692,032)		($1,075,263)			(7,767,295)
Total land improvements	15,481,028		(1,075,263)			14,405,765
Buildings	221,086,048	b	4,156,794	$838,631	($1,650,815)	224,430,658
Less - accumulated depreciation	(72,627,129)		(5,080,819)		1,603,792	(76,104,156)
Total buildings	148,458,919		(924,025)	838,631	(47,023)	148,326,502
Equipment	7,665,631	c	614,196	(10,617)	(597,939)	7,671,271
Less - accumulated depreciation	(4,942,886)	d	(707,092)	(3,413)	597,939	(5,055,452)
Total equipment	2,722,745		(92,896)	(14,030)		2,615,819
Total other capital assets	$166,662,692		($2,092,184)	$824,601	($47,023)	$165,348,086
Capital asset summary:						
Capital assets not being depreciated	$1,194,046		$3,422,278	($838,631)		$3,777,693
Other capital assets, at cost	250,924,739		4,770,990	828,014	($2,248,754)	254,274,989
Total cost of capital assets	252,118,785		8,193,268	(10,617)	(2,248,754)	258,052,682
Less - accumulated depreciation	(84,262,047)		(6,863,174)	(3,413)	2,201,731	(88,926,903)
Capital assets, net	$167,856,738		$1,330,094	($14,030)	($47,023)	$169,125,779

a. Includes prior-period adjustment to reclass $62,500 from land improvements to land.
b. Includes prior-period adjustment to reclass $112,658 from buildings to construction in progress.
c. $7,665,631 is equal to prior-year balance of $7,649,688 plus prior-period adjustment of $15,943.
d. ($4,942,886) is equal to prior-year balance of ($4,944,304) plus prior-period adjustment of $1,418.

Capital asset activity for TAF for the year ended December 31, 2017, is as follows:

TAF

	Balance December 31, 2016	Additions	Transfers	Retirements	Balance December 31, 2017
Capital assets not being depreciated:					
Land	$4,740,000				$4,740,000
Construction-in-progress	744,389	$27,024,816	($19,397,884)	($316,533)	8,054,788
Total capital assets not being depreciated	$5,484,389	$27,024,816	($19,397,884)	($316,533)	$12,794,788
Other capital assets:					
Land and improvements	$4,568,038		$231,413	($15,000)	$4,784,451
Less - accumulated depreciation	(579,146)	($40,570)			(619,716)
Total land improvements	3,988,892	(40,570)	231,413	(15,000)	4,164,735
Buildings	248,450,049	4,123	2,744,884	(1,145,584)	250,053,472
Less - accumulated depreciation	(40,900,871)	(6,422,616)		993,262	(46,330,225)
Total buildings	207,549,178	(6,418,493)	2,744,884	(152,322)	203,723,247
Equipment	395,752	5,022			400,774
Less - accumulated depreciation	(330,257)	(20,096)			(350,353)
Total equipment	65,495	(15,074)			50,421
Vehicles	50,222				50,222
Less - accumulated depreciation	(10,175)	(10,044)			(20,219)
Total vehicles	40,047	(10,044)			30,003
Total other capital assets	$211,643,612	($6,484,181)	$2,976,297	($167,322)	$207,968,406
Capital asset summary:					
Capital assets not being depreciated	$5,484,389	$27,024,816	($19,397,884)	($316,533)	$12,794,788
Other capital assets, at cost	253,464,061	9,145	2,976,297	(1,160,584)	255,288,919
Total cost of capital assets	258,948,450	27,033,961	(16,421,587)	(1,477,117)	268,083,707
Less - accumulated depreciation	(41,820,449)	(6,493,326)		993,262	(47,320,513)
Capital assets, net	$217,128,001	$20,540,635	($16,421,587)	($483,855)	$220,763,194

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, 2018:

