

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



AGREED-UPON PROCEDURES REPORT

ISSUED JANUARY 31, 2007

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

LEGISLATIVE AUDIT ADVISORY COUNCIL

SENATOR J. "TOM" SCHEDLER, CHAIRMAN
REPRESENTATIVE CEDRIC RICHMOND, VICE CHAIRMAN

SENATOR ROBERT J. BARHAM
SENATOR WILLIE L. MOUNT
SENATOR EDWIN R. MURRAY
SENATOR BEN W. NEVERS, SR.
REPRESENTATIVE RICK FARRAR
REPRESENTATIVE HENRY W. "TANK" POWELL
REPRESENTATIVE T. TAYLOR TOWNSEND
REPRESENTATIVE WARREN J. TRICHE, JR.

LEGISLATIVE AUDITOR

STEVE J. THERIOT, CPA

DIRECTOR OF FINANCIAL AUDIT

PAUL E. PENDAS, 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 has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Seven copies of this public document were produced at an approximate cost of \$18.06. 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 Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 3481 or Report ID No. 06701605 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.

TABLE OF CONTENTS

	Page
Independent Accountant's Report on the Application of Agreed-Upon Procedures	3
Statement	
Financial Statement - Statement of Revenues and Expenses (Unaudited)..... A.....	11
Notes to the Financial Statement (Unaudited)	13



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

January 8, 2007

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

DR. ROBERT D. HEBERT, PRESIDENT
MCNEESE STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Lake Charles, Louisiana

We have performed the procedures enumerated below, which were agreed to by you, as president of McNeese State University, solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the McNeese State University Athletic Department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3 for the year ended June 30, 2006. University 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 McNeese State 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.

The procedures that we performed and our findings are as follows:

STATEMENT OF REVENUES AND EXPENSES

GENERAL PROCEDURES

1. We obtained written representations from management as to the fair presentation of the Statement of the intercollegiate athletics program, completeness of required schedules and related financial information, adequacy of controls, compliance with NCAA rules and regulations, and other information we considered necessary for the year ended June 30, 2006. We also verified the mathematical accuracy of the amounts on the Statement 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.

2. We obtained an understanding and tested the specific elements of the control environment and accounting systems that are unique to the university's intercollegiate athletics program.

There were no exceptions as a result of these procedures.

3. We inquired of management about the involvement of the university's internal auditor in the intercollegiate athletics program and reviewed all athletics-related internal audit reports.

During fiscal year 2006, the internal auditor issued three reports on the Intercollegiate Athletics Program relating to a (1) a follow-up on a Southland Conference Review Program, (2) an athletic meals review for men's basketball, and (3) a consultation concerning athletic ticket/parking reconciliation. The follow-up report concluded that all recommendations have been addressed. The reports on the athletic meals review for men's basketball and the consultation concerning athletic ticket/parking reconciliation made recommendations for improving controls that management has addressed. No report resulted in NCAA violations.

4. We compared each operating revenue and expense category for June 30, 2005, and June 30, 2006, to identify variances of 20% or greater between individual revenue and expense categories (line items) that are 5% or more of the total.

As a result of our procedures, we identified variances of 20% or greater in the following revenue and expense accounts that are 5% or more of the total:

Revenues

Ticket sales

Guarantees

Royalties, licensing, advertisements, and sponsorships

Expenses

Direct facilities, maintenance, and rental

5. We compared the budgeted revenues and expenses to actual revenues and expenses for each operating revenue and expense category for the year ended June 30, 2006, to identify any variances of 20% or greater in individual revenue and expense categories (line items) that are 5% or more of the total.

As a result of our procedure, we identified variances of 20% or greater between budget and actual amounts in the following individual line items that are 5% or more of the total:

Revenues

Ticket sales
Other operating revenues

Expenses

Other operating expenses

**MINIMUM AGREED-UPON PROCEDURES
FOR REVENUES**

1. We selected the basketball and football games with the largest ticket sales and recalculated reconciliations for the two games selected. We agreed the largest daily sales to the general ledger and the Statement.

