

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



AGREED-UPON PROCEDURES REPORT
ISSUED DECEMBER 13, 2006

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

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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

November 28, 2006

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

DR. RANDALL J. WEBB, PRESIDENT
NORTHWESTERN STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Natchitoches, Louisiana

We have performed the procedures enumerated below, which were agreed to by you, as president of Northwestern State University (university), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of Northwestern 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 Northwestern 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, 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 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.

We detected no significant deficiencies in the control environment and accounting systems of the university's intercollegiate athletic department as a result of these procedures.

3. We compared each operating revenue and expense category for June 30, 2005, and June 30, 2006, to identify variances of 20 percent or greater between individual revenue and expense categories (line items) that are 10 percent or more of the total.

As a result of our procedure, we identified one variance of 20 percent or greater that is 10 percent or more of the total which was for "operating revenues - contributions."

4. We compared the budgeted revenues and expenses to actual revenues and expenses for each operating revenue and expense category for the year June 30, 2006, to identify any variances of 20 percent or greater in individual revenue and expense categories (line items) that are 10 percent or more of the total.

We identified no variances that were 20 percent or greater in individual revenue and expense categories that were 10 percent or more of the total.

MINIMUM AGREED-UPON PROCEDURES FOR REVENUES

1. Using a schedule prepared by the university, we compared the value of tickets sold for the reporting period per the schedule to the related revenue reported in the Statement. We agreed the information on the schedule to the supporting game reconciliations for the football and basketball games with the largest ticket sales. We recalculated the reconciliations for the games tested.

We found no exceptions in comparing the value of the tickets sold per the schedule to the related revenue reported in the Statement. We agreed the information on the schedule to the supporting game reconciliation for the football and basketball games with the largest ticket sales. We recalculated the reconciliations for the games tested without exception. However, we did find that proceeds from consignment ticket sales were not timely billed or collected from opponents and outside organizations.

2. We selected the away game with the largest game guarantee settlement and agreed the amount to the general ledger, the contractual agreement, and the settlement report. We recalculated the settlement report for the game tested.

We found no exceptions as a result of these procedures.

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

We found no exceptions as a result of these procedures.

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

We found no exceptions as a result of these procedures.

5. We obtained and inspected agreements related to the university's participation in revenues from NCAA/Conference tournaments during the period to gain an understanding of relevant terms and conditions. We compared and agreed related revenues to the general ledger and the Statement. We recalculated the totals and found that the revenue per the settlement agreements did not agree to the general ledger and Statement by \$569. This difference appears to be the result of ticket sales of \$681 to the Athletic Association not being included in the settlement computations and the ticket manager improperly handling ticket sale shortages at the gate of \$112.

6. We obtained and inspected sport-camp contracts between the university and persons conducting university sport-camps or clinics during the period to obtain an understanding of the university's methodology for recording revenues for the camps. Using a schedule provided by the university listing each camp, the total amount of revenue generated for the camp, the charge per participant, and the number of participants for the camp, we traced the largest deposits for the two largest camps to the general ledger and recalculated total deposits.

We found no exceptions as a result of these procedures.

7. We selected one operating revenue receipt from each category not previously mentioned above and agreed to adequate supporting documentation.

We found no exception 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 obtained and inspected the largest contractual agreement pertaining to expenses recorded by the university from a guaranteed contest during the period and agreed the related expenses to the university's general ledger and Statement. We recalculated the 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, 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. 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. Obtained and inspected W-2s for each selection.
 - c. Compared and agreed related W-2s for each selection to the related salaries, benefits, and bonuses paid and recorded by the university and reported in the Statement. Bonuses paid to the coaches were transferred from the Athletic Association to the university and reflected on the coaches' W-2s.

We found no exceptions as a result of these procedures.

4. We were to use a list prepared by the university to select an athletic employee who received the highest severance payment and agree the severance pay to the related termination letter or employment contract. We were also to recalculate the totals.