Issue	Date of Issue	Original Issue	Principal Outstanding at 6/30/2017	Issued/ (Retired)	Principal Outstanding at 6/30/2018	Interest Rates	Maturities	Interest Outstanding at 6/30/2018
2014	10/16/14	$42,265,000	$40,885,000	($1,105,000)	$39,780,000	3.5% - 5.0%	2036	$19,835,825
2016A	11/15/16	20,110,000	19,190,000	(830,000)	18,360,000	3.5% - 5.0%	2037	8,177,800
2016B	11/15/16	2,400,000	2,165,000	(225,000)	1,940,000	1.65% - 3.45%	2026	240,613
Total		$64,775,000	$62,240,000	($2,160,000)	$60,080,000			$28,254,238

The 2014 Bonds advanced refunded the Series 2006 Bonds for $42,920,000. The 2006 Bonds funded the construction of the Alex Box Stadium, the Women's Softball Complex, and the Maddox Fieldhouse. 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 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 following is the amortization schedule for the outstanding bonds payable for the athletic department as of June 30, 2018:

Fiscal Year Ending	Principal	Interest	Total
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	2,665,000	2,266,954	4,931,954
2024-2028	15,250,000	9,291,353	24,541,353
2029-2033	18,685,000	5,174,587	23,859,587
2034-2037	13,790,000	1,285,663	15,075,663
Total	$60,080,000	$28,254,238	$88,334,238

Bonds and Notes Payable - TAF

The following is a detailed summary of bonds payable for TAF for the year ended December 31, 2017:

Issue	Date of Issue	Original Issue	Principal Outstanding 12/31/16	Issued/ (Retired)	Principal Outstanding 12/31/17	Interest Rates	Maturities
2012 Bond	10/23/12	$70,000,000	$70,000,000		$70,000,000	Variable	2037
2012 Term Loan	10/23/12	30,000,000	27,333,434	($2,424,508)	24,908,926	Variable	2024
2015 Bond	07/01/15	52,000,000	48,980,000	(3,160,000)	45,820,000	Variable	2028
2015A Bond	11/01/15	53,045,000	47,590,000	(5,000,000)	42,590,000	Variable	2039
Less deferred financing costs		(795,861)	(730,123)	47,436	(682,687)		
Total		$204,249,139	$193,173,311	($10,537,072)	$182,636,239		

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, 2017:

Fiscal Year Ending	Principal	Interest
2018	$10,668,270	Variable
2019	10,691,441	Variable
2020	10,691,606	Variable
2021	10,703,069	Variable
2022	10,695,692	Variable
2023-2027	54,679,848	Variable
2028-2032	46,035,000	Variable
2033-2037	27,654,000	Variable
2038-2039	1,500,000	Variable
Less deferred financing costs	(682,687)	
Total	$182,636,239	

MAJOR REVENUE AND EXPENSE ANALYSIS
(UNAUDITED)

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.

APPENDIX A

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

Major Revenue and Expense Analysis
For the Year Ended June 30, 2018

Accounts Exceeding 10% Threshold and Variation Greater Than 10%	Fiscal Year 2018	Fiscal Year 2017	Increase/ (Decrease)	Percent Variance	
Operating Revenues per Statement A					
No variations met the 10% variance threshold in the NCAA guidelines, and no explanations are required.					
Operating Expenses per Statement A					
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	$20,460,817	$18,526,306	$1,934,511	10%	1

Budget	Fiscal Year 2018 - Actual	Fiscal Year 2018 - Budget	Increase/ (Decrease)	Percent Variance	
Other operating expenses	$19,012,093	$16,146,651	$2,865,442	18%	2

NOTES:

1. The increase was caused by the following: (1) Men's basketball - Under the direction of a new head coach, total positions in the department increased; (2) Productions - Expenses increased as the number of events that LSU is producing for the SEC Network and other ESPN media platforms continued to increase; (3) Football - A few positions were added to the department in fiscal year 2018.
2. This increase was caused by the following: (1) Administration Travel - The BYU game was moved to New Orleans from Houston due to damage caused by Hurricane Harvey. Due to the lack of ticket sales, LSU was obligated to pay $736,450 for the unsold tickets. (2) Post-Season Expenses - The baseball team traveled to Oregon St. for the NCAA Regional. The total cost for the trip was more than $300,000, which was not anticipated by LSU. (3) Marketing, Event Management & Ticket Office - These areas experienced larger than expected increases in expenditures mostly due to the department's inreased effort to improve the overall fan experience.