

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Athletic Department  
McNeese State University  
State of Louisiana  
Lake Charles, Louisiana

March 19, 1997



***Financial and Compliance Audit Division***

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

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**ATHLETIC DEPARTMENT  
MCNEESE STATE UNIVERSITY  
STATE OF LOUISIANA  
Lake Charles, 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 office of the Legislative Auditor and at the office of the parish clerk of court.

March 19, 1997

**ATHLETIC DEPARTMENT  
MCNEESE STATE UNIVERSITY  
STATE OF LOUISIANA**

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

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DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

January 8, 1997

Independent Auditor's Report  
on the Financial Statement

**DR. ROBERT D. HEBERT, PRESIDENT**  
**MCNEESE STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Lake Charles, Louisiana

We have audited the accompanying statement of revenues and expenditures of the McNeese State University Intercollegiate Athletics Program, a program within McNeese State University, for the year ended June 30, 1996. This financial statement is the responsibility of management of McNeese State 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 McNeese State 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 McNeese State University Intercollegiate Athletics Program, a program within McNeese State University. As such, the financial statement is not intended to and does not present fairly the financial position and changes in fund balances of McNeese State University in conformity with generally accepted accounting principles.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

DHM:BJJ:dl

[MSU-NCAA]

Statement A

**ATHLETIC DEPARTMENT  
MCNEESE STATE UNIVERSITY  
STATE OF LOUISIANA**

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

	(PORTION OF) CURRENT FUNDS - UNRESTRICTED - AUXILIARY ENTERPRISE FUND	AGENCY FUNDS	AGENCY FUNDS - BOOSTER ORGANIZATIONS	TOTAL (MEMORANDUM ONLY)
<b>REVENUES</b>				
Gate receipts	\$891,462			\$891,462
Season ticket sales	301,356			301,356
Guarantees	82,000			82,000
Sales and services	121,053	\$12,905		133,958
Broadcasting rights	11,640			11,640
Student fees	1,907,375			1,907,375
Gifts	259,787	73,750	\$26,603	360,140
In-kind contributions (note 2)			104,600	104,600
Postseason tournament	127,886			127,886
Miscellaneous	9,692	92,226		101,918
<b>Total revenues</b>	<u>3,712,251</u>	<u>178,881</u>	<u>131,203</u>	<u>4,022,335</u>
<b>EXPENDITURES</b>				
Personal services:				
Coaches' salaries	734,594			734,594
Other salaries	333,544	39,692		373,236
Related benefits	186,176	269		186,445
Travel	450,246	5,762	2,294	458,302
Operating services	174,946	40,225	89,852	305,023
Supplies	186,595	40,893	12,158	239,646
Professional services	112,377	6,675	23,000	142,052
Scholarships	912,117	5,040		917,157
Other charges	45,368	1,909	3,573	50,850
Awards	12,543	7,664		20,207
Guarantees	508,336			508,336
Capital outlay - equipment	54,964	9,817	326	65,107
<b>Total expenditures</b>	<u>3,711,806</u>	<u>157,946</u>	<u>131,203</u>	<u>4,000,955</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$445</u>	<u>\$20,935</u>	<u>NONE</u>	<u>\$21,380</u>

The accompanying notes are an integral part of this statement.

**ATHLETIC DEPARTMENT  
MCNEESE STATE UNIVERSITY  
STATE OF LOUISIANA**

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

**INTRODUCTION**

McNeese State 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. The McNeese State University Athletic Department is a part of McNeese State University. The accompanying financial statement presents information only as to the transactions of the McNeese State 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 McNeese State 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 - Unrestricted**

Current funds are operating funds that will be expended in the near future. Such funds have two basic subgroups, unrestricted and restricted. Unrestricted current funds include all funds for operating purposes on which there are no restrictions, except the budgetary control provisions included in the annual legislative appropriation act, and include the General Fund and Auxiliary Enterprise Fund. The Auxiliary Enterprise Fund includes the accounts of the athletic department.

**Agency Funds**

This fund group represents funds in which the university acts as custodian or fiscal agent on behalf of others, such as contributions and interest earnings of the athletic department.

**B. BASIS OF ACCOUNTING**

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

**ATHLETIC DEPARTMENT  
MCNEESE STATE 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; and (3) 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 (GIFTS IN-KIND)  
FROM OUTSIDE ORGANIZATIONS**

Expenditures on Statement A reflect gifts in the form of goods, services, and benefits paid for or in behalf of the athletic department as follows:

Operating services	\$81,600
Professional services	<u>23,000</u>
Total	<u><u>\$104,600</u></u>

**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

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

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 for the athletic fund to TRS for the years ended June 30, 1996, 1995, and 1994, were \$48,997, \$42,097, and \$43,293, respectively, and to LASERS for the years ended June 30, 1996, 1995, and 1994, were \$11,518, \$10,220, and \$9,573, 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.

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

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

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 for the years ended June 30, 1996, 1995, and 1994, were \$77,007, \$65,137, and \$52,495, respectively.

