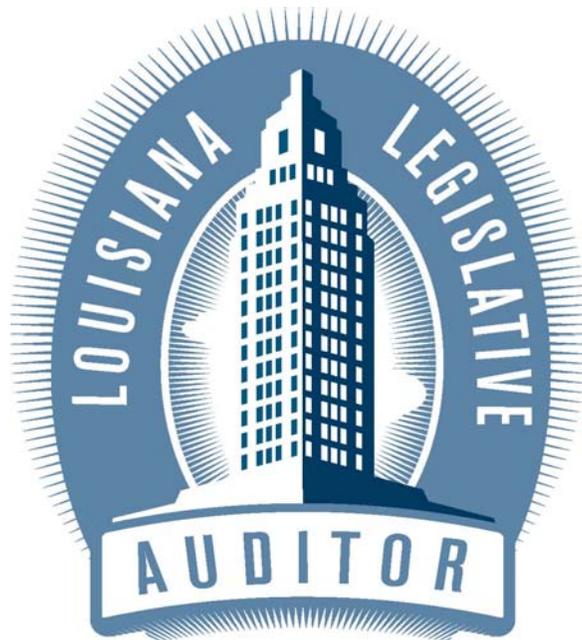


ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



AGREED-UPON PROCEDURES REPORT
ISSUED FEBRUARY 23, 2011

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

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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 Legislative Auditor and at the office of the parish clerk of court.

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	Page
Independent Accountant's Report on the Application of Agreed-Upon Procedures	3
Statement	
Financial Statement - Statement of Revenues and Expenses (Unaudited)..... A.....	13
Note to the Financial Statement (Unaudited).....	15



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 4, 2011

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, 2010, 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, 2010. 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 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:

**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 procedures performed included the following:

- a. We randomly selected one cash deposit from 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 determined that the university's internal auditor issued internal audit reports during the period relating to the intercollegiate athletics program. We found no significant deficiencies identified in the internal audit reports.
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 lists of all known affiliated and outside organizations and other information we considered necessary for the year ended June 30, 2010.
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, 2009, and June 30, 2010, 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, 2010, 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 revenue account Student Fees which had a variance of 20 percent or greater that was 10 percent or more of the total. We obtained and documented the university's explanation for the variance.

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.

As a result of these procedures, we found exceptions regarding the number of tickets printed and unsold for the university football game. The number for tickets printed per the event game reconciliation exceeds the number of tickets generated by the electronic ticketing system by 1,215 tickets. The number of unsold tickets on the event exceeds the actual number of unsold tickets counted by 1,221 tickets.

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 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 away games with game guarantee settlements and agreed the amounts to the general ledger and the contractual settlements. We also recalculated the settlement reports for the games tested.

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 also 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.

As a result of these procedures, we found that \$273 earned during a NCAA tennis conference tournament in fiscal year 2010 was not reported in the Statement. The amount represents mileage costs incurred in 2010 fiscal year but requested for reimbursement and recorded as revenues in the 2011 fiscal year.

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 agreement, we compared and agreed the related revenues to the general ledger and the Statement. We also 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 one operating revenue receipt from each category not previously mentioned above and agreed to adequate supporting documentation.

We found no exceptions as a result of this procedure.

MINIMUM AGREED-UPON PROCEDURES FOR EXPENSES

1. We 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 away game settlement reports received by the university during the reporting period and agreed the related expenses to the university's general ledger. We recalculated the totals.

We found no exceptions as a result of this procedure.

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 for each selection.
- c. We compared and agreed related W-2s 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.

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 this procedure.

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 this procedure.

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 this procedure.

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 this procedure.

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 this procedure.

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 this procedure.

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 this procedure.

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 this procedure.

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 this procedure.

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

We found no exceptions as a result of this procedure.

**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.

2. We were to obtain from university management the repayment schedules for all outstanding intercollegiate athletics debt maintained by the university during the period. If such debt exists, we were to recalculate the annual maturities, agree annual maturities to supporting documentation and to the university's general ledger, and ensure that the repayment schedule is properly disclosed within the notes to the Statement.

We found no outstanding intercollegiate athletics debt maintained by the university during the period.

**MINIMUM AGREED-UPON PROCEDURES FOR
AFFILIATED AND OUTSIDE ORGANIZATIONS**

1. We obtained from management a listing of all affiliated and outside organizations for the reporting period.
2. We obtained from management statements for all affiliated and outside organizations and performed the following:
 - a. We confirmed the revenues and expenses reported in the statements directly with a responsible official of the organization.
 - b. We reconciled the cash disbursements made by the organization for or on behalf of the university's intercollegiate athletics programs or employees to the revenues reported on the university's Statement.
 - c. We reconciled the direct payments of outside organizations to the university with the revenues reported on the university's Statement.

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 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 in the Statement.
5. We obtained written representations as to the fair presentation of the summary schedule and agreed the amounts reported to the university's general ledger.

We found no exceptions as a result of these procedures.

