

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



AGREED-UPON PROCEDURES REPORT

ISSUED JUNE 28, 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

May 26, 2006

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, 2005. University management is responsible for the Statement (unaudited) and related notes (unaudited) and the Statement's compliance with those 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 those parties specified in the report. 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.

Our procedures and associated 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, 2005. 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.

The university did not comply with the NCAA Bylaw 6.2.3.1 that requires the agreed-upon procedures report to be presented to the university's president on or before January 15, 2006.

We found no other 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 requested and reviewed all athletics-related internal audit reports.

During fiscal year 2005, the internal auditor issued two reports on the intercollegiate athletics program relating to a review of the athletic ticket office and attendance and a compliance audit of eligibility. The report on the athletic ticket office and attendance made recommendations for improving controls that management has addressed. Neither report resulted in NCAA violations.

There were no exceptions as a result of these procedures.

3. We compared each operating revenue and expense category for June 30, 2004, and June 30, 2005, 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

Expenses

Other operating expenses

4. 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, 2005, 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 found no variances of 20% or greater between budget and actual amounts in individual line items that are 5% or more of the total.

**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.

INDEPENDENT ACCOUNTANT'S REPORT

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 agreed revenue reported as NCAA/Conference Distributions to supporting documentation and recalculated totals.

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, 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 athletic-related endowment agreements and the university had none.

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.

10. We obtained an understanding of the university's methodology for recording revenues from sports camps. We obtained schedules of camp participants and selected a sample of individual camp participant cash receipts and agreed them to the university's general ledger and/or the Statement. We recalculated the totals.

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 obtained and inspected the largest contractual agreement pertaining to expenses recorded by the university from a guaranteed contest during the period. We 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 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 found no exceptions 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.

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 found no exceptions as a result of this procedure.

9. 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.

**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 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 and agreed the schedule to the university’s records.

3. 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.

| | |
|--|-------------|
| Revenues | |
| Contributions | \$194,065 |
| Total revenues | 194,065 |
| Expenses: | |
| Athletics student aid | 28,369 |
| Coaching salaries, benefits, and bonuses paid by the university and related entities | 2,320 |
| Recruiting | 5,864 |
| Team travel | 366 |
| Equipment, uniforms, and supplies | 91,013 |
| Game expenses | 880 |
| Sports camp expenses | 1,657 |
| Direct facilities, maintenance, and rental | 8,976 |
| Other operating expense | 54,620 |
| Total expenses | 194,065 |
| EXCESS OF REVENUES OVER EXPENSES | NONE |

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.

INDEPENDENT ACCOUNTANT'S REPORT

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.

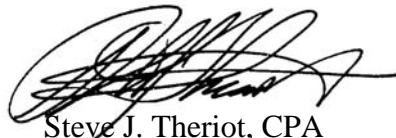
4. For all outside organizations that had an independent audit, we obtained the independent auditor's report to identify any reportable conditions relating to the outside organization's internal controls, to make inquiries of management, and to document any corrective action taken in response to the 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, 2005. The audit report is dated August 24, 2005, 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 compliance of 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. Also, we express no opinion on the McNeese State University Athletic Department's internal control over financial reporting or any part thereof. 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

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

**Statement of Revenues and Expenses
For the Year Ended June 30, 2005**

| | <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 | \$764,440 | \$61,274 | | \$56,966 | | \$882,680 |
| Guarantees | | 151,500 | \$24,016 | 11,500 | | 187,016 |
| Contributions | 173,665 | 30,586 | 13,483 | 226,144 | \$144,924 | 588,802 |
| Direct institutional support | 406,986 | 186,219 | 305,443 | 1,234,577 | 307,565 | 2,440,790 |
| Indirect facilities and administrative support | | | | | 132,191 | 132,191 |
| NCAA/Conference distributions including | | | | | | |
| all tournament revenues | | 12,186 | | 84,244 | 242,959 | 339,389 |
| Program sales, concessions, novelty sales and parking | 29,057 | 703 | | 3,519 | 108,345 | 141,624 |
| Royalties, advertisements and sponsorships | 8,210 | 13,800 | 13,468 | 49,670 | 102,215 | 187,363 |
| Sports camp revenues | | | | 9,791 | | 9,791 |
| Investment income | | | | | 12,038 | 12,038 |
| Other | | | 1,490 | 2,773 | 51,019 | 55,282 |
| Total operating revenues | <u>1,382,358</u> | <u>456,268</u> | <u>357,900</u> | <u>1,679,184</u> | <u>1,101,256</u> | <u>4,976,966</u> |
| EXPENSES | | | | | | |
| Operating Expenses: | | | | | | |
| Athletics student aid | 546,826 | 92,290 | 91,728 | 581,528 | 53,251 | 1,365,623 |
| Guarantees | | 22,214 | 2,839 | 10,892 | | 35,945 |
| Coaching salaries, benefits, and bonuses paid by the university and related entities | 403,638 | 166,061 | 147,185 | 452,529 | 1,600 | 1,171,013 |
| Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities | 48,551 | 14,943 | 14,649 | 55,830 | 326,590 | 460,563 |
| Severance payments | 5,316 | 1,242 | | 16,214 | | 22,772 |
| Recruiting | 36,004 | 15,998 | 15,508 | 26,582 | | 94,092 |
| Team travel | 192,071 | 64,574 | 59,472 | 277,247 | | 593,364 |
| Equipment, uniforms, and supplies | 68,293 | 10,316 | 14,761 | 127,160 | 1,319 | 221,849 |
| Game expenses | 61,820 | 35,335 | 18,200 | 26,912 | 390 | 142,657 |
| Fund raising, marketing, and promotion | | | | 367 | | 367 |
| Sports camp expenses | | | | 4,631 | | 4,631 |
| Direct facilities, maintenance, and rental | 94,851 | | | 70,444 | 76,320 | 241,615 |
| Indirect facilities and administrative support | | | | | 132,191 | 132,191 |
| Medical expenses and medical insurance | | | | | 137,667 | 137,667 |
| Other operating expense | 100,125 | 27,915 | 10,557 | 74,266 | 158,560 | 371,423 |
| Total operating expenses | <u>1,557,495</u> | <u>450,888</u> | <u>374,899</u> | <u>1,724,602</u> | <u>887,888</u> | <u>4,995,772</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | <u>(\$175,137)</u> | <u>\$5,380</u> | <u>(\$16,999)</u> | <u>(\$45,418)</u> | <u>\$213,368</u> | <u>(\$18,806)</u> |