We found no exceptions as a result of this procedure.

2. We selected the away game with the largest game guarantee settlement and agreed the amount to the general ledger and to the contractual agreement.

We found no exceptions as a result of this procedure.

3. We compared direct institutional support recorded by the institution during the reporting period with state appropriations, institutional authorizations, and/or other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of this procedure.

4. We compared indirect institutional support recorded by the institution during the reporting period with state appropriations, institutional authorizations, and/or other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of this procedure.

5. We inquired about agreements related to the university's participation in revenues from NCAA/Conference tournaments and games and the university had none. We selected one operating revenue receipt from the NCAA/Conference Distributions category and agreed it to supporting documentation.

We found no exceptions as a result of this procedure.

6. We obtained and inspected agreements related to the university's participation in revenues from broadcasts, television, radio, and Internet rights during the period to gain an understanding of relevant terms and conditions.

We noted that there was no monetary amount related to the agreements and found no exceptions as a result of this procedure.

7. We obtained and inspected the agreement related to the university's participation in revenues from royalties, licensing, advertisements, and sponsorships during the period to gain an understanding of relevant terms and conditions. We compared and agreed related revenues to the general ledger and/or the Statement and recalculated the totals.

We found no exceptions as a result of these procedures.

8. We inquired about sports camp contracts between the university and person(s) conducting the camps or clinics and the university had none nor did it have any revenue from sports camps during the reporting period.
9. We selected one operating revenue receipt from each category not previously mentioned above and agreed to adequate supporting documentation.

We found no exceptions as a result of this procedure.

MINIMUM AGREED-UPON PROCEDURES FOR EXPENSES

1. We selected a sample of four students 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 recalculated the totals.

We found no exceptions as a result of these procedures.

2. We reviewed the largest contractual agreement pertaining to expenses recorded by the university from a guaranteed contest during the period. We used the game settlement report and agreed related expenses to the university's general ledger and the Statement and recalculated totals.

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. We examined the contracts for the head coaches from football, men's and women's basketball, and two support staff/administrative personnel. The following procedures were performed:

- (a) We compared and agreed the financial terms and conditions of each head coach selected to the related coaching salaries, benefits, and bonuses recorded by the university and related entities in the Statement.
- (b) We obtained and inspected W-2s and 1099s for each selection.

- (c) We compared and agreed related W-2s and 1099s 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 during the reporting period.

We found no exceptions as a result of these procedures.

4. Using a list prepared by the university, we selected the athletic employee with the highest severance payment and agreed the severance pay to the related termination letter or employment contract and recalculated the totals.

We found no exceptions as a result of this procedure.

5. We obtained and documented an understanding of the university's recruiting expense policies, and we compared and agreed to existing institutional and NCAA related policies. We selected two recruiting expenses and agreed to supporting documentation.

We found no exceptions as a result of this procedure.

6. We obtained and documented an understanding of the university's team travel policies, and we compared and agreed to existing institutional and NCAA related policies. We selected two travel expenses and agreed to supporting documentation.

We inquired about post-season travel and the university had none.

We found no exceptions as a result of these procedures.

7. We inquired about travel expenses incurred by spirit groups and the university had none.

8. We selected four operating expenses from the direct facilities, maintenance, and rental category and agreed to supporting documentation.

We found no exceptions as a result of this procedure.

9. We obtained and documented an understanding of the university's methodology for allocating indirect facilities and administrative support. We summed the indirect facilities and administrative support totals reported by the university in the Statement.

We found no exceptions as a result of this procedure.

10. We compared and agreed indirect facilities and administrative support reported by the university in the Statement to the corresponding revenue category (indirect facilities and administrative support) reported by the university in the Statement.

We found no exceptions as a result of this procedure.

11. We selected one operating expense from each category not previously mentioned and agreed to adequate supporting documentation.

We found no exceptions as a result of these procedures.

12. We inquired about sports camp expenses paid by the athletic department including non-athletic personnel salaries and benefits from hosting sports camps and the university had none.

