



**ATHLETIC DEPARTMENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA**

Notes to the Financial Statement
For the Year Ended June 30, 1996

INTRODUCTION

Northeast Louisiana University is a publicly-supported institution of higher education. The university is a component unit of the State of Louisiana within the executive branch of government. Northeast Louisiana University Athletic Department is a part of Northeast Louisiana University. The accompanying financial statement presents information only as to the transactions of Northeast Louisiana University Athletic Department.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FUND ACCOUNTING

To observe limitations and restrictions placed on the use of available resources, the accounts of Northeast Louisiana University are maintained in accordance with the principles of fund accounting. Such principles prescribe the manner in which resources for various purposes are classified, for accounting and reporting purposes, into funds that are in accordance with the activities or specified objectives. Accounts are maintained for the transactions of the athletic department as follows:

Current Funds

Current funds are operating funds that will be expended in the near future. They include funds for operating purposes on which there are restrictions that limit the purposes for which the funds can be used, and include the auxiliary enterprise fund. The auxiliary enterprise fund includes the accounts of the athletic department.

Agency Fund

This fund group represents funds for which the university acts as custodian or fiscal agent on behalf of others, such as contributions and in-kind contributions.

B. BASIS OF ACCOUNTING

The accounts of the athletic department are maintained on the accrual basis of accounting as follows:

LEGISLATIVE AUDITOR

NORTHEAST LOUISIANA UNIVERSITY

STATE OF LOUISIANA

Internal Control Report

December 16, 1996

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the safe was located was left unsecured and the safe left open which contributed to the theft of the cash.

Failure of the athletic ticket office to maintain adequate internal controls over cash received and processed timely increases the risk that errors or irregularities could occur and not be detected timely. The university campus police has conducted an investigation and reimbursement of the stolen funds has been received from the Office of Risk Management.

Northeast Louisiana University should strengthen its internal controls over the safeguarding of money collected and processed in the athletic ticket office to include police escorts when money is transported after games to the athletic ticket office or the bank, depositing all receipts at the end of the workday in the safe until deposited the next working day in the bank, depositing all money daily, and always securing the safe and the athletic ticket office from unauthorized access. In a letter dated December 16, 1996, management of the university concurred with our finding. Management of the university indicated that a subsequent inspection by an employee of the Office of Risk Management indicated that all corrective action had been implemented. In addition, management stated that police escorts will be used for all ticket office deposits.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is not a material weakness.

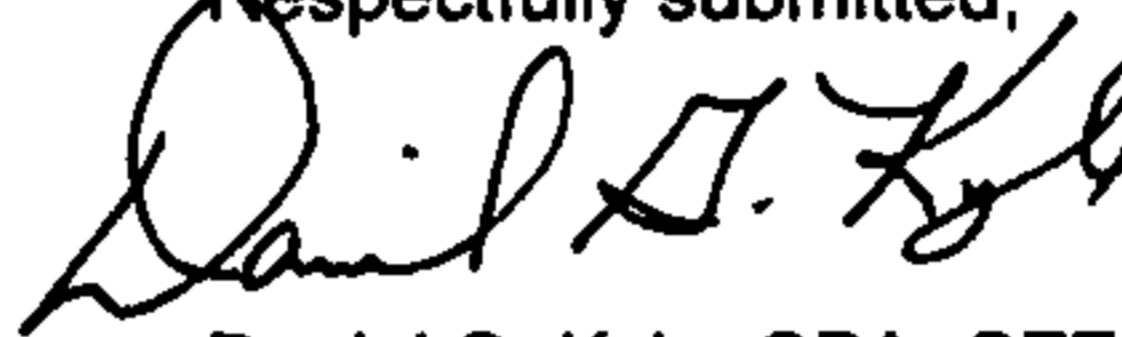
EXHIBIT A

LEGISLATIVE AUDITOR

NORTHEAST LOUISIANA UNIVERSITY
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Internal Control Report
December 16, 1996
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Our comments on internal control structure are intended for the information and use of the university's management. 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 black ink, appearing to read "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

CAC:MAN:dl

[NE-NCAA]

EXHIBIT A

**NORTHEAST LOUISIANA UNIVERSITY
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**Comparison of Budget to Actual
Revenues and Expenditures**

We compared the amount of budgeted revenues and expenditures to actual revenues and expenditures for the year ended June 30, 1996, to determine if there were any material budget variances. The university provided satisfactory responses for any material variances.

**Contributions Exceeding Ten Percent
of Total Contributions**

We obtained representation from management that there were no single contributions received by the athletic department that exceeded 10 percent (\$88,585) of total contributions.

