

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



————— AGREED-UPON PROCEDURES REPORT —————  
ISSUED DECEMBER 19, 2007

**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

December 3, 2007

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, 2007, 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, 2007. 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, 2007. 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 used the transactions listed in the various procedures below to test the controls 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, except as noted in Procedure 3 under Minimum Agreed-Upon Procedures for Affiliated and Outside Organizations.

3. We compared each operating revenue and expense category for June 30, 2006, and June 30, 2007, 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:

Revenues:

Guarantees

Indirect facilities and administrative support

Expense:

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, 2007, 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.

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

We found no exceptions as a result of these procedures.

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 recalculated 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 list of contributions received by the athletic department and identified one individual contribution that constituted more than 10 percent of the total contributions. We reviewed the documentation provided by the university supporting the source of funds and confirmed that the source and value of the contribution is disclosed in the notes to the statement.
2. We agreed the capital asset schedule provided by the university to its 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. However, we did find that Athletic Association receipts are given to an employee in the Athletic Department for counting and safekeeping in a vault in the Athletic Department until being deposited. The employee sorts and counts the receipts on her desk which is in an open area accessible to anyone visiting the athletic business office. Receipts are deposited twice a week or when receipts total \$5,000 or more.

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, 2007. The audit report dated October 2, 2007, 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 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, 2007. Accordingly, we do not express such an opinion. Had we performed additional

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## AGREED-UPON PROCEDURES REPORT

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,

A handwritten signature in blue ink, appearing to read "Steve J. Theriot", written over a horizontal line.

Steve J. Theriot, CPA  
Legislative Auditor

BAC:WJR:THC:sr

NSUNCAA07

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

**Statement of Revenues and Expenses  
For the Year Ended June 30, 2007**

	<u>FOOTBALL</u>	<u>MEN'S BASKETBALL</u>	<u>WOMEN'S BASKETBALL</u>
<b>REVENUES</b>			
Operating revenues:			
Ticket sales	\$191,741	\$26,954	\$23,491
Guarantees	845,000	276,600	22,500
Contributions	55,392	83,321	20,112
Direct institutional support	197,535	24,312	75,183
Indirect facilities and administrative support	305,610	12,038	9,123
NCAA/Conference distributions including all tournament revenues	11,929	4,963	5,265
Program sales, concessions, novelty sales, and parking			
Royalties, licensing, advertisements, and sponsorships	16,203	12,774	10,260
Sport-camp revenues		33,826	41,605
Endowment and investment income		3,305	
Other	3,814	2,433	666
Total operating revenues	<u>1,627,224</u>	<u>480,526</u>	<u>208,205</u>
<b>EXPENSES</b>			
Operating expenses:			
Athletics student aid	803,872	173,750	177,197
Guarantees	77,700	9,250	5,000
Coaching salaries, benefits, and bonuses paid by the university and related entities	303,444	124,192	107,302
Coaching other compensation and benefits paid by a third party	4,863	54,215	4,445
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	3,400	583	320
Recruiting	56,886	15,731	10,367
Team travel	145,821	140,446	74,284
Equipment, uniforms, and supplies	171,100	51,272	15,397
Game expenses	33,191	31,771	28,127
Fund raising, marketing, and promotion	58,927	77,022	29,169
Sport-camp expenses		19,520	31,927
Direct facilities, maintenance, and rental	23,142	4,325	283
Spirit groups		5,904	5,904
Indirect facilities and administrative support	305,610	12,038	9,123
Medical expenses and medical insurance	1,386	561	325
Memberships and dues	9,120	425	435
Other operating expense	65,934	16,954	4,696
Total operating expenses	<u>2,064,396</u>	<u>737,959</u>	<u>504,301</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES</b>	<u>(\$437,172)</u>	<u>(\$257,433)</u>	<u>(\$296,096)</u>

