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

AGREED-UPON PROCEDURES REPORT

ISSUED JANUARY 21, 2009

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

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

December 17, 2008

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 the 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, 2008, and to assist you in your evaluation of the effectiveness of the Northwestern State University Athletic Department's internal control over financial reporting as of June 30, 2008. 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, 2008. 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 inquired of management about the involvement of the university's internal auditor in the intercollegiate athletics program and we found that the university's internal auditor had not issued any internal audit reports during the period.

3. We compared each operating revenue and expense category for June 30, 2007, and June 30, 2008, 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 each variance of 20 percent or greater that is 10 percent or more of the total in the following revenue and expense accounts:

   Revenue
   Direct institutional support

   Expense
   Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities

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, 2008, 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.

   As a result of our procedure, 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, complementary tickets provided, and unsold tickets 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 a random sample of one football, one basketball, and one baseball game. We recalculated the reconciliations for the games tested.

   We found no exceptions as a result of these procedures.

2. Based on the university's methodology for allocating student fees to the intercollegiate athletics program, we were to compare and agree student fees reported in the Statement to student enrollment and obtain explanations from the university regarding any variances in excess of 10 percent.

   We found no exceptions as a result of these procedures and identified no variances that exceed 10 percent.

3. We randomly selected a sample of one football, one men's basketball, and one woman's basketball away game with a guarantee settlement and agreed the amounts to the general ledger and the contractual settlement reports. Recalculated the settlement reports for the games tested.

   We found no exceptions as a result of these procedures.

4. We were to compare direct state or other governmental support to state appropriation, institutional authorizations, and/or corroborative supporting documents. We were also to recalculate the totals.

   We found the university did not record any direct state or other governmental support for its intercollegiate athletics program during the period.

5. 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.

6. 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.

7. We randomly selected two agreements related to the university's participation in revenues from NCAA/Conference tournaments during the period. Based on the relevant terms and conditions of the agreements, we compared and agreed the related revenues to the general ledger and the Statement. We recalculated the totals.

   We found no exceptions as a result of these procedures.

8. We randomly selected one agreement related to the university's participation in revenues from royalties, licensing, advertisements, and sponsorships during the period. Based on the relevant terms and conditions of the agreement, we compared and agreed the related revenues to the general ledger and the Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

9. We obtained schedules listing all sports camp contracts between the university and persons conducting university sport-camps or clinics during the period. We randomly selected two different sports camps and then randomly selected two participants from each camp for a total of four participants to test. We identified each participant's cash receipts from the schedules and agreed to the general ledger and Statement based on the university's methodology for recording revenues for the camps. We recalculated the totals.

   We found no exceptions as a result of these procedures.

10. We randomly selected a sample of 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 randomly 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 this procedure.

3. We obtained from management a list of coaches and support staff/administrative personnel paid by the university and examined the contracts for a sample of two support staff/administrative personnel and all head coaches from football, men's and women's basketball, and baseball. 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 by the university and related entities' expense recorded by the university in the Statement during the reporting period. 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 the 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 compared and agreed the university's recruiting expense policies to existing university and NCAA-related policies.

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

6. We compared and agreed the university's team travel policies to existing institutional and NCAA-related policies.

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

7. We summed the indirect facilities support and indirect institutional support totals reported by the university in the Statement and determined if they were presented in accordance with the university's methodology for allocating indirect facilities support.

   We found no exceptions as a result of this procedure.

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 randomly selected one equipment, uniforms, and supplies expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

   We found no exceptions as a result of this procedure.

10. We randomly selected one game day expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of this procedure.

11. We randomly selected one fund raising, marketing, and promotion expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

    We found no exceptions as a result of this procedure.

12. We randomly selected one sports camp expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

    We found no exceptions as a result of this procedure.

13. We randomly selected one direct facilities, maintenance, and rental expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

    We found no exceptions as a result of this procedure.

14. We randomly selected one spirit group expense transaction from a detail listing of such expenses and agreed to adequate supporting documentation. We recalculated the totals.

    We found no exceptions as a result of this procedure.

15. We randomly selected one medical and medical insurance expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

    We found no exceptions as a result of this procedure.

16. We randomly selected one membership and dues expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

    We found no exceptions as a result of this procedure.

17. We randomly selected one operating expense from each category not previously mentioned above and agreed to adequate supporting documentation. We recalculated the totals.

    We found no exceptions as a result of this procedure.

MINIMUM AGREED-UPON PROCEDURES FOR NOTES AND DISCLOSURES

1. We obtained a description of the university's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets along with a schedule of changes in those assets. We agreed the schedule to the university's general ledger. We ensured that the university's

policies and procedures and schedule of changes are properly disclosed within the notes to the Statement.

We found no exceptions as a result of these procedures.

2. We were to obtain from university management the repayment schedule for all outstanding intercollegiate athletics debt maintained by the university during the period. If such debt existed, we were to recalculate the annual maturities, agree annual maturities to supporting documentation and to the university's general ledger, and ensure that the repayment schedule was properly disclosed within the notes to the Statement.

   We found that the university did not maintain any debt related to intercollegiate athletics during the period.

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 these procedures.

