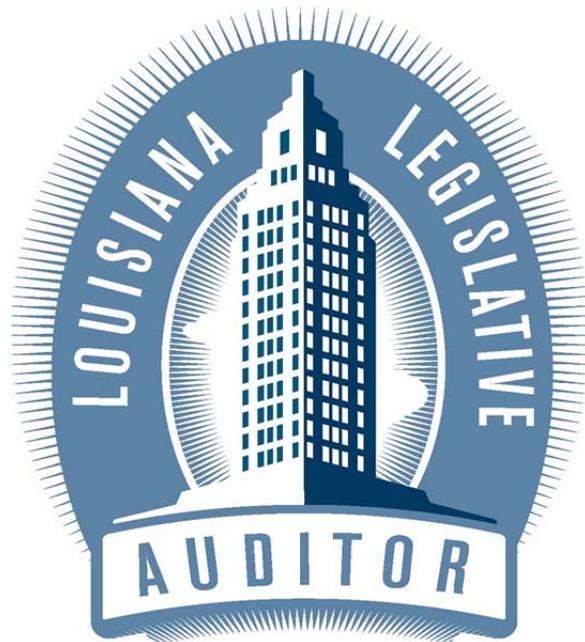


ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



AGREED-UPON PROCEDURES REPORT
ISSUED FEBRUARY 15, 2012

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES**
PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and at the office of the parish clerk of court.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 12, 2012

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 3.2.4.16.1 for the year ended June 30, 2011, and to assist you in your evaluation of the effectiveness of the university athletic department's internal control over financial reporting as of June 30, 2011. University management is responsible for the Statement (unaudited) and related note (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 the 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:

MINIMUM COMPLIANCE AGREED-UPON PROCEDURES

INTERNAL CONTROL

1. We obtained, through discussion with management, the identity of those aspects of internal control which management considers unique to intercollegiate athletics.
2. We performed procedures to test specific elements of the control environment and accounting systems that are unique to intercollegiate athletics to determine adherence to established policies and procedures relating to revenues and expenses. The following procedures were performed:

- (a) We randomly selected one cash deposit from a spreadsheet of ticket sales and followed it through the university's cash control system to determine adherence to established policies and procedures.
- (b) We selected the 10 largest athletic department cash disbursement transactions and followed them through the university's accounting system to determine adherence to established policies and procedures.
- (c) We inquired of and observed athletic department personnel to determine their compliance with policies and procedures related to the control and safeguarding of unsold tickets.

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 we found that the university's internal auditor had not issued any internal audit reports during the period.
- 4. We obtained 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 and determined the university's adherence to the procedures.

We found no exceptions as a result of these procedures.

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, completeness of the list of all known affiliated and outside organizations and other information we considered necessary for the year ended June 30, 2011.
- 2. We verified the mathematical accuracy of the amounts on the Statement and agreed each operating revenue and expense category reported on the Statement to supporting schedules provided by the university and the university's general ledger.

We found no exceptions as a result of these procedures.

3. We compared each major operating revenue and expense account for June 30, 2010, and June 30, 2011, to identify variances of 20 percent or greater between individual revenue and expense accounts (line items) that are 10 percent or more of the total.

We identified no variances of 20 percent or greater between individual revenue and expense categories that are 10 percent or more of the total.

4. We compared the budgeted revenues and expenses to actual revenues and expenses for each major operating revenue and expense account for the year June 30, 2011, to identify any variances of 20 percent or greater in individual revenue and expense accounts (line items) that are 10 percent or more of the total.

As a result of our procedure, we identified the expense accounts Team Travel and Other Operating Expenses, which had variances of 20 percent or greater that was 10 percent or more of the total. We obtained and documented the university's explanations for these variances.

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 general ledger and Statement. We agreed the information on the schedule to the supporting game reconciliation for a random sample of one football, one basketball, and one baseball game. We also 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 compared and agreed student fees reported in the Statement to student enrollment and we were to obtain explanations from the university regarding any variances in excess of 10 percent. We also recalculated the totals.