Statement A

<u>OTHER SPORTS</u>	<u>NON- PROGRAM SPECIFIC</u>	<u>TOTAL</u>
\$18,155		\$260,341
10,106		1,154,206
155,719	\$751,367	1,065,911
459,129	2,861,835	3,617,994
142,804	690,762	1,160,337
37,831	398,545	458,533
4,451	7,024	11,475
23,299	395,947	458,483
12,940		88,371
	91,023	94,328
1,882	16,612	25,407
<u>866,316</u>	<u>5,213,115</u>	<u>8,395,386</u>
1,105,923	5,861	2,266,603
25,995		117,945
333,789	22,885	891,612
23,521		87,044
	551,852	556,155
37,113	3,055	123,152
272,269		632,820
105,224	22,238	365,231
38,047		131,136
32,680	89,975	287,773
2,425		53,872
80,375	160,442	268,567
		11,808
142,804	690,762	1,160,337
31	139,510	141,813
1,155	23,497	34,632
4,196	133,145	224,925
<u>2,205,547</u>	<u>1,843,222</u>	<u>7,355,425</u>
<u>(\$1,339,231)</u>	<u>\$3,369,893</u>	<u>\$1,039,961</u>

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**NOTES TO THE FINANCIAL STATEMENT (UNAUDITED)**

**1. CONTRIBUTIONS**

The estate of Edwin Schroeder contributed \$185,000 to the Northwestern State University Athletic Association on behalf of the Northwestern State University Athletic Program. This contribution was the only individual contribution that was more than 10 percent of total contribution.

**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, 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, 2007, is as follows:

# ATHLETIC DEPARTMENT, NORTHWESTERN STATE UNIVERSITY

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	Balance June 30, 2006	Prior Period Adjustments	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Capital assets, not being depreciated:						
Land improvements	\$199,703		\$199,703			\$199,703
Building improvements	835,509		835,509	\$51,359		886,868
Equipment	293,830		293,830	29,672		323,502
Total capital assets, not being depreciated	<u>\$1,329,042</u>	<u>NONE</u>	<u>\$1,329,042</u>	<u>\$81,031</u>	<u>NONE</u>	<u>\$1,410,073</u>
Other capital assets:						
Land improvements	\$1,840,843		\$1,840,843			\$1,840,843
Less - accumulated depreciation	(1,416,590)		(1,416,590)	(\$32,405)		(1,448,995)
Total land improvements	<u>424,253</u>	<u>NONE</u>	<u>424,253</u>	<u>(32,405)</u>	<u>NONE</u>	<u>391,848</u>
Buildings	10,369,492	\$135,970	10,505,462	30,704		10,536,166
Less - accumulated depreciation	(7,061,717)	(13,597)	(7,075,314)	(244,455)		(7,319,769)
Total buildings	<u>3,307,775</u>	<u>122,373</u>	<u>3,430,148</u>	<u>(213,751)</u>	<u>NONE</u>	<u>3,216,397</u>
Equipment	229,255		229,255	63,908		293,163
Less - accumulated depreciation	(118,936)	1,083	(117,853)	(33,415)		(151,268)
Total equipment	<u>110,319</u>	<u>1,083</u>	<u>111,402</u>	<u>30,493</u>	<u>NONE</u>	<u>141,895</u>
Total other capital assets	<u>\$3,842,347</u>	<u>\$123,456</u>	<u>\$3,965,803</u>	<u>(\$215,663)</u>	<u>NONE</u>	<u>\$3,750,140</u>
Capital asset summary:						
Capital assets not being depreciated	\$1,329,042		\$1,329,042	\$81,031		\$1,410,073
Other capital assets, at cost	12,439,590	\$135,970	12,575,560	94,612		12,670,172
Total cost of capital assets	13,768,632	135,970	13,904,602	175,643	NONE	14,080,245
Less - accumulated depreciation	(8,597,243)	(12,514)	(8,609,757)	(310,275)	NONE	(8,920,032)
Capital assets, net	<u>\$5,171,389</u>	<u>\$123,456</u>	<u>\$5,294,845</u>	<u>(\$134,632)</u>	<u>NONE</u>	<u>\$5,160,213</u>