Athletic Department
McNeese State University
University of Louisiana System
State of Louisiana

Agreed-Upon Procedures Report

Issued February 25, 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

January 7, 2009

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, 2008, and to assist you in your evaluation of the effectiveness of the McNeese 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 McNeese 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 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, 2008.

   We found no exceptions as a result of these procedures.

2. We 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.

We found no exceptions as a result of these procedures.

3. We inquired of management about the involvement of the university's internal auditor in the intercollegiate athletics program and reviewed all athletics-related internal audit reports.

   During fiscal year 2008, the internal auditor did not issue any formal reports on the intercollegiate athletics program; however, the internal auditor is monitoring athletics.

4. 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 5 percent or more of the total.

   As a result of our procedures, we identified variances of 20 percent or greater in the following revenue and expense accounts that are 5 percent or more of the total:

   Revenues
   Ticket sales
   Guarantees
   Contributions
   Direct institutional support

   Expenses
   Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities
   Direct facilities, maintenance, and rental
   Other operating expense

5. 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, 2008, to identify any variances of 20 percent or greater in individual revenue and expense categories (line items) that are 5 percent or more of the total.

   As a result of our procedures, we identified variances of 20 percent or greater between budget and actual amounts in the following individual line items that are 5 percent or more of the total:

Revenues
Ticket sales
Contributions
NCAA/Conference distributions including all tournament revenues
Other operating revenues

Expenses
Athletic student aid
Direct facilities, maintenance, and rental
Other operating expenses

MINIMUM AGREED-UPON PROCEDURES FOR REVENUES

1. We selected the basketball and football games with the largest ticket sales and recalculated the 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.

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 compared and agreed the NCAA/Conference distributions revenue to the general ledger and/or the Statement and recalculated the totals. We selected one operating revenue receipt from the NCAA/Conference distributions category and agreed it to supporting documentation.

   We found no exceptions as a result of this procedure.

6. We inquired about agreements related to the university's participation in revenues from broadcasts, television, radio, and Internet rights during the period and the university had none.

7. We obtained and inspected the agreement related to the university's participation in revenues from royalties, licensing, advertisements, and sponsorships during the period. We compared and agreed the related revenues to the general ledger and/or the Statement and recalculated the totals.

   We noted that one sponsorship payment for $6,000 from the Louisiana Lottery Corporation was not recorded in the fiscal year 2008 revenue.

8. We inquired about sports-camp contracts between the university and person(s) conducting the camps or clinics and the university had none nor did it have any revenue from sports-camps during the reporting period.

9. We selected one operating revenue receipt from each category not previously mentioned 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 reviewed the largest contractual agreement pertaining to expenses recorded by the university from a guaranteed contest during the period. We used the game settlement report and 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 compared and agreed the university's recruiting expense policies to existing institutional and NCAA-related policies. We selected two recruiting expenses and agreed to supporting documentation.

   We found no exceptions 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 selected two travel expenses and agreed to supporting documentation.

   We inquired about post-season travel and the university had none.

   We found no exceptions as a result of these procedures.

7. We inquired about travel expenses incurred by spirit groups and the university had none.

8. We selected four operating expenses from the direct facilities, maintenance, and rental category and agreed to supporting documentation.

   We found no exceptions as a result of this procedure.

9. We summed the indirect facilities and administrative support totals reported by the university in the Statement and determined it was presented in accordance with the university's methodology for allocating indirect facilities support.

   We found no exceptions as a result of this procedure.

10. 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.

11. We inquired about sports-camp expenses paid by the athletic department including non-athletic personnel salaries and benefits from hosting sports-camps and the university had none.

12. 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 percent 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, was disclosed.

   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 percent of the total contributions.

2. We obtained and reviewed 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. We ensured that the university's policies and procedures and schedule of changes are properly disclosed within the notes to the Statement.

