

ATHLETIC DEPARTMENT
LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



AGREED-UPON PROCEDURES REPORT
ISSUED FEBRUARY 14, 2018

**LOUISIANA LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 24, 2018

Independent Accountant's Report on the
Application of Agreed-Upon Procedures

DR. LESLIE K. GUICE, PRESIDENT
LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Ruston, Louisiana

We have performed the procedures enumerated below, which were agreed to by you, as President of Louisiana Tech University (University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the University's Athletic Department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15 for the year ended June 30, 2017. University management is responsible for the accuracy of the Statement (unaudited) and the related notes (unaudited) and the 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.

Procedures were not performed on specific reporting categories that were less than 4% of the total revenues or expenses.

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 that 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 receipt batch sheet 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 largest athletic department cash disbursement transaction and followed it 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

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 performed procedures to determine the University's adherence to these 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 legislation, completeness of the list of all known affiliated and outside organizations, and other information as we considered necessary for the year ended June 30, 2017.
2. We verified the mathematical accuracy of the amounts on the Statement and compared 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 compared and agreed a sample of one operating revenue receipt and a sample of one expense disbursement obtained from the supporting schedules to adequate supporting documentation.

We found no exceptions as a result of these procedures

4. We compared each major revenue and expense account over 10% of total revenues or expenses for June 30, 2017, to June 30, 2016, amounts and budget estimates, to identify variances greater than 10% from June 30, 2016.

We reported the analysis in Appendix A to this report.

**MINIMUM AGREED-UPON PROCEDURES
FOR REVENUES**

1. Using a schedule prepared by the University, we compared the value of the tickets sold, complimentary tickets provided, and unsold tickets for the reporting period per the schedule to the related revenue reported by the University in the general ledger and Statement. We were to compare the value of tickets to related attendance figures; however, attendance figures are not maintained by the University. We agreed the information on the schedule to the supporting game reconciliations for a random sample of one football and two basketball games. We also recalculated the reconciliations for the games tested.

We found no exceptions as a result of these procedures.

2. We compared direct institutional support recorded by the University during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

3. We compared indirect institutional support recorded by the University during the reporting period with expense payments, cost allocation detail, and other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

4. We selected a sample of one contractual agreement pertaining to revenues derived from guaranteed contests during the reporting period and compared and agreed selection to the University's general ledger and Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

5. We obtained and reviewed supporting documentation for each contribution of monies, goods, or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency, or group of individuals (two or more) that constituted 10% or more in the aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting period. We recalculated the totals.

No individual or outside organization other than the Louisiana Tech Foundation, Inc. (Foundation) contributed more than 10% of all contributions.

6. We compared the NCAA distribution amounts reported as revenue and expense during the reporting period to the general ledger details and other corroborative supporting documentation and recalculated the totals.

We found no exceptions as a result of these procedures.

7. Based on the relevant terms and conditions of agreements related to the University's Conference distributions and participation in revenues from Conference tournaments during the reporting period, we compared and agreed the related revenues to the University's general ledger and the Statement and recalculated the totals.

We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR EXPENSES

1. We selected a sample of 20% of total student athletes from the listing of University student aid recipients during the reporting period. We obtained individual student-account detail for each selection and compared total aid in the University's student system to the University report that ties directly to the NCAA Membership Financial Reporting System. We performed a check of each student selected to ensure their information was reported accurately in the NCAA's Membership Financial Reporting System using NCAA specified criteria. We recalculated the totals for each sport and overall.

We found no exceptions as a result of these procedures.

2. We obtained and inspected a random sample of one visiting institution's away game contractual agreement pertaining to expenses recorded by the University from guaranteed contests during the reporting period. We were to obtain settlement reports; however, the University did not receive any settlement reports during the reporting period. We agreed related expenses to the University's general ledger and Statement and 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 and men's and women's basketball. The following procedures were performed:
 - (a) We compared and agreed the financial terms and conditions of each selection to the related salaries, benefits, and bonuses recorded by the University and related entities in the Statement during the reporting period.
 - (b) We obtained and inspected payroll summary registers for the reporting period for each selection.
 - (c) We compared and agreed related payroll summary registers 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 compared and agreed the totals recorded to the employment contracts executed for the sample selected.
- (e) We recalculated the totals.