We found no athletic employees received severance payments as defined by NCAA guidelines.

5. We obtained and documented an understanding of the university's recruiting expense policies. We compared and agreed these policies to existing university and NCAA related policies.

We found no significant differences as a result of this procedure.

6. We obtained an understanding of the university's team travel policies. We compared and agreed to existing university and NCAA related policies.

We found no significant differences as a result of this procedure.

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

We found no exceptions as a result of these procedures.

8. 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 recalculated the totals.

We found no exceptions as a result of these procedures.

9. We selected one operating expense 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 NOTES AND DISCLOSURES**

1. We obtained a schedule of total intercollegiate athletics capitalized assets, additions and improvements of facilities by type along with a description of the university's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets.

We were provided the capital asset information by management (note 1).

2. We agreed the capital asset schedule to the university's general ledger. We selected capitalized additions that were greater than 10 percent of total capital additions and agreed recorded cost to adequate supporting documentation.

We found no exceptions as a result of this procedure.

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

1. We obtained written representations from management of the university that the Northwestern Athletic Association, a part of the Northwestern State University Foundation, Incorporated, was the only outside organization created for or on behalf of the athletic department.
2. We obtained from management a summary of revenues and expenses for or on behalf of intercollegiate athletics programs by affiliated and outside organizations and written representations as to the fair presentation of the summary and agreed the amounts reported to the Northwestern State University Foundation, Incorporated's independent audit report for the period.

We found no exceptions as a result of this procedure.

3. We obtained and tested 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.

We found no significant deficiencies in the design of 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.

4. We obtained the independent auditor's report for all outside organizations, to identify any reportable conditions relating to their internal control and made inquiries of management to document any corrective action taken in response to the reportable conditions.

The financial statements of the Northwestern State University Foundation, Incorporated, were audited by an independent certified public accounting firm for the year ended June 30, 2006. The audit report dated October 2, 2006, included no reportable internal control conditions.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying Statement of Revenues and Expenses related notes of Northwestern 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 Northwestern 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

BAC:WJR:THC:dl

NSUNCAA06

**ATHLETIC DEPARTMENT
NORTHWESTERN 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	\$192,202	\$26,496	\$18,329	\$16,211	\$47	\$253,285
Guarantees	205,000	234,300	7,500	6,006		452,806
Contributions	70,358	285,854	19,802	225,954	441,635	1,043,603
Direct institutional support	179,301	12,156	55,351	395,268	2,814,122	3,456,198
Indirect facilities and administrative support	237,891	10,558	9,206	69,668	598,567	925,890
NCAA/Conference distributions, including all tournament revenues	11,097	81,469	2,055	39,672	263,158	397,451
Program sales, concessions, novelty sales, and parking	5,304			3,863	14,590	23,757
Royalties, licensing, advertisements, and sponsorships	33,795	12,745	12,623	26,119	147,327	232,609
Sport-camp revenues		34,072	31,983	10,143		76,198
Endowment and investment income					38,624	38,624
Other	3,740	1,413		2,050	22,953	30,156
Total operating revenues	<u>938,688</u>	<u>699,063</u>	<u>156,849</u>	<u>794,954</u>	<u>4,341,023</u>	<u>6,930,577</u>
EXPENSES						
Operating expenses:						
Athletics student aid	729,780	130,786	137,865	929,124	7,548	1,935,103
Guarantees	75,000	11,500	5,500	11,052		103,052
Coaching salaries, benefits, and bonuses paid by the university and related entities	297,476	149,822	107,389	317,235		871,922
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	5,497	1,019	300	350	451,358	458,524
Recruiting	47,500	18,842	11,282	25,171	380	103,175
Team travel	40,024	153,175	49,144	274,772		517,115
Equipment, uniforms, and supplies	87,378	30,868	11,997	79,391	13,985	223,619
Game expenses	30,211	42,637	23,444	34,036	759	131,087
Fund raising, marketing, and promotion	75,308	143,192	29,157	28,518	119,799	395,974
Sport-camp expenses		18,444	19,570	2,614		40,628
Direct facilities, maintenance, and rental	2,447	4,077	1,652	76,875	156,160	241,211
Indirect facilities and administrative support	237,891	10,558	9,206	69,668	598,567	925,890
Medical expenses and medical insurance	2,153	541	325	67	141,158	144,244
Memberships and dues	9,640	945	435	905	23,000	34,925
Other operating expense	13,912	14,493	4,017	3,493	115,158	151,073
Total operating expenses	<u>1,654,217</u>	<u>730,899</u>	<u>411,283</u>	<u>1,853,271</u>	<u>1,627,872</u>	<u>6,277,542</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	<u>(\$715,529)</u>	<u>(\$31,836)</u>	<u>(\$254,434)</u>	<u>(\$1,058,317)</u>	<u>\$2,713,151</u>	<u>\$653,035</u>

