

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



AGREED-UPON PROCEDURES REPORT
ISSUED JANUARY 11, 2006

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

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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
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December 2, 2005

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, 2005. 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, 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 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, 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 procedure, we identified each variance of 20% or greater that is 5% or more of the total in the following revenue and expense accounts:

Revenues

Direct state or other government support
Direct institutional support
Indirect facilities and administrative support

Expenses

Indirect facilities and administrative support

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, 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.

We identified no variances that were 20% or greater in individual revenue and expense categories that were 5% 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 were to agree the information on the schedule to the supporting game reconciliation for the football and doubleheader basketball games with the largest ticket sales. We were to recalculate 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. However, with the implementation of a new ticketing system and a turnover in ticket managers, the university was unable to provide reconciliations for its football games.

Management subsequently corrected the problems in the new ticketing system and performed ticket sale reconciliations for the basketball games. We agreed the information on the schedule to the supporting game reconciliation for the doubleheader basketball game with the largest ticket sales. We found no exceptions in recalculating the reconciliation for the game tested.

2. We were to obtain and document an understanding of the university's methodology for allocating student fees to the intercollegiate athletics program, and then compare and agree student fees reported in the Statement to student enrollment for reasonableness.

We found no student fees allocated to the intercollegiate athletics program during the period.

3. We selected the away game with the largest game guarantee settlement and agreed the amount to the general ledger and to the settlement report. We recalculated the totals on the settlement report.

We found no exceptions as a result of these procedures.

4. 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.

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 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.

We found no exceptions as a result of these procedures.

7. We were to obtain and inspect 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 found no revenues reported in the Statement relating to broadcasts, television, radio, or Internet rights. We were informed by management that it had no agreements relating to broadcasts, television, radio, and Internet rights during the period.

8. We obtained and inspected agreements 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 the Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

9. 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 university's general ledger and recalculated total deposits.

We found no exceptions as a result of these procedures.

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

We found no exceptions as a result of these procedures.

- 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 2).

2. We agreed the capital asset schedule to the university's general ledger. We selected capitalized additions that were greater than 10% 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.

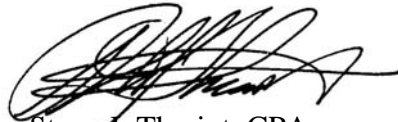
INDEPENDENT ACCOUNTANT'S REPORT

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, 2005. The audit report dated September 27, 2005, 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 and the related notes of the 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

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

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

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
REVENUES						
Operating revenues:						
Ticket sales	\$198,802	\$20,712	\$20,371	\$18,027		\$257,912
Guarantees	165,000	180,000	10,509	21,100		376,609
Contributions	88,370	66,397	20,783	135,352	260,424	571,326
Compensation and benefits provided by a third party					36,000	36,000
Direct institutional support	164,106	15,195	74,706	434,010	2,572,982	3,260,999
Indirect facilities and administrative support	160,264	9,955	7,397	71,949	591,651	841,216
NCAA/Conference distributions including all tournament revenues	40,138	26,782	5,893	52,354	266,054	391,221
Program sales, concessions, novelty sales, and parking	8,254	165	165	2,238	4,532	15,354
Royalties, advertisements, and sponsorships	31,060	12,105	12,451	14,359	181,148	251,123
Sports camp revenues	1,160	23,560	36,304	20,382		81,406
Endowment and investment income					38,089	38,089
Other	25,933	1,320	7,359	20	27,518	62,150
Total operating revenues	<u>883,087</u>	<u>356,191</u>	<u>195,938</u>	<u>769,791</u>	<u>3,978,398</u>	<u>6,183,405</u>
EXPENSES						
Operating expenses:						
Athletics student aid	663,751	126,755	158,150	934,786	11,099	1,894,541
Guarantees	81,144	13,500	17,500	25,782		137,926
Coaching salaries, benefits, and bonuses paid by the university and related entities	289,247	151,050	116,087	323,670		880,054
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	6,787				451,651	458,438
Support staff/administrative other compensation and benefits paid by a third party					36,000	36,000
Severance payments				4,279	2,706	6,985
Recruiting	59,813	10,475	8,771	31,505	946	111,510
Team travel	162,358	47,283	51,240	320,262	188	581,331
Equipment, uniforms, and supplies	84,382	12,616	15,204	82,179	10,330	204,711
Game expenses	31,094	29,692	21,819	32,970	694	116,269
Fund raising, marketing, and promotion	75,178	47,670	31,799	29,705	148,870	333,222
Sport-camp expenses	54	15,572	20,998	5,503		42,127
Direct facilities, maintenance and rental	13,009	820	12	140,463	146,740	301,044
Spirit groups	63,722					63,722
Indirect facilities and administrative support	104,780	9,955	7,397	71,949	591,651	785,732
Medical expenses and medical insurance	1,700	443	260		139,343	141,746
Memberships and dues	540	400	435	495	31,972	33,842
Other operating expense	81,960	17,577	12,412	7,104	126,615	245,668
Total operating expenses	<u>1,719,519</u>	<u>483,808</u>	<u>462,084</u>	<u>2,010,652</u>	<u>1,698,805</u>	<u>6,374,868</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	<u>(\$836,432)</u>	<u>(\$127,617)</u>	<u>(\$266,146)</u>	<u>(\$1,240,861)</u>	<u>\$2,279,593</u>	<u>(\$191,463)</u>

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NOTES TO THE FINANCIAL STATEMENT (UNAUDITED)

1. CONTRIBUTIONS

No individual contribution of money, goods or services constituted 10% or more of total contributions received by Northwestern State University Athletics from any outside organization, agency or individual.

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 established by state laws and regulations for acquiring, approving, 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, 2005, is as follows:

	Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005
Capital assets, not being depreciated				
Land improvements	\$181,874	\$17,829		\$199,703
Building improvements	669,806	147,996		817,802
Equipment	275,318	25,898	(\$7,386)	293,830
Total capital assets, not being depreciated	<u>\$1,126,998</u>	<u>\$191,723</u>	<u>(\$7,386)</u>	<u>\$1,311,335</u>
Other capital assets				
Land improvements	\$1,576,813	\$241,530		\$1,818,343
Less accumulated depreciation	(1,385,310)	(30,155)		(1,415,465)
Total land improvements	<u>191,503</u>	<u>211,375</u>	NONE	<u>402,878</u>
Buildings	10,172,007	197,484		10,369,491
Less - accumulated depreciation	(6,606,143)	(227,787)		(6,833,930)
Total buildings	<u>3,565,864</u>	<u>(30,303)</u>	NONE	<u>3,535,561</u>
Equipment	216,049	6,877		222,926
Less - accumulated depreciation		(1,146)		(1,146)
Total equipment	<u>216,049</u>	<u>5,731</u>	NONE	<u>221,780</u>
Total other capital assets, at cost	<u>\$11,964,869</u>	<u>\$445,891</u>	NONE	<u>\$12,410,760</u>
Capital asset summary:				
Capital assets not being depreciated	\$1,126,998	\$191,723	(\$7,386)	\$1,311,335
Other capital assets, at cost	11,964,869	445,891		12,410,760
Total cost of capital assets	<u>13,091,867</u>	<u>637,614</u>	(7,386)	<u>13,722,095</u>
Less - accumulated depreciation	<u>(7,991,453)</u>	<u>(259,088)</u>	NONE	<u>(8,250,541)</u>
Capital assets, net	<u>\$5,100,414</u>	<u>\$378,526</u>	<u>(\$7,386)</u>	<u>\$5,471,554</u>

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