3. We agreed the capital asset schedule to the university's general ledger and affiliated and outside organizations' financial statements. We selected capitalized additions greater than 10 percent of total capital additions and agreed the additions to adequate supporting documentation.

   We found no exceptions as a result of these procedures.

4. 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 and affiliated and outside organizations' financial statements. We ensured that the repayment schedule is properly disclosed within the notes to the Statement.

   We found no exceptions as a result of these procedures.

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., and the Cowboy 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.

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON-PROGRAM SPECIFIC	TOTAL
Revenues:						
Contributions	$195,602	$30,705	$30,678	$236,142	$30,982	$524,109
Total revenues	195,602	30,705	30,678	236,142	30,982	524,109
Expenses:						
Recruiting	6,308	35	1,629	3,629		11,601
Team travel	8,970	4,256	998	20,680		34,904
Equipment, uniforms, and supplies	79,269	17,123	15,972	85,810	9,687	207,861
Game expenses	633			588		1,221
Fund raising, marketing, and promotion	2,736	1,102	1,027	12,817		17,682
Direct facilities, maintenance, and rental	79,080			75,916	1,223	156,219
Medical expenses and medical insurance					62	62
Memberships and dues	60		2,070	3,360	805	6,295
Other operating expense	18,546	8,189	8,982	33,342	19,205	88,264
Total expenses	195,602	30,705	30,678	236,142	30,982	524,109
EXCESS OF REVENUES OVER EXPENSES	NONE	NONE	NONE	NONE	NONE	NONE

We noted that contributions and expenses made on behalf of McNeese State University from the McNeese State University Foundation, Inc., were understated by $20,510. Also, we noted that contributions and expenses made on behalf of McNeese State University from the Cowboy Club were understated by $85,554.

3. For all outside organizations that had an independent audit, we obtained the independent auditor's report to identify any significant deficiencies relating to the outside organization's internal controls, to make inquiries of management, and to document any corrective action taken in response to the significant deficiencies.

   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, 2008. The audit report is dated September 10, 2008, and includes no significant deficiencies on the outside organization's internal control.

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 McNeese State University's Athletic Department or on its compliance with NCAA Bylaw 6.2.3 or on the effectiveness of the McNeese 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 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

LBL:BH:EFS:PEP:sr

MSUNCAA08

Statement A

ATHLETIC DEPARTMENT
MCNEESE 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	$1,070,659	$44,630		$19,588		$1,134,877
Student fees					$153,099	153,099
Guarantees	130,926	225,000	$38,000	6,000		399,926
Contributions	553,070	45,105	45,078	361,866	133,763	1,138,882
Direct institutional support	253,847	232,988	413,342	1,691,337	742,168	3,333,682
Indirect facilities and administrative support					176,024	176,024
NCAA/Conference distributions including all tournament revenues	267,822	3,000	3,000	87,503	72,113	433,438
Program sales, concessions, novelty sales and parking	19,257	670	33	15,609	109,939	145,508
Royalties, licensing, advertisements and sponsorships	473,576	450		41,000	1,321	516,347
Investment income	561				307	868
Other				152,420	29,652	182,072
Total operating revenues	2,769,718	551,843	499,453	2,375,323	1,418,386	7,614,723
EXPENSES						
Operating Expenses:						
Athletics student aid	569,566	112,969	114,548	593,331	94,249	1,484,663
Guarantees	91,299	15,500	2,500	10,800		120,099
Coaching salaries, benefits, and bonuses paid by the university and related entities	479,406	177,497	160,820	609,710		1,427,433
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	70,282	13,543	13,196	65,686	534,270	696,977
Severance payments				14,050	1,703	15,753
Recruiting	60,998	22,467	36,592	59,593		179,650
Team travel	241,848	130,165	92,584	410,635		875,232
Equipment, uniforms, and supplies	125,939	33,784	34,707	157,832	18,133	370,395
Game expenses	136,643	41,244	20,532	39,265	996	238,680
Fund raising, marketing, and promotion	2,736	1,102	1,027	12,818		17,683
Direct facilities, maintenance, and rental	682,938			247,884	115,811	1,046,633
Indirect facilities and administrative support					176,024	176,024
Medical expenses and medical insurance	376				147,910	148,286
Membership and dues	60		2,070	3,360	805	6,295
Other operating expense	129,433	24,881	15,056	123,700	265,847	558,917
Total operating expenses	2,591,524	573,152	493,632	2,348,664	1,355,748	7,362,720
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	$178,194	($21,309)	$5,821	$26,659	$62,638	$252,003