We found no exceptions as a result of these procedures.

- 4. We compared and agreed the University's team travel policies to existing University and NCAA related policies. We also obtained the general ledger detail and compared to the total expenses reported and recalculated the totals.

We found no exceptions as a result of these procedures.

- 5. We obtained general ledger detail for the purchase of equipment, uniforms, and supplies and compared the total expenses reported. We selected a sample of one transaction and validated its existence and the accuracy of its recording. We recalculated the totals.

We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR OTHER REPORTING ITEMS

- 1. We obtained the general ledger detail for conference realignment expenses and compared to the total expenses reported. We selected a sample of one transaction and validated the existence of the transaction and accuracy of its recording. We also recalculated the totals.

We found no exceptions as a result of these procedures.

- 2. We obtained the repayment schedule and general ledger detail for all outstanding intercollegiate athletics debt during the reporting period. We recalculated the annual maturities (consisting of principal and interest) provided in the schedules obtained. We agreed the total annual maturities and total outstanding athletic debt to supporting documentation and the University's general ledger.

We found no exceptions as a result of these procedures.

- 3. We agreed the total outstanding University debt to supporting documentation and the University's general ledger.

We found no exceptions as a result of these procedures.

- 4. We obtained the schedule and general ledger detail of all athletics dedicated endowments maintained by athletics, the University, and affiliated organizations.

We agreed the fair market value in the schedule to the supporting documentation, the general ledger, and the Foundation's audited financial statements.

We found no exceptions as a result of these procedures.

5. We agreed the total fair market value of University endowments to supporting documentation, the University's general ledger, and the Foundation's audited financial statements.

We found no exceptions as a result of these procedures.

6. We obtained a schedule of athletics related capital expenditures made by athletics, the University, and affiliated organizations during the reporting period. We obtained and compared the general ledger detail to the total expenses reported. We selected a sample of one transaction and validated the existence of the transaction and the accuracy of its recording. We also recalculated the totals.

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 of monies, goods, or services received directly by the intercollegiate athletics program from any affiliated or outside organization, agency, or individuals (e.g., contributions by corporate sponsors) that constitutes 10% or more of all contributions received for intercollegiate athletics during the reporting period, and ensured the sources of the funds, goods, and services, as well as the value associated with these items, were properly disclosed in the notes to the Statement.

We noted the Foundation is the only outside organization that provided individual contributions of monies, goods, or services to the athletic department that exceeded 10% of the total contributions (see note 1 to the Statement).

2. We obtained 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 are properly disclosed within the notes to the Statement.

We found no exceptions as a result of these procedures (see note 2 to the Statement).

3. We determined that intercollegiate athletics debt exists and 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 (see note 3 to the Statement).

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. We also obtained written representations from management that the Foundation is the only outside organization created for or on behalf of the athletic department.
2. We obtained from management of the University statements for all affiliated and outside organizations and confirmed revenues and expenses directly with a responsible official of the organization.

We found no exceptions as a result of these procedures.

3. We obtained from University management a summary schedule of revenues 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 as follows:

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
Revenues						
Contributions	\$833,879	\$365,088	\$40,904	\$220,606	\$695,679	\$2,156,156
Expenses						
Coaching salaries, benefits, and bonuses paid by the University and related entities	329,747	250,000	33,028	57,917		670,692
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities					115,504	115,504
Recruiting	1,196	2,021	120	1,614	383	5,334
Team travel	33,967	1,979	210	24,485	2,617	63,258
Sports equipment, uniform, and supplies	194,088	104,551	6,271	129,046	428,010	861,966
Fundraising, marketing, and promotion		5,429		36	642	6,107
Other operating expenses	204,585	1,108	1,275	7,508	143,523	357,999
Bowl expenses	70,296				5,000	75,296
Total expenses	833,879	365,088	40,904	220,606	695,679	2,156,156

EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES

NONE	NONE	NONE	NONE	NONE	NONE
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We obtained written representations from management as to the fair presentation of the summary schedule.