**MINIMUM AGREED-UPON PROCEDURES
FOR NOTES AND DISCLOSURES**

1. We obtained from university management a list of contributions received by the athletic department to identify any individual contributions that constitute more than 10% of the total contributions. We obtained and reviewed supporting documentation for each such contribution and ensured the source of funds and goods and services, as well as the value associated with these items.

The McNeese State University Foundation, Inc., an outside organization, contributed monies, goods, and services for or on behalf of the athletic department that exceeded 10% of the total contributions.

2. We obtained and reviewed a schedule of changes in intercollegiate athletics capitalized assets of facilities along with a description of the university's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets.
3. We agreed the capital asset schedule to the university's general ledger and affiliated and outside organizations' financial statements. We selected capitalized additions greater than 10% of total capital additions and agreed the additions to adequate supporting documentation.
4. We obtained the repayment schedules for all outstanding intercollegiate athletics debt incurred by the university and reported in the notes. We recalculated annual maturities (consisting of principal and interest) incurred by the university and agreed the total annual maturities to supporting documentation and the general ledger.

**MINIMUM AGREED-UPON PROCEDURES FOR
AFFILIATED AND OUTSIDE ORGANIZATIONS**

1. We obtained written representation from management of the university that the McNeese State University Foundation, Inc., the Cowboy Club Gaming Account, and the Tip Off Club Gaming Account were the only outside organizations created for or in behalf of the athletic department.

2. We obtained from management a summary of revenues and expenses for or on behalf of intercollegiate athletics program affiliated and outside organizations to be included with the agreed-upon procedures report and written representations as to the fair presentation of the statements and agreed the amounts reported to the university's general ledger.

	Football	Men's Basketball	Women's Basketball	Other Sports	Non- Program Specific	Total
Revenues						
Contributions	\$61,418	\$15,990	\$5,638	\$110,443	\$16,404	\$209,893
Total revenues	<u>61,418</u>	<u>15,990</u>	<u>5,638</u>	<u>110,443</u>	<u>16,404</u>	<u>209,893</u>
Expenses						
Athletics student aid	11,537				489	12,026
Support staff/administrative salaries, benefits, and bonuses					999	999
Recruiting	760	3,121		1,440	643	5,964
Team travel	5,130	398	3,068	13,245		21,841
Equipment, uniforms, and supplies	29,892	8,395	1,317	63,545	4,381	107,530
Game expenses		160		165	1,208	1,533
Fund raising, marketing, and promotion				1,070	1,250	2,320
Direct facilities, maintenance, and rental	1,489			10,028	59	11,576
Memberships and dues	420					420
Other operating expense	12,190	3,916	1,253	20,950	7,375	45,684
Total expenses	<u>61,418</u>	<u>15,990</u>	<u>5,638</u>	<u>110,443</u>	<u>16,404</u>	<u>209,893</u>
EXCESS OF REVENUES OVER EXPENSES						
	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

3. We obtained an understanding and tested the procedures used by the university to gather information on the nature and extent of affiliated and outside organizational activity for or on behalf of the university's intercollegiate athletics program.

We found no deficiencies in the design of the university's procedures for gathering information on the nature and extent of outside organizational activity for or on behalf of the university's intercollegiate athletics program.

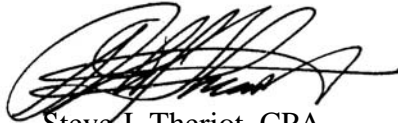
4. For all outside organizations that had an independent audit, we obtained the independent auditor's report to identify any reportable conditions relating to the outside organization's internal controls, to make inquiries of management, and to document any corrective action taken in response to the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

The financial statements of the McNeese State University Foundation, Inc., were audited by an independent certified public accounting firm for the year ended June 30, 2006. The audit report is dated August 25, 2006, and includes no reportable conditions on the outside organization's internal control.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accompanying Statement of Revenues and Expenses and related notes of the McNeese State University Athletic Department. 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 McNeese State University and is not intended to be, and should not be, used by anyone other than the president. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