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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 capital assets.

Capital asset activity for the athletic department for the year ended June 30, 2005, is as follows:

ATHLETIC DEPARTMENT, MCNEESE STATE UNIVERSITY

| | Balance June 30, 2004 | Additions | Transfers | Retirements | Balance June 30, 2005 |
|---|--------------------------|-----------|-------------|-------------|--------------------------|
| Capital assets not being depreciated - Construction-in-progress | \$228,388 | \$12,548 | (\$228,388) | NONE | \$12,548 |
| Other capital assets: | | | | | |
| Land improvements | 717,689 | 372,349 | 228,388 | | 1,318,426 |
| Less - accumulated depreciation | (382,732) | (50,902) | | | (433,634) |
| Total land improvements | 334,957 | 321,447 | 228,388 | NONE | 884,792 |
| Buildings | 8,658,079 | 140,418 | | | 8,798,497 |
| Less - accumulated depreciation | (5,029,086) | (115,653) | | | (5,144,739) |
| Total buildings | 3,628,993 | 24,765 | NONE | NONE | 3,653,758 |
| Equipment | 109,152 | 9,985 | | (6,730) | 112,407 |
| Less - accumulated depreciation | (90,801) | (6,745) | | 6,730 | (90,816) |
| Total equipment | 18,351 | 3,240 | NONE | NONE | 21,591 |
| Total other capital assets | \$3,982,301 | \$349,452 | \$228,388 | NONE | \$4,560,141 |
| Capital Asset Summary: | | | | | |
| Capital assets not being depreciated | \$228,388 | \$12,548 | (\$228,388) | | \$12,548 |
| Other capital assets, at cost | 9,484,920 | 522,752 | 228,388 | (6,730) | 10,229,330 |
| Total cost of capital assets | 9,713,308 | 535,300 | NONE | (6,730) | 10,241,878 |
| Less - accumulated depreciation | (5,502,619) | (173,300) | | 6,730 | (5,669,189) |
| Capital assets, net | \$4,210,689 | \$362,000 | NONE | NONE | \$4,572,689 |

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, the 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 4.73% and are due in varying installments through 2014.

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ATHLETIC DEPARTMENT, MCNEESE STATE UNIVERSITY _____

On April 1, 2005, the 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 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, 2005:

| <u>Issue</u> | <u>Date of Issue</u> | <u>Original Issue</u> | <u>Outstanding June 30, 2004</u> | <u>Issued (Redeemed)</u> |
|---|----------------------|-----------------------|----------------------------------|--------------------------|
| Stadium Project - Series 1996 Cowboy Facilities, Inc. (blended component unit) - University Stadium Parking Revenue Bonds - Series 2004 | October 15, 1996 | \$900,000 | \$480,000 | (\$60,000) |
| University Scoreboard Project Bonds - Series 2005 | February 1, 2004 | 820,000 | 820,000 | (70,000) |
| | April 1, 2005 | <u>1,900,000</u> | <u> </u> | <u>1,900,000</u> |
| Total | | <u>\$3,620,000</u> | <u>\$1,300,000</u> | <u>\$1,770,000</u> |

The following is the amortization schedule for the outstanding bonds payable for the athletic department as of June 30, 2005:

| <u>Fiscal Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------|--------------------|------------------|--------------------|
| 2006 | \$270,000 | \$172,828 | \$442,828 |
| 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 |
| 2011-2015 | <u>1,585,000</u> | <u>272,689</u> | <u>1,857,689</u> |
| Total | <u>\$3,070,000</u> | <u>\$992,544</u> | <u>\$4,062,544</u> |

NOTES TO THE FINANCIAL STATEMENT (UNAUDITED)

| <u>Outstanding June 30, 2005</u> | <u>Maturities</u> | <u>Interest Rates</u> | <u>Interest Outstanding June 30, 2005</u> |
|--------------------------------------|-------------------|---------------------------|---|
| \$420,000 | 2011 | 4.52% | \$66,444 |
| 750,000 | 2014 | 4.73% | 186,599 |
| <u>1,900,000</u> | 2015 | 6.5% | <u>739,501</u> |
| <u>\$3,070,000</u> | | | <u>\$992,544</u> |

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