



**Baird,
Kurtz &
Dobson**

President Thomas C. Meredith and
Board of Regents of
Western Kentucky University
Bowling Green, Kentucky

Certified
Public
Accountants

We have audited the financial statements of WESTERN KENTUCKY UNIVERSITY as of and for the year ended June 30, 1992, and have issued our unqualified report thereon dated September 11, 1992. At your request, we have also applied certain agreed-upon procedures, as outlined in our letter to you dated March 9, 1992 and discussed below, to the accounting records and system of internal accounting control of WESTERN KENTUCKY UNIVERSITY, as of June 30, 1992, solely to assist the University in complying with the NCAA Bylaw 6.2.3.1. It is understood that this report is solely for your information and is not to be referred to or distributed for any purpose to anyone who is not a member of management of WESTERN KENTUCKY UNIVERSITY or an authorized representative of the National Collegiate Athletic Association. Our procedures and findings are as follows:

STATEMENT OF REVENUES AND EXPENDITURES - AGREED-UPON SUBSTANTIVE PROCEDURES

- a. We obtained the statement of revenues and expenditures of the Intercollegiate Athletics Department for the year ended June 30, 1992, as prepared by management and shown below. We recalculated the addition of the amounts on the statement, traced the amounts on the statement to management's worksheets and agreed the amounts on management's worksheets to the University's general ledger.

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WESTERN KENTUCKY UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES

YEAR ENDED JUNE 30, 1992

REVENUES

Registration fees allocation	\$ 384,352
Basketball ticket sales - Men	268,266
Football ticket sales	93,753
Other athletic receipts	29,102
Basketball guarantees and other	29,000
Football guarantees and other	25,000
Sports network	6,000
Student athletic fees	317,884
Endowment income	31,516
Hilltopper Athletic Foundation salary reimbursement	123,770
Basketball ticket sales - Women	31,992
Baseball ticket sales	3,287
Medical expense reimbursement	25,907
Ticket sales surcharge	16,100
NCAA basketball pool	149,513
Soccer ticket sales	909
Athletic event parking	9,665
	<u>1,546,016</u>

EXPENDITURES

Office of the Director of Athletics	332,515
Athletic trainer	307,357
Men's football	433,249
Men's basketball	470,000
Men's baseball	101,882
Men's track and field	42,551
Men's tennis	13,525
Men's golf	18,291
Men's swimming program	33,917
Men's soccer	66,142
Women's basketball	345,007
Women's golf	19,978
Women's tennis	11,554
Women's track and field	31,507
Women's volleyball	55,412
	<u>2,282,887</u>

**EXCESS (DEFICIENCY) OF REVENUES OVER
EXPENDITURES**

(\$ 736,871)

b. We also obtained a classification breakdown of the expenditures for the year ended June 30, 1992, as prepared by management and shown below. We recalculated the addition of the expenditures and agreed total expenditures to the amounts shown above.

Operating Expenditures	Classification						Total
	Personal Services	Team Travel	Other Travel	Grants-in-Aid	Other Current Expenses	Capital Outlay	
Office of the Director of Athletics	\$ 252,202	\$ 36,374	\$ 9,932	\$ -0-	\$ 23,849	\$10,158	\$ 332,515
Athletic trainer	262,953	-0-	1,198	-0-	41,118	2,088	307,357
Men's football	314,584	35,609	12,057	-0-	67,449	3,550	433,249
Men's basketball	209,574	139,625	73,896	-0-	46,683	222	470,000
Men's baseball	47,154	24,363	11,702	-0-	18,663	-0-	101,882
Men's track and field	18,197	16,222	939	-0-	7,193	-0-	42,551
Men's tennis	6,580	4,727	126	-0-	2,092	-0-	13,525
Men's golf	8,791	7,330	-0-	-0-	2,170	-0-	18,291
Men's swimming program	21,958	11,003	-0-	-0-	956	-0-	33,917
Men's soccer	37,018	20,202	2,361	-0-	6,561	-0-	66,142
Women's basketball	177,947	92,405	36,265	400	37,665	325	345,007
Women's golf	7,284	9,761	-0-	-0-	2,933	-0-	19,978
Women's tennis	6,946	4,079	78	-0-	451	-0-	11,554
Women's track and field	14,999	10,686	682	36	5,104	-0-	31,507
Women's volleyball	<u>25,190</u>	<u>22,229</u>	<u>2,191</u>	<u>-0-</u>	<u>5,802</u>	<u>-0-</u>	<u>55,412</u>
	<u>\$1,411,377</u>	<u>\$434,615</u>	<u>\$151,427</u>	<u>\$ 436</u>	<u>\$268,689</u>	<u>\$16,343</u>	<u>\$2,282,887</u>