Booster Group Activities

We reviewed the university's procedures for monitoring booster group activities. The university maintains the financial records for its only booster group, the Northeast Louisiana University Athletic Scholarship Foundation, Incorporated. The financial statements were audited by an independent certified public accounting firm for the year ended June 30, 1996.

**EXPENDITURES OF OUTSIDE ORGANIZATION
MADE FOR OR IN BEHALF OF NORTHEAST
LOUISIANA UNIVERSITY INTERCOLLEGIATE
ATHLETIC PROGRAM**

**Review of Financial Activities
of Outside Organizations**

We obtained written representation from management of the university that the Northeast Louisiana University Athletic Scholarship Foundation, Incorporated, was the only outside organization that made expenditures for or in behalf of the athletic department. In addition, we obtained the financial statements of the Northeast Louisiana University Athletic Scholarship Foundation, Incorporated, for the year ended June 30, 1996, which had been audited by an independent certified public accounting firm who expressed an unqualified opinion on those statements. We obtained the following summary of revenues and expenditures from the audited financial statements and accounting records of the foundation and reconciled the expenditures made for or in



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December 16, 1996

Independent Auditor's Report
on the Financial Statement

MR. LAWSON L. SWEARINGEN, JR., PRESIDENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA
Monroe, Louisiana

We have audited the accompanying statement of revenues and expenditures of the Northeast Louisiana University Intercollegiate Athletics Program, a program within Northeast Louisiana University, for the year ended June 30, 1996. This financial statement is the responsibility of management of Northeast Louisiana University. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statement referred to above presents fairly the revenues and expenditures of the Northeast Louisiana University Intercollegiate Athletics Program for the year ended June 30, 1996, in conformity with generally accepted accounting principles.

As described in note 1, the statement of revenues and expenditures referred to above presents only the financial transactions of the Northeast Louisiana University Intercollegiate Athletics Program, a program within Northeast Louisiana University. As such, the financial statement is not intended to and does not present fairly the financial position and changes in fund balances of Northeast Louisiana University in conformity with generally accepted accounting principles.

Respectfully submitted,

A handwritten signature in cursive script, reading "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

CAC:MAN:dl

[NE-NCAA]



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December 16, 1996

Independent Auditor's Report on
Agreed-Upon Procedures

MR. LAWSON SWEARINGEN, JR., PRESIDENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA
Monroe, Louisiana

We have audited the statement of revenues and expenditures of the Northeast Louisiana University Intercollegiate Athletics Program for the year ended June 30, 1996, and have issued our report thereon dated December 16, 1996. As requested by the university, we have also applied certain supplemental agreed-upon procedures contained in the *NCAA Financial Audit Guidelines* to the accounting records of the Northeast Louisiana University Athletic Department and applied certain minimum agreed-upon procedures related to outside organizations created for or in behalf of the university's Intercollegiate Athletics Program for the year ended June 30, 1996, solely to assist the university in complying with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. These supplemental and minimum agreed-upon procedures relate only to the accounts and items as follows and do not affect our opinion on the statement of revenues and expenditures. Our supplemental and minimum agreed-upon procedures follow:

STATEMENT OF REVENUES AND EXPENDITURES

Test of Statement

We obtained from management the statement of revenues and expenditures for the year ended June 30, 1996, and requested written representation from management as to its fair presentation. In addition, we verified the mathematical accuracy of the amounts on the statement and traced the amounts to the university's revenue and expenditure ledgers. We noted no differences between the amounts on the statement and the amounts in the revenue and expenditure ledgers.

Comparison of Statements

We compared the statements of revenues and expenditures for June 30, 1995, and June 30, 1996, to determine the percentage of increase or decrease between the two years. The university provided satisfactory responses for any material variances between the two years.

EXHIBIT B

**ATHLETIC DEPARTMENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA**

Financial Statement and
Independent Auditor's Reports
For the Year Ended June 30, 1996

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**ATHLETIC DEPARTMENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA
Notes to the Financial Statement (Continued)**

3. PENSION PLANS

Plan Description. Substantially all employees of the university are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement systems are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service. Article 10, Section 29 of the constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (504) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (504) 922-0600.

Funding Policy. The contribution requirements of plan members and the university are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in Louisiana Revised Statute (LSA-R.S.) 11:102. Employees contribute 8 percent (TRS) and 7.5 percent (LASERS) of covered salaries. The state is required to contribute 16.5 percent of covered salaries to TRS and 12 percent of covered salaries to LASERS. The university's employer contribution is funded by the State of Louisiana through the annual appropriation to the university. The university's employer contributions to TRS for the years ended June 30, 1996, 1995, and 1994, were \$82,524, \$60,518, and \$59,815, respectively, and to LASERS for the years ended June 30, 1996, 1995, and 1994, were \$23,299, \$21,146, and \$19,733, respectively, equal to the required contributions for each year.