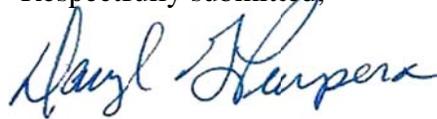
6. We obtained the independent auditor's report for all outside organizations to identify any significant deficiencies relating to the outside organization's internal control. We were to make inquiries of management to document any corrective action taken in response to the significant deficiencies.

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, 2010. The audit report dated October 25, 2010, 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 of Revenues and Expenses 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, 2010. 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,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large, stylized initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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NSUNCAA 2010

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

**Statement of Revenues and Expenses
For the Year Ended June 30, 2010**

	<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>
REVENUES						
Operating revenues:						
Ticket sales	\$187,058	\$20,675	\$20,497	\$28,156		\$256,386
Student fees					\$789,617	789,617
Guarantees	575,000	286,700	25,000	43,600		930,300
Contributions	218,979	67,591	22,961	148,354	726,866	1,184,751
Direct institutional support	1,184,223	388,607	433,909	1,814,639	968,818	4,790,196
Indirect facilities and administrative support	52,114	10,121	10,006	55,903	860,534	988,678
NCAA/Conference distributions including all tournament revenues	17,706	2,951	6,188	35,693	395,523	458,061
Program sales, concessions, novelty sales, and parking	266	200		429	840	1,735
Royalties, licensing, advertisements, and sponsorships	11,719	7,593	5,643	5,500	432,526	462,981
Sport-camp revenues		70,102	46,511	2,790		119,403
Endowment and investment income					145,397	145,397
Other	2,547	2,432	156	3,608	20,417	29,160
Total operating revenues	<u>2,249,612</u>	<u>856,972</u>	<u>570,871</u>	<u>2,138,672</u>	<u>4,340,538</u>	<u>10,156,665</u>
EXPENSES						
Operating expenses:						
Athletics student aid	973,383	216,645	240,503	1,422,793	50,545	2,903,869
Guarantees	130,000	16,007	6,750	9,000		161,757
Coaching salaries, benefits, and bonuses paid by the university and related entities	527,546	291,356	178,433	656,911		1,654,246
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	1,750	11,675			982,801	996,226
Recruiting	108,986	25,960	20,476	72,555	1,376	229,353
Team travel	92,990	91,982	66,341	385,588		636,901
Equipment, uniforms, and supplies	111,397	34,165	24,997	119,291	49,681	339,531
Game expenses	42,911	31,064	26,828	50,199	16,434	167,436
Fund raising, marketing, and promotion	101,337	47,569	35,646	25,775	206,508	416,835
Sport-camp expenses		48,711	29,915	349		78,975
Direct facilities, maintenance, and rental	72,423	16,226	18,542	123,385	262,260	492,836
Spirit groups		42	6,470			6,512
Indirect facilities and administrative support	52,114	10,121	10,006	55,903	860,534	988,678
Medical expenses and medical insurance	7,818	995	409	1,458	141,969	152,649
Memberships and dues	10,440	300	435	1,400	26,634	39,209
Other operating expense	33,824	18,865	20,584	17,552	292,545	383,370
Total operating expenses	<u>2,266,919</u>	<u>861,683</u>	<u>686,335</u>	<u>2,942,159</u>	<u>2,891,287</u>	<u>9,648,383</u>
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	<u>(\$17,307)</u>	<u>(\$4,711)</u>	<u>(\$115,464)</u>	<u>(\$803,487)</u>	<u>\$1,449,251</u>	<u>\$508,282</u>

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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, 2010, is as follows:

	Balance June 30, 2009	Prior Period Adjustments	Restated Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Capital assets, not being depreciated:						
Land improvements						
Building improvements						
Equipment						
Total capital assets, not being depreciated	NONE	NONE	NONE	NONE	NONE	NONE
Other capital assets:						
Land improvements	\$2,579,613		\$2,579,613			\$2,579,613
Less - accumulated depreciation	(1,582,517)		(1,582,517)	(\$63,093)		(1,645,610)
Total land improvements	997,096	NONE	997,096	(63,093)	NONE	934,003
Buildings	10,968,244	\$144,280	11,112,524	150,123		11,262,647
Less - accumulated depreciation	(7,830,096)	(39,551)	(7,869,647)	(273,344)		(8,142,991)
Total buildings	3,138,148	104,729	3,242,877	(123,221)	NONE	3,119,656
Equipment	353,192	2,314	355,506	7,392	(\$7,545)	355,353
Less - accumulated depreciation	(244,527)	(1,388)	(245,915)	(26,661)		(272,576)
Total equipment	108,665	926	109,591	(19,269)	(7,545)	82,777
Total other capital assets	\$4,243,909	\$105,655	\$4,349,564	(\$205,583)	(\$7,545)	\$4,136,436
Capital asset summary:						
Other capital assets, at cost	\$13,901,049	\$146,594	\$14,047,643	\$157,515	(\$7,545)	\$14,197,613
Less - accumulated depreciation	(9,657,140)	(40,939)	(9,698,079)	(363,098)	NONE	(10,061,177)
Capital assets, net	\$4,243,909	(\$105,655)	\$4,349,564	(\$205,583)	(\$7,545)	\$4,136,436

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