3. We obtained the independent auditor's report for all outside organizations, to identify any significant deficiencies relating to the outside organization's internal control and made inquiries of management to document any corrective action taken in response to the significant deficiencies.

   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, 2008. The audit report dated October 20, 2008, included no significant internal control deficiencies.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying Statement of Revenues and Expenses and related notes of Northwestern State University's Athletic Department or on its compliance with NCAA Bylaw 6.2.3 or on the effectiveness of the Northwestern State University Athletic Department's internal control over financial reporting for the year ended

June 30, 2008. 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:BQD:THC:sr

NSUNCAA08

Statement A

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

Statement of Revenues and Expenses
For the Year Ended June 30, 2008

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON-PROGRAM SPECIFIC	TOTAL
REVENUES						
Operating revenues:						
Ticket sales	$176,563	$24,898	$21,139	$15,095		$237,695
Student fees					$694,193	694,193
Guarantees	625,000	270,000	14,000	8,500		917,500
Contributions	51,405	99,820	17,831	113,972	488,341	771,369
Direct institutional support	173,223	36,588	79,462	494,795	3,626,523	4,410,591
Indirect facilities and administrative support	261,985	10,515	10,784	140,757	941,466	1,365,507
NCAA/Conference distributions including all tournament revenues	13,035	5,145	5,310	26,667	303,740	353,897
Program sales, concessions, novelty sales and parking	342			4,270	70	4,682
Royalties, licensing, advertisements and sponsorships	14,979	18,256	12,174	19,598	398,548	463,555
Sport-camp revenues		44,484	44,466	3,055		92,005
Endowment and investment income		2,047			(24,532)	(22,485)
Other	2,861	7,472	613	4,080	16,214	31,240
Total operating revenues	1,319,393	519,225	205,779	830,789	6,444,563	9,319,749
EXPENSES						
Operating expenses:						
Athletics student aid	809,050	200,120	201,090	1,239,163	32,256	2,481,679
Guarantees	30,000	23,013	12,013	4,000		69,026
Coaching salaries, benefits, and bonuses paid by the university and related entities	410,897	255,242	147,785	478,454		1,292,378
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	2,000	2,338		1,400	970,379	976,117
Recruiting	91,673	26,881	15,640	52,946	4,831	191,971
Team travel	195,207	88,995	60,053	291,759		636,014
Equipment, uniforms and supplies	133,605	38,418	24,150	141,399	12,418	349,990
Game expenses	38,106	36,150	26,011	51,917		152,184
Fund raising, marketing and promotion	91,718	61,726	33,874	30,743	185,470	403,531
Sport-camp expenses		35,055	25,988	564		61,607
Direct facilities, maintenance and rental	8,441	1,353	28	34,405	461,681	505,908
Spirit groups		6,681	6,681		240	13,602
Indirect facilities and administrative support	261,985	10,515	10,784	140,757	941,466	1,365,507
Medical expenses and medical insurance	460	120	90	459	158,815	159,944
Memberships and dues	9,500	425	435	830	23,102	34,292
Other operating expense	49,966	24,888	8,194	14,600	183,058	280,706
Total operating expenses	2,132,608	811,920	572,816	2,483,396	2,973,716	8,974,456
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	($813,215)	($292,695)	($367,037)	($1,652,607)	$3,470,847	$345,293

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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 $1,000 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, 2008, is as follows:

	Balance June 30, 2007	Prior Period Adjustments	Restated Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Capital assets, not being depreciated:						
Land improvements	$199,703		$199,703			$199,703
Building improvements	886,868		886,868	$32,063		918,931
Equipment	323,502		323,502	179,652	($37,172)	465,982
Total capital assets, not being depreciated	$1,410,073	NONE	$1,410,073	$211,715	($37,172)	$1,584,616
Other capital assets						
Land improvements	$1,840,843		$1,840,843	$259,889		$2,100,732
Less - accumulated depreciation	(1,448,995)	($31,280)	(1,480,275)	(39,149)		(1,519,424)
Total land improvements	391,848	(31,280)	360,568	220,740	NONE	581,308
Buildings	10,536,166		10,536,166	210,467		10,746,633
Less - accumulated depreciation	(7,319,769)		(7,319,769)	(251,470)		(7,571,239)
Total buildings	3,216,397	NONE	3,216,397	(41,003)	NONE	3,175,394
Equipment	293,163	5,000	298,163	28,443	($7,392)	319,214
Less - accumulated depreciation	(151,268)	(21,585)	(172,853)	(36,803)	7,392	(202,264)
Total equipment	141,895	(16,585)	125,310	(8,360)	NONE	116,950
Total other capital assets	$3,750,140	($47,865)	$3,702,275	$171,377	NONE	$3,873,652
Capital asset summary:						
Capital assets not being depreciated	$1,410,073		$1,410,073	$211,715	($37,172)	$1,584,616
Other capital assets, at cost	12,670,172	$5,000	12,675,172	498,799	(7,392)	13,166,579
Total cost of capital assets	14,080,245	5,000	14,085,245	710,514	(44,564)	14,751,195
Less - accumulated depreciation	(8,920,032)	(52,865)	(8,972,897)	(327,422)	7,392	(9,292,927)
Capital assets, net	$5,160,213	($47,865)	$5,112,348	$383,092	($37,172)	$5,458,268

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