4. OPTIONAL RETIREMENT SYSTEM

LSA-R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in TRS for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

LEGISLATIVE AUDIT ADVISORY COUNCIL

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LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CPA, CFE

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

**ATHLETIC DEPARTMENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA**
Notes to the Financial Statement (Concluded)

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRS and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by the university are 16.2 percent of the covered payroll. The participant's contribution (8 percent), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system.

Employer contributions to the optional retirement plan totaled \$108,539 for the year ended June 30, 1996.

**5. OUTSIDE ORGANIZATION CREATED FOR
OR IN BEHALF OF THE NORTHEAST LOUISIANA
UNIVERSITY INTERCOLLEGIATE
ATHLETICS PROGRAM**

The only outside organization created for or in behalf of the Northeast Louisiana University Intercollegiate Athletics Program was the Northeast Louisiana University Athletic Scholarship Foundation, Incorporated, which is a separate corporation audited by an independent certified public accounting firm.

6. EXCESS OF EXPENDITURES OVER REVENUES

As shown on Statement A, the Northeast Louisiana University Intercollegiate Athletics Program experienced a deficit totaling \$381,657 for the year ended June 30, 1996. The deficit was due to gate receipts falling short of expectations because of a poor win/loss ratio which also impacted on concession and program sales, a lower transfer of funds from the Northeast Louisiana University Athletic Scholarship Foundation and conference revenues falling short of earlier projections. Management is addressing the deficit by an even more rigid approach to the budgeting of revenues and continuing the close tracking of athletic fiscal balances.

OTHER REPORTS REQUIRED BY
NCAA FINANCIAL AUDIT GUIDELINES

The following pages contain reports on internal control structure and agreed-upon procedures required by *NCAA Financial Audit Guidelines*, issued by the National Collegiate Athletic Association. The report on internal control structure is based solely on the audit of the financial statement and includes where appropriate, any reportable conditions or material weaknesses. The report on agreed-upon procedures relates only to the items discussed and is substantially less in scope than an audit.

LEGISLATIVE AUDITOR

NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA
Agreed-Upon Procedures Report
December 16, 1996
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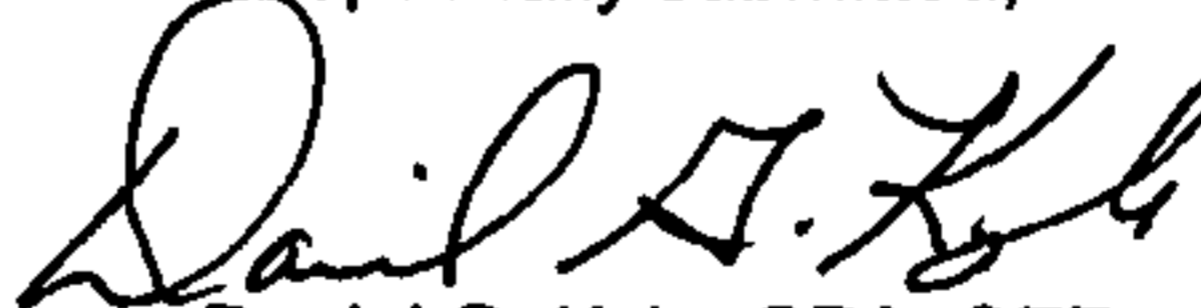
behalf of the athletic program to the university's accounting records and to the revenues reported on the statement of revenues and expenditures. The financial activity of the Northeast Louisiana University Athletic Scholarship Foundation, Incorporated, for the year ended June 30, 1996, is as follows:

Fund balance, July 1, 1995	\$613,327
Revenues	998,786
Expenditures for:	
Northeast Louisiana University Athletic Department	(885,851)
Foundation support	<u>(75,352)</u>
Fund balance, June 30, 1996	<u>\$650,910</u>

Because the above procedures do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the accounts or items referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the specified accounts or items should be adjusted. Had we performed additional procedures or had we made an audit of the financial statements of the related outside organizations in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report relates only to the accounts and items specified above and does not extend to any financial statements of Northeast Louisiana University or the related outside organization taken as a whole.