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 two contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period. We compared and agreed each selection to the university's general ledger. 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 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.

6. 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.

7. We randomly selected two agreements 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 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 obtained a schedule listing all university sports camps conducted during the fiscal year with total revenue generated for each camp, number of participants for each camp, and amount paid by each participant. We randomly selected two individual camp participants' cash receipts from each sport listed and agreed each selection to the general ledger based on the university's methodology for recording revenue for camps. We recalculated the totals.

We found no exceptions as a result of these procedures.

9. We randomly selected a sample of two parking receipts and agreed to adequate supporting documentation. 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 and agreed to adequate supporting documentation.

We found no exceptions as a result of these procedures.

**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 a random selected sample of two contractual agreements pertaining to expenses recorded by the university from guaranteed contests during the period. We used the game settlement report 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 related entities during the reporting period and examined the contracts for a random 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) 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.
- (d) We recalculated the totals.

We found no exceptions as a result of these procedures.

4. 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.

5. 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.

6. We obtained and documented an understanding of the university's methodology for allocating indirect facilities support.

We found no exceptions 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 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 randomly selected one equipment, uniforms, and supply expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

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 these procedures.

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 these procedures.

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 these procedures.

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 these procedures.

14. We randomly selected one spirit group expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

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 these procedures.

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 these procedures.

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

We found no exceptions as a result of these procedures.

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 note 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 from university management a listing of all affiliated and outside organizations for the reporting period.
2. Northwestern Athletic Association, a part of the Northwestern State University Foundation, Incorporated, was the only outside organization that hired an independent auditor to perform separate agreed-upon procedures solely to assist the university in complying with the requirements of the NCAA Bylaw 3.2.4.16.1. We obtained the agreed-upon procedures report and agreed to the amounts reported in the university's statements.

We found no exceptions as a result of these procedures.

3. 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.

4. We obtained from university management a summary schedule of revenue and expenses for or on behalf of intercollegiate athletics programs by affiliated and outside organizations not under the accounting control of the university to be included with the agreed-upon procedures report. We compared the summary schedule provided by the outside organization and ensured data is included in the university's Statement.

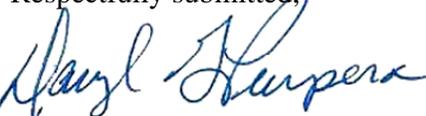
We found no exceptions as a result of these procedures.

5. We obtained written representations as to the fair presentation of the summary schedule. We were to agree the amounts reported to the university's general ledger. The Northwestern State University Foundation, Incorporated's revenues and expenses are not included in the university's general ledger.
6. We obtained the independent auditor's report for all outside organizations to identify any significant deficiencies relating to the outside organization's internal control. We were to make 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, 2011. The audit report dated October 3, 2011, 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 and related note of the university's athletic department or on its compliance with NCAA Bylaw 3.2.4.16.1 or on the effectiveness of the university athletic department's internal control over financial reporting for the year ended June 30, 2011. 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,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

