

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



AGREED-UPON PROCEDURES REPORT  
ISSUED FEBRUARY 20, 2008

**LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
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LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

January 15, 2008

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, 2007, 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, 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 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, 2007.

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 2007, the internal auditor issued four reports on the intercollegiate athletics program relating to a (1) a follow-up of athletic meals review for men's basketball, (2) an audit of the NCAA Certificate of Compliance, (3) an audit of athletic equipment and apparel inventory compliance, and (4) a follow-up to the NCAA Infractions Report dated February 8, 2007. The follow-up report on athletic meals concluded that all recommendations have been addressed. The audit on the Certificate of Compliance concluded that McNeese State University is in compliance. The audit on equipment and inventory concluded that the athletic department was not complying with athletic department policies and procedures. The follow-up on the NCAA Infractions Report made recommendations for improving controls that management has addressed. No report resulted in NCAA violations.

4. 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 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

NCAA/Conference distributions including all tournament revenues

**Expenses**

Team travel

Equipment, uniforms, and supplies

Other operating expenses

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, 2007, 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 procedure, 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**

Contributions

Royalties, licensing, advertisements, and sponsorships

**Expenses**

Team travel

Equipment, uniforms, and supplies

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 obtained and inspected agreements related to the university's participation in revenues from broadcasts, television, radio, and Internet rights during the period.

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, 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 found no exceptions as a result of these procedures.

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.
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.

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., 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.

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
<b>Revenues:</b>						
Contributions	\$130,249	\$40,276	\$7,117	\$177,246	\$133,056	\$487,944
Total revenues	<u>130,249</u>	<u>40,276</u>	<u>7,117</u>	<u>177,246</u>	<u>133,056</u>	<u>487,944</u>
<b>Expenses:</b>						
Athletics student aid				1,600		1,600
Support staff/administrative salaries, benefits, and bonuses					800	800
Recruiting	4,433	575		3,600		8,608
Team travel	1,727		192	18,425		20,344
Equipment, uniforms, and supplies	72,289	23,308	4,750	89,554	69,704	259,605
Game expenses	7,165					7,165
Fund raising, marketing, and promotion				551	40,368	40,919
Direct facilities, maintenance, and rental	24,463			28,081	2,296	54,840
Medical expenses and medical insurance				3,643		3,643
Memberships and dues	300			310		610
Other operating expense	19,872	16,393	2,175	31,482	19,888	89,810
Total expenses	<u>130,249</u>	<u>40,276</u>	<u>7,117</u>	<u>177,246</u>	<u>133,056</u>	<u>487,944</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

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, 2007. The audit report is dated August 29, 2007, 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, 2007. 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