This report is solely for the information and use of the university's management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

CAC:MAN:dl

[NE-NCAA]

EXHIBIT B

**ATHLETIC DEPARTMENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA
(PORTION OF) CURRENT FUNDS -
RESTRICTED - AUXILIARY FUND**

**Statement of Revenues and Expenditures
For the Year Ended June 30, 1996**

	(PORTION OF) CURRENT FUNDS - AUXILIARY FUND	ATHLETIC AGENCY FUND	TOTAL (MEMORANDUM ONLY)
REVENUES			
Gate receipts	\$313,645		\$313,645
Student fees	1,987,000		1,987,000
Guarantees	1,210,360		1,210,360
Play-off/conference proceeds	212,740		212,740
Vending and other	263,483		263,483
Contributions		\$562,879	562,879
Contributions-in-kind		322,972	322,972
Total revenues	<u>3,987,228</u>	<u>885,851</u>	<u>4,873,079</u>
EXPENDITURES			
Personal services:			
Salaries	1,397,541	99,422	1,496,963
Student labor and other salaries	178,606		178,606
Related benefits	282,853	17,015	299,868
Travel	642,987	18,111	661,098
Promotion activities		409,949	409,949
Operating services	189,640	157,239	346,879
Supplies	281,673	2,189	283,862
Professional services	136,596	6,330	142,926
Other charges:			
Awards	53,441		53,441
Guarantees	224,900		224,900
Scholarships	964,356	175,596	1,139,952
Equipment	16,292		16,292
Total expenditures	<u>4,368,885</u>	<u>885,851</u>	<u>5,254,736</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(\$381,657)</u>	<u>NONE</u>	<u>(\$381,657)</u>

The accompanying notes are an integral part of this statement.

**ATHLETIC DEPARTMENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA
Notes to the Financial Statement (Continued)**

Revenues

Substantially all revenues are recognized when earned.

Expenditures

Expenditures are recognized under the accrual basis of accounting when incurred, except that (1) depreciation is not recognized, (2) annual and sick leave are recognized when paid, (3) summer school fees and faculty salaries and related benefits for June are not prorated but are deferred to the succeeding year, and (4) inventories of the General Fund are recorded as expenditures at the time of purchase.

C. EMPLOYEE COMPENSATED ABSENCES

Employees of the university working in the athletic department earn annual and sick leave in accordance with state law and administrative regulations. Leave benefits are reflected in the accompanying statement when paid.

D. TOTAL COLUMN ON STATEMENT

The total column on Statement A is captioned Memorandum Only (overview) to indicate that it is presented only to facilitate financial analysis. Data in this column does not present results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

2. CONTRIBUTIONS FROM OUTSIDE ORGANIZATIONS

The following is a summary of contributions-in-kind received and reported as revenues and expenditures on Statement A:

Travel	\$81,638
Supplies	11,080
Operating services	21,354
Professional services	4,900
Promotional activities	<u>204,000</u>
Total	<u><u>\$322,972</u></u>



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December 16, 1996

Independent Auditor's Report on Internal Control Structure Based Solely on an
Audit of the Athletic Department's Statement of Revenues and Expenditures

**MR. LAWSON SWEARINGEN, JR., PRESIDENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA
Monroe, Louisiana**

We have audited the statement of revenues and expenditures of Northeast Louisiana University Intercollegiate Athletics Program for the year ended June 30, 1996, and have issued our report thereon dated December 16, 1996.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about *whether the financial statement is free of material misstatement.*

In planning and performing our audit of the financial statement of Northeast Louisiana University Athletic Department, for the year ended June 30, 1996, we considered its internal control structure for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control structure. However, we noted the following matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement.

**Theft of Cash and Inadequate Controls Over
Cash Receipts in Athletic Ticket Office**

Northeast Louisiana University does not have adequate internal controls over the safeguarding of cash receipts, which contributed to a theft of \$1,685 from the athletic ticket office. An effective internal control system must protect assets from loss or misuse, to include limiting the exposure of assets to theft. Our review of controls and discussion with the Director of Tickets and Game Management revealed a lack of police escorts when transferring money from the sale of tickets at sporting events to the athletic ticket office safe or from the athletic ticket office to the bank. In addition, we noted that daily ticket sales are left overnight in the ticket office registers and not deposited in the safe, and deposits are not always made daily. The ticket office in which

EXHIBIT A

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Athletic Department
Northeast Louisiana University
State of Louisiana
Monroe, Louisiana

January 29, 1997



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

**ATHLETIC DEPARTMENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA
Monroe, Louisiana**

**Financial Statement and
Independent Auditor's Reports
For the Year Ended June 30, 1996**

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

January 29, 1997