LL:BAC:BDC:THC:ch

NWSUNCAA 2011

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

**Statement of Revenues and Expenses
For the Year Ended June 30, 2011**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
REVENUES						
Operating revenues:						
Ticket sales	\$188,140	\$22,733	\$18,486	\$19,825		\$249,184
Student fees	216,649	53,249	38,867	353,673	\$120,334	782,772
Guarantees	405,000	355,000	45,000	18,000		823,000
Contributions	285,838	88,284	20,252	140,226	303,991	838,591
Direct institutional support	1,286,477	403,670	442,436	1,933,945	1,099,416	5,165,944
Indirect facilities and administrative support	178,313	22,139	22,282	83,764	590,708	897,206
NCAA/Conference distributions including all tournament revenues	19,740	6,578	6,343	40,880	480,400	553,941
Program sales, concessions, novelty sales, and parking	12,695					12,695
Royalties, licensing, advertisements, and sponsorships	7,825	3,080	3,080	29,760	503,185	546,930
Sport-camp revenues		62,597	47,088	2,870		112,555
Endowment and investment income					273,314	273,314
Other	1,810	1,250		4,024	16,095	23,179
Total operating revenues	<u>2,602,487</u>	<u>1,018,580</u>	<u>643,834</u>	<u>2,626,967</u>	<u>3,387,443</u>	<u>10,279,311</u>
EXPENSES						
Operating expenses:						
Athletics student aid	1,093,344	215,165	225,347	1,605,510	34,629	3,173,995
Guarantees	61,293	10,646	6,250	5,000		83,189
Coaching salaries, benefits, and bonuses paid by the university and related entities	512,852	299,115	200,532	696,842		1,709,341
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	5,000	8,342	300	1,416	1,074,836	1,089,894
Recruiting	109,188	35,794	17,448	62,568	2,803	227,801
Team travel	246,379	99,757	71,844	364,663		782,643
Equipment, uniforms, and supplies	153,604	54,117	33,528	128,084	18,626	387,959
Game expenses	37,741	37,097	26,846	55,941	16,486	174,111
Fund raising, marketing, and promotion	133,918	40,663	33,183	30,058	119,448	357,270
Sport-camp expenses		39,990	22,896	840		63,726
Direct facilities, maintenance, and rental	136,800	19,785	14,799	141,438	398,924	711,746
Spirit groups	377					377
Indirect facilities and administrative support	178,313	22,139	22,282	83,764	590,708	897,206
Medical expenses and medical insurance	2,632	195	395	2,075	139,187	144,484
Memberships and dues	10,940	300	435	1,410	30,824	43,909
Other operating expense	200,464	31,316	13,084	13,541	334,494	592,899
Total operating expenses	<u>2,882,845</u>	<u>914,421</u>	<u>689,169</u>	<u>3,193,150</u>	<u>2,760,965</u>	<u>10,440,550</u>
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	<u>(\$280,358)</u>	<u>\$104,159</u>	<u>(\$45,335)</u>	<u>(\$566,183)</u>	<u>\$626,478</u>	<u>(\$161,239)</u>

NOTE TO THE FINANCIAL STATEMENT (UNAUDITED)

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 \$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, 2011, is as follows:

	Balance June 30, 2010	Prior Period Adjustments	Restated Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Capital Assets:						
Land improvements	\$2,579,613		\$2,579,613			\$2,579,613
Less - accumulated depreciation	(1,645,610)		(1,645,610)	(\$63,093)		(1,708,703)
Total land improvements	<u>934,003</u>	NONE	<u>934,003</u>	<u>(63,093)</u>	NONE	<u>870,910</u>
Buildings	11,262,647		11,262,647	249,082		11,511,729
Less - accumulated depreciation	(8,142,991)		(8,142,991)	(285,798)		(8,428,789)
Total buildings	<u>3,119,656</u>	NONE	<u>3,119,656</u>	<u>(36,716)</u>	NONE	<u>3,082,940</u>
Equipment	355,353		355,353	39,891	(\$19,602)	375,642
Less - accumulated depreciation	(272,576)	\$152	(272,424)	(31,611)	19,602	(284,433)
Total equipment	<u>82,777</u>	<u>152</u>	<u>82,929</u>	<u>8,280</u>	<u>NONE</u>	<u>91,209</u>
Total other capital assets	<u>\$4,136,436</u>	<u>\$152</u>	<u>\$4,136,588</u>	<u>(\$91,529)</u>	<u>NONE</u>	<u>\$4,045,059</u>
Capital Asset Summary:						
Capital assets, at cost	\$14,197,613		\$14,197,613	\$288,973	(\$19,602)	\$14,466,984
Less - accumulated depreciation	(10,061,177)	\$152	(10,061,025)	(380,502)	19,602	(10,421,925)
Capital assets, net	<u>\$4,136,436</u>	<u>\$152</u>	<u>\$4,136,588</u>	<u>(\$91,529)</u>	<u>NONE</u>	<u>\$4,045,059</u>