DLC:EFS:PEP:dl

MSUNCAA06

**ATHLETIC DEPARTMENT
MCNEESE STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues and Expenses
For the Year Ended June 30, 2006**

	<u>FOOTBALL</u>	<u>MEN'S BASKETBALL</u>	<u>WOMEN'S BASKETBALL</u>	<u>OTHER SPORTS</u>	<u>NON- PROGRAM SPECIFIC</u>	<u>TOTAL</u>
REVENUES						
Operating Revenues:						
Ticket sales	\$580,625	\$43,201		\$16,806		\$640,632
Guarantees	265,000	212,000	\$4,000	13,700		494,700
Contributions	173,796	36,863	20,237	180,484	\$159,675	571,055
Direct institutional support	549,063	154,539	356,171	1,348,189	260,947	2,668,909
Indirect facilities and administrative support					145,213	145,213
NCAA/Conference distributions including all tournament revenues				6,128	343,306	349,434
Program sales, concessions, novelty sales, and parking	12,066	644		8,220	41,102	62,032
Royalties, licensing, advertisements, and sponsorships	424,050			22,090	1,000	447,140
Investment income					23,383	23,383
Other	1,287			500	57,637	59,424
Total operating revenues	<u>2,005,887</u>	<u>447,247</u>	<u>380,408</u>	<u>1,596,117</u>	<u>1,032,263</u>	<u>5,461,922</u>
EXPENSES						
Operating Expenses:						
Athletics student aid	522,488	88,579	93,329	580,882	62,655	1,347,933
Guarantees	5,178	15,500	3,500	10,200		34,378
Coaching salaries, benefits, and bonuses paid by the university and related entities	354,206	144,804	77,801	447,412	10,811	1,035,034
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	59,841	20,799	65,115	61,555	317,509	524,819
Severance payments	11,338	2,625	9,258	1,479	13,296	37,996
Recruiting	54,298	29,181	22,124	40,024	643	146,270
Team travel	162,394	78,354	79,289	303,703	998	624,738
Equipment, uniforms, and supplies	76,452	14,148	12,238	118,635	7,926	229,399
Game expenses	51,644	29,678	18,900	35,589	1,208	137,019
Fund raising, marketing, and promotion				1,070	1,250	2,320
Direct facilities, maintenance, and rental	344,859			18,527	112,657	476,043
Indirect facilities and administrative support					145,213	145,213
Medical expenses and medical insurance	21				112,026	112,047
Membership and dues	420					420
Other operating expense	69,134	24,804	4,462	51,963	160,422	310,785
Total operating expenses	<u>1,712,273</u>	<u>448,472</u>	<u>386,016</u>	<u>1,671,039</u>	<u>946,614</u>	<u>5,164,414</u>
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	<u>\$293,614</u>	<u>(\$1,225)</u>	<u>(\$5,608)</u>	<u>(\$74,922)</u>	<u>\$85,649</u>	<u>\$297,508</u>

This page is intentionally blank.

NOTES TO THE FINANCIAL STATEMENT (UNAUDITED)

1. CONTRIBUTIONS

No individuals or outside organizations, other than the McNeese State University Foundation, Inc., contributed monies, goods, or services for or on behalf of the athletic department that exceeded 10% of the total contributions included in Statement A.

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'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 significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million must be capitalized, but the university does not have any infrastructure that meets that criterion. Routine repairs and maintenance are charged to operating expense in the year in which the expense was 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 prescribed by state laws and regulations for acquiring, approving, depreciating, and disposing of capital assets.