We found no exceptions as a result of this procedure.

4. 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. We were to make inquiries of management to document any corrective action taken in response to the significant deficiencies.

The Foundation's statements were audited by an independent certified public accountant for the year ended June 30, 2017, and 2016. The audit report dated December 26, 2017, included no significant deficiencies on the outside organization's internal control.

ADDITIONAL MINIMUM AGREED-UPON PROCEDURES

1. We compared and agreed the sports sponsored and reported in the NCAA Membership Financial Reporting System to the University's squad lists. We were to inquire about any discrepancies and report the justification.

We found no discrepancies as a result of these procedures.

2. We obtained the University's Sports Sponsorship and Demographics Forms Report for the reporting period and validated that the institution's countable sports reported meet the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and participants in each contest that is counted toward meeting the minimum contest requirement. We ensured the University has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.

We found no discrepancies as a result of these procedures.

3. We agreed the total number of student athletes who, during the academic year, received a Pell Grant award and the total value of these Pell Grants reported in the NCAA Membership Financial Reporting System to a report, generated out of the University's financial aid records, of all student-athlete Pell Grants.

We found no exceptions as a result of these procedures.

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 notes of the University's Athletic Department or on its compliance with NCAA Bylaw 3.2.4.15 or on the effectiveness of the University Athletic Department's internal control over financial reporting for the year ended June 30, 2017. 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 the 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

ASM:BAC:BH:EFS:aa

LTU NCAA 2017

UNAUDITED

Statement A

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

**Statement of Revenues and Expenses
For the Year Ended June 30, 2017**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
REVENUES						
Operating revenues:						
Ticket sales	\$1,211,392	\$236,105	\$105,043	\$109,260		\$1,661,800
Direct institutional support	2,441,933	\$1,115,370	\$1,034,936	\$3,777,989	\$287,159	8,657,387
Indirect institutional support					1,425,259	1,425,259
Indirect institutional support - athletic facilities debt service, lease, and rental fees					604,384	604,384
Guarantees	1,725,000	203,000	15,000	6,500		1,949,500
Contributions	1,173,699	425,762	88,782	377,491	3,863,160	5,928,894
In-kind	39,578		8,556	5,254	10,317	63,705
Media rights	57,426	27,582	21,766	66,883	11,949	185,606
NCAA distributions	421,623	202,515	159,806	491,076	610,648	1,885,668
Conference distributions	514,535	229,046	181,312	548,866		1,473,759
Program, novelty, parking, and concession sales	79,932	19,911	13,580	41,749		155,172
Royalties, licensing, advertisements, and sponsorships					223,841	223,841
Athletics restricted endowment and investment income	10,795	2,209	3,869	12,474	4,026	33,373
Other operating revenue	5,557				36,931	42,488
Bowl revenues	431,859					431,859
Total operating revenues	8,113,329	2,461,500	1,632,650	5,437,542	7,077,674	24,722,695
EXPENSES						
Operating expenses:						
Athletic student aid	2,470,216	504,076	480,051	2,768,435	440,821	6,663,599
Guarantees	825,000	230,000	18,143	9,440		1,082,583
Coaching salaries, benefits, and bonuses paid by the University and related entities	2,016,625	907,970	586,500	1,163,941		4,675,036
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	252,061	160,719	137,195		1,613,885	2,163,860
Recruiting	88,925	77,161	62,164	98,651	8,953	335,854
Team travel	742,475	251,521	180,454	800,313	2,617	1,977,380
Sports equipment, uniforms, and supplies	565,351	130,257	25,964	339,466	520,953	1,581,991
Game expenses	176,319	128,220	80,736	104,046	57,980	547,301
Fundraising, marketing, and promotion	6,450	7,310	1,510	3,638	304,227	323,135
Athletic facilities debt service, leases, and rental fees					604,384	604,384
Direct overhead and administrative expenses	110,427	21,110	19,870	20,960	324,384	496,751
Indirect institutional support					1,425,259	1,425,259
Medical expenses and insurance				60	385,229	385,289
Memberships and dues	2,230	835	800	5,479	334,395	343,739
Student-athlete meals (non-travel)	151,411	21,746	15,417	37,920		226,494
Other operating expenses	229,693	8,641	13,690	18,440	262,757	533,221
Bowl expenses	438,514				24,091	462,605
Total expenses	8,075,697	2,449,566	1,622,494	5,370,789	6,309,935	23,828,481
EXCESS OF REVENUES OVER EXPENSES	\$37,632	\$11,934	\$10,156	\$66,753	\$767,739	\$894,214