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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 percent 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 of 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 Adjustment	Balance June 30, 2007, As Adjusted	Additions	Transfers	Balance June 30, 2008
Capital assets not being depreciated - construction-in-progress	$906,429	NONE	$906,429	$75,000	($656,429)	$325,000
Other capital assets:						
Land improvements	$1,642,426		$1,642,426	$1,078,374	$656,429	$3,377,229
Less - accumulated depreciation (restated)	(685,105)	($3,439)	(688,544)	(178,838)		(867,382)
Total land improvements	957,321	(3,439)	953,882	899,536	656,429	2,509,847
Buildings	10,888,043	(48,494)	10,839,549	1,142,706		11,982,255
Less - accumulated depreciation	(5,498,443)	1,986	(5,496,457)	(241,353)		(5,737,810)
Total buildings	5,389,600	(46,508)	5,343,092	901,353	NONE	6,244,445
Equipment	119,404		119,404	30,385		149,789
Less - accumulated depreciation	(43,196)	(5,164)	(48,360)	(15,116)		(63,476)
Total equipment	76,208	(5,164)	71,044	15,269	NONE	86,313
Total other capital assets	$6,423,129	($55,111)	$6,368,018	$1,816,158	$656,429	$8,840,605
Capital Asset Summary:						
Capital assets not being depreciated	$906,429		$906,429	$75,000	($656,429)	$325,000
Other capital assets, at cost	12,649,873	($48,494)	12,601,379	2,251,465	656,429	15,509,273
Total cost of capital assets	13,556,302	(48,494)	13,507,808	2,326,465		15,834,273
Less - accumulated depreciation	(6,226,744)	(6,617)	(6,233,361)	(435,307)		(6,668,668)
Capital assets, net	$7,329,558	($55,111)	$7,274,447	$1,891,158	NONE	$9,165,605

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 interest at 8 percent until August 15, 2004, and then a yearly fixed rate of interest at 4.52 percent until the bonds were fully redeemed during this fiscal year.

On February 1, 2004, 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 interest at 4.73 percent and are due in varying installments through 2014.

On April 1, 2005, 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 interest at 6.5 percent 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, 2008:

Issue	Date of Issue	Original Issue	Outstanding June 30, 2007	Issued (Redeemed)	Outstanding June 30, 2008	Maturities	Interest Rates	Interest Outstanding June 30, 2008
Stadium Project - Series 1996	October 15, 1996	$900,000	$300,000	($300,000)			4.52%	
Cowboy Facilities, Inc.:								
University Stadium Parking Revenue Bonds - Series 2004	February 1, 2004	820,000	605,000	(75,000)	$530,000	2014	4.73%	$90,342
University Scoreboard Project Bonds - Series 2005	April 1, 2005	1,900,000	1,610,000	(160,000)	1,450,000	2015	6.5%	400,725
Total		$3,620,000	$2,515,000	($535,000)	$1,980,000			$491,067

UNAUDITED

The following is the amortization schedule for the outstanding bonds payable for the athletic department as of June 30, 2008:

Fiscal Year Ending	Principal	Interest	Total
2009	$250,000	$119,319	$369,319
2010	265,000	104,485	369,485
2011	280,000	88,764	368,764
2012	295,000	72,069	367,069
2013-2015	890,000	106,430	996,430
Total	$1,980,000	$491,067	$2,471,067

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