Capital asset activity for the athletic department for the year ended June 30, 2006, is as follows:

	Balance June 30, 2005	Additions	Transfers	Retirements	Balance June 30, 2006
Capital assets not being depreciated - construction-in-progress	\$12,548	NONE	(\$12,548)	NONE	NONE
Other capital assets:					
Land improvements	\$1,318,426				\$1,318,426
Less - accumulated depreciation	(433,634)	(\$95,958)			(529,592)
Total land improvements	884,792	(95,958)	NONE	NONE	788,834
Buildings	8,798,497	1,715,051			10,513,548
Less - accumulated depreciation	(5,144,739)	(143,995)			(5,288,734)
Total buildings	3,653,758	1,571,056	NONE	NONE	5,224,814
Equipment	112,407	6,566		(\$16,758)	102,215
Less - accumulated depreciation	(90,816)	(4,454)		16,758	(78,512)
Total equipment	21,591	2,112	NONE	NONE	23,703
Total other capital assets	\$4,560,141	\$1,477,210	NONE	NONE	\$6,037,351
Capital Asset Summary:					
Capital assets not being depreciated	\$12,548		(\$12,548)		
Other capital assets, at cost	10,229,330	\$1,721,617		(\$16,758)	\$11,934,189
Total cost of capital assets	10,241,878	1,721,617	(12,548)	(16,758)	11,934,189
Less - accumulated depreciation	(5,669,189)	(244,407)		16,758	(5,896,838)
Capital assets, net	\$4,572,689	\$1,477,210	(\$12,548)	NONE	\$6,037,351

3. BONDS PAYABLE

The university has the following debt associated with its athletic department's capital assets:

On October 15, 1996, McNeese State University through authority from the Board of Trustees for State Colleges and Universities of the State of Louisiana issued \$900,000 McNeese State University Stadium Project Taxable Revenue Bonds, Series 1996, to provide funds to renovate and expand seating and other facilities in the press box area of the stadium on the campus of McNeese State University. The bonds had a yearly fixed rate of 8% until August 15, 2004, and then a yearly fixed rate of 4.52%, and are due in varying installments through 2011.

On February 1, 2004, Cowboy Facilities, Inc., entered into a loan agreement with Calcasieu Parish Trust Authority to obtain financing of the construction of public parking facilities at the Doland Athletic Complex. Financing of the project is through the issuance of \$820,000 University Revenue Bonds, Series 2004. The bonds have a yearly fixed rate of interest at 4.73% and are due in varying installments through 2014.

On April 1, 2005, Cowboy Facilities, Inc., entered into a loan agreement with the Calcasieu Parish Trust Authority to obtain financing of the construction of scoreboard improvements at various athletic locations on the campus of McNeese State University. Financing of the project is through issuance of \$1,900,000 McNeese State University - Cowboy Facilities, Inc., Scoreboard Project Taxable Revenue Bonds. The bonds have a yearly fixed rate of interest at 6.5% and are due in varying installments through 2015.

The following is a detailed summary of bonds payable for the athletic department for the year ended June 30, 2006:

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2005</u>	<u>Issued (Redeemed)</u>	<u>Outstanding June 30, 2006</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 2006</u>
Stadium Project - Series 1996 Cowboy Facilities, Inc.: University Stadium Parking Revenue Bonds - Series 2004	October 15, 1996	\$900,000	\$420,000	(\$60,000)	\$360,000	2011	4.52%	\$48,816
University Scoreboard Project Bonds - Series 2005	February 1, 2004	820,000	750,000	(70,000)	680,000	2014	4.73%	151,124
	April 1, 2005	1,900,000	1,900,000	(140,000)	1,760,000	2015	6.5%	619,775
Total		<u>\$3,620,000</u>	<u>\$3,070,000</u>	<u>(\$270,000)</u>	<u>\$2,800,000</u>			<u>\$819,715</u>

UNAUDITED

NOTES TO THE FINANCIAL STATEMENT (UNAUDITED)

The following is the amortization schedule for the outstanding bonds payable for the athletic department as of June 30, 2006:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$285,000	\$161,480	\$446,480
2008	295,000	145,471	440,471
2009	310,000	128,811	438,811
2010	325,000	111,265	436,265
2011	340,000	92,833	432,833
2012-2015	<u>1,245,000</u>	<u>179,855</u>	<u>1,424,855</u>
Total	<u>\$2,800,000</u>	<u>\$819,715</u>	<u>\$3,619,715</u>

This page is intentionally blank.