NOTES TO THE FINANCIAL STATEMENT

(UNAUDITED)

1. CONTRIBUTIONS

Individual contributions to the Athletic Department from the Louisiana Tech University Foundation, Inc., totaling \$2,156,156, exceeded 10% 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 repair 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.

3. LONG-TERM LIABILITIES

The following is a detailed summary of bonds payable for the athletic department for the year ended June 30, 2017:

Issue	Date of Issue	Original Issue	Principal Outstanding at 6/30/2016	Issued/ (Retired)	Principal Outstanding at 6/30/2017	Maturities	Interest Rates	Interest Outstanding at 6/30/2017
2014	4/10/2014	\$9,000,000	\$8,580,000	\$220,000	\$8,360,000	2039	4.48%	\$4,959,360
Total		<u>\$9,000,000</u>	<u>\$8,580,000</u>	<u>\$640,000</u>	<u>\$8,360,000</u>			<u>\$4,959,360</u>

In April 2014, Innovative Student Facilities, Inc., a blended component unit of the University, issued bonds of \$9,000,000 for the construction of an athletic and student facility located at the south end zone of Joe Aillet football stadium.

The following is the amortization schedule for the outstanding bonds payable for the athletic department as of June 30, 2017:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$230,000	\$374,528	\$604,528
2019	240,000	364,224	604,224
2020	250,000	353,472	603,472
2021	265,000	342,272	607,272
2022	275,000	330,400	605,400
2023-2027	1,570,000	1,456,000	3,026,000
2028-2032	1,960,000	1,070,496	3,030,496
2033-2037	2,435,000	591,136	3,026,136
2038-2039	1,135,000	76,832	1,211,832
Total	<u>\$8,360,000</u>	<u>\$4,959,360</u>	<u>\$13,319,360</u>

MAJOR REVENUE AND EXPENSE ANALYSIS

Appendix A

Appendix A includes an analysis of revenue and expense accounts that exceed 10% of total revenues and expenses. A comparison is presented of current-year amounts to prior-year amounts and of current-year amounts to budget estimates.

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

**Major Revenue and Expense Analysis
For the Year Ended June 30, 2017**

Accounts Exceeding 10% Threshold and Variance Greater Than 10%	Fiscal Year 2017	Fiscal Year 2016	Increase/ (Decrease)	Percent Variance
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Operating Revenues per Statement A

No variances met the 10% variance threshold on the NCAA guidelines, no explanations are required

Operating Expenses per Statement A

No variances met the 10% variance threshold on the NCAA guidelines, no explanations are required

Budget	2017 Actual	2017 Budget	Variance	Percent Variance
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Operating Revenues per Statement A

Direct institutional support	\$8,657,387	\$5,392,640	\$3,264,747	37.7%	¹
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Operating Expenses per Statement A

Athletic student aid	\$6,663,599	\$3,896,860	\$2,766,739	41.5%	²
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NOTES:

¹ Direct institutional support actual revenues include \$2.9 million of athletic student aid waivers provided by the University, which mainly consist of out-of-state fee waivers. The University reports these out-of-state fee waivers as a contra account against operating fund out-of-state fee revenues, and the amounts are not budgeted as athletic revenues in the University's annual budget.

² Scholarships were budgeted at projected amounts for tuition, room, and board for all student athletes. The actual scholarship amounts may vary from budgeted depending on the number of students living on-campus and off-campus, as well as due to the housing (residence hall or apartment) selection made by the student. Also, there is often attrition in scholarship expenditures due to students who graduate or leave the athletic program during the fiscal year. In addition, student aid waivers provided by the University are not included as athletic expenses in the University's annual budget.

The budget analysis is presented based on University data only.