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1. 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 established by state laws and regulations for acquiring, approving, depreciating, and disposing of capital assets. The university has no debt associated with its athletic department's capital assets.

Capital asset activity for the Athletic Department for the year ended June 30, 2006, is as follows:

	Balance June 30, 2005	Prior Period Adjustments	Restated Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006
Capital assets, not being depreciated:						
Land improvements	\$199,703		\$199,703			\$199,703
Building improvements	817,802		817,802	\$17,707		835,509
Equipment	293,830		293,830			293,830
Total capital assets, not being depreciated	<u>\$1,311,335</u>	<u>NONE</u>	<u>\$1,311,335</u>	<u>\$17,707</u>	<u>NONE</u>	<u>\$1,329,042</u>
Other capital assets:						
Land improvements	\$1,818,343		\$1,818,343	\$22,500		\$1,840,843
Less - accumulated depreciation	(1,415,465)	\$30,155	(1,385,310)	(31,280)		(1,416,590)
Total land improvements	<u>402,878</u>	<u>30,155</u>	<u>433,033</u>	<u>(8,780)</u>	<u>NONE</u>	<u>424,253</u>
Buildings	10,369,491	1	10,369,492			10,369,492
Less - accumulated depreciation	(6,833,930)		(6,833,930)	(227,787)		(7,061,717)
Total buildings	<u>3,535,561</u>	<u>1</u>	<u>3,535,562</u>	<u>(227,787)</u>	<u>NONE</u>	<u>3,307,775</u>
Equipment	222,926	18,033	240,959		(\$11,704)	229,255
Less - accumulated depreciation	(1,146)	(105,266)	(106,412)		(12,524)	(118,936)
Total equipment	<u>221,780</u>	<u>(87,233)</u>	<u>134,547</u>	<u>NONE</u>	<u>(24,228)</u>	<u>110,319</u>
Total other capital assets, at cost	<u>\$12,410,760</u>	<u>\$18,034</u>	<u>\$12,428,794</u>	<u>\$22,500</u>	<u>(\$11,704)</u>	<u>\$12,439,590</u>
Capital asset summary:						
Capital assets not being depreciated	\$1,311,335		\$1,311,335	\$17,707		\$1,329,042
Other capital assets, at cost	12,410,760	\$18,034	12,428,794	22,500	(\$11,704)	12,439,590
Total cost of capital assets	<u>13,722,095</u>	<u>18,034</u>	<u>13,740,129</u>	<u>40,207</u>	<u>(11,704)</u>	<u>13,768,632</u>
Less - accumulated depreciation	(8,250,541)	(75,111)	(8,325,652)	(259,067)	(12,524)	(8,597,243)
Capital assets, net	<u>\$5,471,554</u>	<u>(\$57,077)</u>	<u>\$5,414,477</u>	<u>(\$218,860)</u>	<u>(\$24,228)</u>	<u>\$5,171,389</u>

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