**5. OUTSIDE ORGANIZATIONS CREATED FOR  
OR IN BEHALF OF THE MCNEESE STATE  
UNIVERSITY INTERCOLLEGIATE  
ATHLETICS PROGRAM**

The outside organizations created for or in behalf of the McNeese State University Intercollegiate Athletics Program include the McNeese Cowboy Club, Quarterback Club, Petrochem Club, and the Tip Off Club. The McNeese Cowboy Club accounts are maintained in the athletic business office by employees of the athletic department under the direction of the athletic director. The athletic director, at his discretion, determines whether the amounts received are remitted to the university as revenue to the McNeese Cowboy Club Agency Fund or deposited in the McNeese Cowboy Club Checking Account. The accounts of the Quarterback Club, the Petrochem Club, and the Tip Off Club are maintained by officers of the clubs and reviewed by officials of McNeese State University.

**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 and/or material weaknesses. The report on agreed-upon procedures relates only to the items discussed and is substantially less in scope than an audit.



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January 8, 1997

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

**DR. ROBERT D. HEBERT, PRESIDENT**  
**MCNEESE STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Lake Charles, Louisiana

We have audited the statement of revenues and expenditures of the McNeese State University Intercollegiate Athletics Program for the year ended June 30, 1996, and have issued our report thereon dated January 8, 1997.

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.

Management of McNeese State University Athletic Department is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statement in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statement of McNeese State University Athletic Department for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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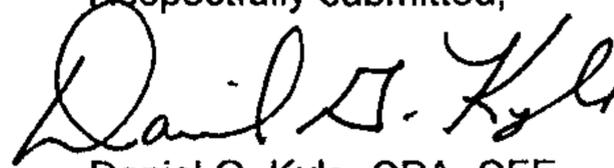
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Internal Control Report  
January 8, 1997  
Page 2

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as described previously.

Our comments on internal control structure are intended for the information and use of management of the university. 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

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[MSU-NCAA]



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January 8, 1997

Independent Auditor's Report on  
Minimum Agreed-Upon Procedures

**DR. ROBERT D. HEBERT, PRESIDENT**  
**MCNEESE STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Lake Charles, Louisiana

We have audited the statement of revenues and expenditures of the McNeese State University Intercollegiate Athletics Program for the year ended June 30, 1996, and have issued our report thereon dated January 8, 1997. As requested by the university, we have also applied certain minimum agreed-upon procedures contained in the *NCAA Financial Audit Guidelines* to the accounting records of McNeese State 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 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 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, as shown on Statement A, 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 compiled the in-kind contributions and proposed corresponding adjustments to both revenues and expenditures. University fiscal managers concurred with the adjustments made.

**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.

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STATE OF LOUISIANA  
Minimum Agreed-Upon Procedures Report  
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Page 2

**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 compiled from the university accounting records and information provided by university staff a list of contributions made to the athletic department and identified individual contributions that exceeded ten percent of the total contributions of \$46,474. McNeese State University Cowboy Club, Incorporated, contributed \$100,757 and the Lake Area Car Dealers contributed \$81,600 in-kind contributions for the year ended June 30, 1996.

**EXPENDITURES OF OUTSIDE ORGANIZATIONS  
MADE FOR OR IN BEHALF OF MCNEESE STATE  
UNIVERSITY INTERCOLLEGIATE  
ATHLETICS PROGRAM**

**Review of Financial Activities  
of Outside Organizations**

We obtained written representation from management of the university that the following booster groups were the only outside organizations created for or in behalf of the athletic department. In addition, we obtained from representatives of the outside organizations statements of cash receipts and disbursements with written representations as to the fair presentation of the statements. We also reconciled the cash disbursements made by outside organizations for or in behalf of the athletic department to the statement of revenues and expenditures, and we reconciled the direct payments of outside organizations to the accounting records of the university and to the revenues reported on the statement of revenues and expenditures (Statement A). The Petrochem Athletic Association began fund raising activities in November 1994, but was not reported by the university until the year ended June 30, 1996. Although fund raising activities began before the fiscal year ended June 30, 1996, no expenditures relating to the university have been made by the association, resulting in a balance of \$21,735 at July 1, 1995.

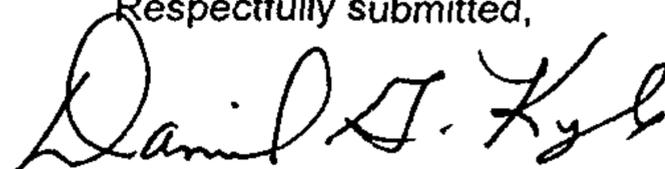
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 Minimum Agreed-Upon Procedures Report  
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	Beginning Balance July 1, 1995	Receipts	Payments			Ending Balance June 30, 1996
			Contributions to Athletic Department	Contributions for Athletic Department	Other	
McNeese State University organizations:						
Cowboy Club	\$57,907	\$132,819	\$100,757	\$3,423	\$57,244	\$29,302
Quarterback Club	11,358	45,744	19,155	14,441	14,761	8,745
Tip Off Club	5,127	68,154	45,109	8,739	1,037	18,396
Petrochem Club	21,735	71,537			34,667	58,605
<b>Total</b>	<b>\$96,127</b>	<b>\$318,254</b>	<b>\$165,021</b>	<b>\$26,603</b>	<b>\$107,709</b>	<b>\$115,048</b>

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 be reported to you. This report relates only to the accounts and items specified above and does not extend to any financial statements of McNeese State University or the related outside organizations taken as a whole.

This report is solely for the information and use of management of the university. 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

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[MSU-NCAA]