Athletic grants-in-aid were budgeted and recorded in institutional scholarships rather than in athletic expenditure accounts. \$972,582 was spent for athletic grants-in-aid during the year ended June 30, 1992.

c. We obtained a schedule of Development Fund revenue and other additions benefitting the Athletic Department for the year ended June 30, 1992 from management of the University. The revenue represents private gifts designated for athletics and classified as restricted revenue and other unrestricted revenue allocated to athletics by management. A summary of these gifts follows:

	<u>Restricted Revenue</u>		<u>Unrestricted</u>
	<u>Cash</u>	<u>Non-Cash</u>	<u>Revenue</u>
			<u>Cash</u>
Office of the Director of Athletics	\$1,265	\$ -0-	\$9,638
Women's basketball	<u>-0-</u>	<u>-0-</u>	<u>155</u>
	<u>\$1,265</u>	<u>\$ -0-</u>	<u>\$9,793</u>

- d. We obtained a schedule of the booster organizations and their related financial activities for the year ended June 30, 1992 from management of the University. The Hilltopper Athletic Foundation, Inc. is the only organization that contributed directly to the University. All other booster organizations contribute to the Hilltopper Athletic Foundation, Inc. The Hilltopper Athletic Foundation, Inc. has an agency account with the University. We reconciled the schedule below to the University's agency account printout and the unaudited financial information of the Hilltopper Athletic Foundation, Inc.

Hilltopper Athletic Foundation, Inc.

Beginning cash balance	\$251,465
Cash receipts	<u>720,062</u>
	<u>971,527</u>
Cash disbursements:	
Contributions to or in behalf of program	700,672
Other	<u>29,062</u>
	<u>729,734</u>
Ending cash balance	<u>\$241,793</u>

The receipts and transfers of the Hilltopper Athletic Foundation, Inc., since included in the agency funds group of accounts, are not included in the Statement of Current Fund Revenues, Expenditures, and Changes in Fund Balance of Western Kentucky University for the year ended June 30, 1992.

- e. We reviewed the endowment income for reasonableness compared to the investment balance. We also confirmed the endowment income with the trustee, the College Heights Foundation, Inc.
- f. Basketball and football ticket revenues were examined by the University's internal auditor whose work we reviewed. We also reviewed ticket sales analytically by comparison to

prior year amounts and consideration of known reasons for variances. Other revenue sources were also reviewed based on prior years and circumstances of the present year. All significant variations were satisfactorily explained by University management.

- g. For each athletic activity within the University's Department of Athletics, we compared actual expenditures to budget for the year ended June 30, 1992. Requests were made of the athletics department for explanation of significant variations between actual and budget. Responses were reviewed with University management and satisfactorily explained.

Because the above procedures "a" through "g" do not constitute an audit conducted 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 procedures "a" through "g" 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 conducted an audit of the financial statements of the Intercollegiate Athletics Department of Western Kentucky University 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 the financial statements of Western Kentucky University or its Intercollegiate Athletics Department taken as a whole.

INTERNAL CONTROL STRUCTURE: POLICIES AND PROCEDURES RELATED TO INTERCOLLEGIATE ATHLETICS - AGREED-UPON PROCEDURES

The management of Western Kentucky University 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 financial statements in accordance with generally accepted accounting principles.

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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.

Our procedures and findings are as follows:

- h. We identified and documented aspects of the University's internal control structure unique to the Intercollegiate Athletics Department such as ticket sales and receipts and athletic department expenditures. Such procedures included a review of the University's budgetary controls over expenditures relating to intercollegiate athletics. We noted a lack of segregation of duties over ticket sales. One individual has access to cash and also initiates recording of cash transactions.

These agreed-upon procedures applied to certain aspects of the University's internal control structure were more limited than would be necessary to express an opinion on the internal control structure taken as a whole. Because our study and evaluation were limited to applying agreed-upon procedures to certain aspects of the internal control structure, we do not express an opinion on whether the internal control structure of Western Kentucky University in effect for the year ended June 30, 1992, taken as a whole, was sufficient to meet the objectives stated above. In connection with applying our procedures, we did note certain opportunities for improvement in internal accounting controls. Our observations and recommendations are presented as Exhibit A to this report.

David, Kuntz & Dobson

September 17, 1992

WESTERN KENTUCKY UNIVERSITY ATHLETICS DEPARTMENT

INTERNAL ACCOUNTING CONTROLS

OBSERVATIONS AND RECOMMENDATIONS

JUNE 30, 1992

- We noted a lack of segregation of duties over ticket sales. One individual in the ticket sales department usually has access to cash and also initiates recording of cash transactions. We recommend the cash be counted and transmitted by a person having no other ticket sales duties.