LMB:EFS:PEP:sr

MSUNCAA07

**ATHLETIC DEPARTMENT  
MCNEESE 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>	<u>OTHER SPORTS</u>	<u>NON- PROGRAM SPECIFIC</u>	<u>TOTAL</u>
<b>REVENUES</b>						
<b>Operating Revenues:</b>						
Ticket sales	\$740,874	\$35,111	\$4,211	\$20,025		\$800,221
Guarantees	550,000	225,961	28,000	1,500		805,461
Contributions	248,341	55,426	21,517	253,147	\$217,708	796,139
Direct institutional support	198,122	186,321	348,692	1,693,633	287,278	2,714,046
Indirect facilities and administrative support					147,789	147,789
NCAA/Conference distributions including						
all tournament revenues	28,600	3,000		15,307	371,340	418,247
Program sales, concessions, novelty sales, and parking	13,645	379		9,947	114,779	138,750
Royalties, licensing, advertisements, and sponsorships	499,440			1,000	33,233	533,673
Investment income	667				233	900
Other	15,887			670	55,988	72,545
<b>Total operating revenues</b>	<u>2,295,576</u>	<u>506,198</u>	<u>402,420</u>	<u>1,995,229</u>	<u>1,228,348</u>	<u>6,427,771</u>
<b>EXPENSES</b>						
<b>Operating Expenses:</b>						
Athletics student aid	512,388	79,702	104,348	669,307	55,176	1,420,921
Guarantees	82,950	14,500	6,000	19,158		122,608
Coaching salaries, benefits, and bonuses paid by the university and related entities	404,578	160,454	132,455	521,155	800	1,219,442
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	43,351	13,304	12,301	44,012	417,739	530,707
Severance payments	15,658	7,639	7,979	11,426	18,138	60,840
Recruiting	58,580	28,835	22,590	49,956	251	160,212
Team travel	246,205	106,937	67,544	413,661		834,347
Equipment, uniforms, and supplies	107,468	29,994	16,908	156,597	73,528	384,495
Game expenses	45,458	41,868	21,600	31,925	2,411	143,262
Fund raising, marketing, and promotion				551	40,368	40,919
Direct facilities, maintenance, and rental	376,478			29,076	116,079	521,633
Indirect facilities and administrative support					147,789	147,789
Medical expenses and medical insurance	153			3,643	120,500	124,296
Membership and dues	300			310	100	710
Other operating expense	108,759	48,637	6,817	65,592	237,200	467,005
<b>Total operating expenses</b>	<u>2,002,326</u>	<u>531,870</u>	<u>398,542</u>	<u>2,016,369</u>	<u>1,230,079</u>	<u>6,179,186</u>
<b>EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES</b>	<u>\$293,250</u>	<u>(\$25,672)</u>	<u>\$3,878</u>	<u>(\$21,140)</u>	<u>(\$1,731)</u>	<u>\$248,585</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 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, 2007, is as follows:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Capital assets not being depreciated - construction-in-progress	NONE	\$906,429	NONE	\$906,429
Other capital assets:				
Land improvements	\$1,318,426	\$324,000		\$1,642,426
Less - accumulated depreciation (restated)	(563,623)	(121,482)		(685,105)
Total land improvements	754,803	202,518	NONE	957,321
Buildings	10,513,548	374,495		10,888,043
Less - accumulated depreciation	(5,288,734)	(209,709)		(5,498,443)
Total buildings	5,224,814	164,786	NONE	5,389,600
Equipment	102,215	62,838	(\$45,649)	119,404
Less - accumulated depreciation	(78,512)	(10,333)	45,649	(43,196)
Total equipment	23,703	52,505	NONE	76,208
Total other capital assets	\$6,003,320	\$419,809	NONE	\$6,423,129
Capital Asset Summary:				
Capital assets not being depreciated		\$906,429		\$906,429
Other capital assets, at cost	\$11,934,189	761,333	(\$45,649)	12,649,873
Total cost of capital assets	11,934,189	1,667,762	(45,649)	13,556,302
Less - accumulated depreciation	(5,930,869)	(341,524)	45,649	(6,226,744)
Capital assets, net	\$6,003,320	\$1,326,238	NONE	\$7,329,558

### 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 percent until August 15, 2004, and then a yearly fixed rate of 4.52 percent, and are due in varying installments through 2011.

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, 2007:

Issue	Date of Issue	Original Issue	Outstanding June 30, 2006	Issued (Redeemed)	Outstanding June 30, 2007	Maturities	Interest Rates	Interest Outstanding June 30, 2007
Stadium Project - Series 1996 Cowboy Facilities, Inc.:	October 15, 1996	\$900,000	\$360,000	(\$60,000)	\$300,000	2011	4.52%	\$33,900
University Stadium Parking Revenue Bonds - Series 2004	February 1, 2004	820,000	680,000	(75,000)	605,000	2014	4.73%	118,960
University Scoreboard Project Bonds - Series 2005	April 1, 2005	1,900,000	1,760,000	(150,000)	1,610,000	2015	6.5%	505,375
Total		<u>\$3,620,000</u>	<u>\$2,800,000</u>	<u>(\$285,000)</u>	<u>\$2,515,000</u>			<u>\$658,235</u>

UNAUDITED

The following is the amortization schedule for the outstanding bonds payable for the athletic department as of June 30, 2007:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$295,000	\$145,470	\$440,470
2009	310,000	128,811	438,811
2010	325,000	111,265	436,265
2011	340,000	92,833	432,833
2012	355,000	73,425	428,425
2013-2015	<u>890,000</u>	<u>106,431</u>	<u>996,431</u>
Total	<u>\$2,515,000</u>	<u>\$658,235</u>	<u>\$3,173,235</u>

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