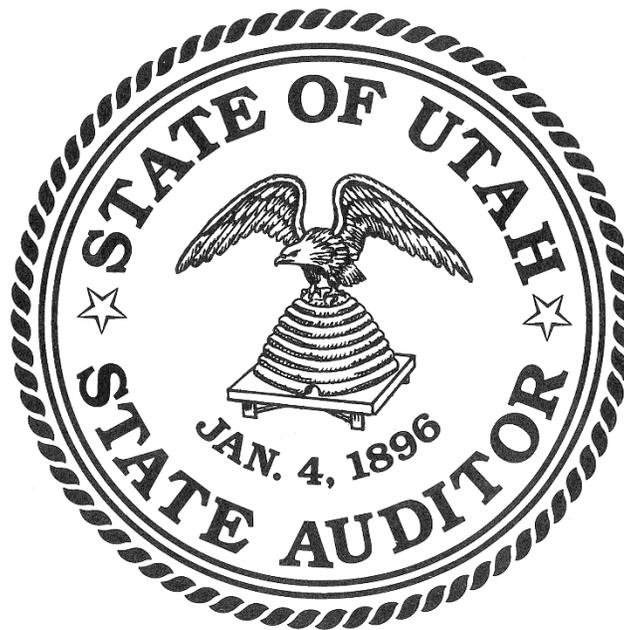


UTAH STATE UNIVERSITY

Athletic Department
Agreed-Upon Procedures Report
For the Year Ended June 30, 2019

Report No. 19-33



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Hollie Andrus, CPA, Audit Director
Andrew Driggs, Audit Senior



OFFICE OF THE
STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee,
and
Noelle E. Cockett, President
Utah State University

We have performed the procedures enumerated below, which were agreed to by Utah State University's management, solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (the Statement) of the University's Athletic Department (Program) is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15 for the year ended June 30, 2019. The University's management is responsible for the Statement and the Statement's compliance with those 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 those parties specified in this report. 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 performed and the associated findings are as follows:

Internal Control Agreed-upon Procedures

- A. We reviewed the general control environment for the Program. As part of this review, we reviewed the organization of the Program. We also made certain inquiries of management regarding departmental organization, control consciousness of staff, competency of personnel, adequate safeguarding and control of records and assets, the extent of the Internal Audit Department's involvement with athletics, controls over interactions with the Information Technology Department, and other relevant matters. We found no exceptions as a result of these procedures.
- B. We tested samples of Ticket Office cash receipts, Athletic Office cash receipts, payroll transactions, and non-payroll transactions to ensure that the internal controls of the Program are the same as those addressed in connection with the audit of the University's financial statements for June 30, 2019. Our sample sizes were limited to 5 items each for Ticket Office cash receipts, Athletic Office cash receipts, payroll, and non-payroll transactions.

For the 5 Ticket Office cash receipts selected, we could not obtain evidence that the Ticket Office performed internal control procedures, as the Ticket Office could not provide supporting documentation or exhibit (e.g., through initialing supporting documentation or other evidence) that staff had performed internal control procedures. Specifically,

- The Daily Front Counter Sales Report (Sales Report) was missing for 3 receipts;
- Ticket Office staff did not indicate a review of the Sales Report for 1 receipt;
- The Daily Sales & Deposit Summary Report (Summary Report) did not agree to the ticketing system (Paciolan) for 3 receipts; and,
- The Ticket Office staff did not indicate a reconciliation of the Summary Report to Paciolan for the same 3 receipts.

C. We reviewed and tested the University's procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the Program. All booster group activity is under the accounting control of the University; therefore, we performed no additional procedures.

Statement of Revenues and Expenses Agreed-Upon Procedures

D. We obtained the Program's Statement of Revenues and Expenses (the Statement) for the year ended June 30, 2019, as prepared by management.

- We agreed the amounts reported on the Statement to the University's general ledger. We ensured that the amounts were reported in accordance with NCAA guidelines and generally accepted accounting principles.
- We compared and agreed each operating revenue and expense category that comprised more than 4.0% of total revenues or total expenses, as reported on the Statement during the reporting period, to supporting schedules provided by the University.
- We compared and agreed samples selected in step B above and in the Revenue and Expense Procedures noted below to adequate supporting documentation.
- We compared each major revenue and expense account over 10% of the total revenues or total expenses to prior period amounts. We obtained and documented an explanation of any variations greater than 10%. We have reported our analysis as a supplement to this Agreed-Upon Procedures report (see Exhibit I).
- We reviewed the footnotes to the Statement for propriety and compliance with NCAA guidelines.

We agreed to report on any matter that came to our attention that caused us to believe that any of the specified accounts or items needed to be adjusted by more than \$100,000. Specific accounts or items in the Statement were adjusted as follows:

- Approximately \$100,000 in "Contributions" revenues was re-categorized as "Guarantees" to properly reflect the underlying purpose of the revenues;

- Approximately \$146,000 in “Contributions” revenue and in various expense items were removed to eliminate transactions included in both the general ledger and the Statement’s supporting schedules; and,
- Approximately \$195,000 originally included in “Compensation and benefits provided by a third party” revenues was re-categorized as “Bowl” revenues as the compensation related to the Program’s post-season bowl participation.

E. We performed the following procedures related to the Athletic Department.

Revenue Procedures:

Ticket Sales

1. We compared tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the University in the Statement and the related attendance figures for football and men’s basketball and recalculated totals.

Student Fees

2. We compared and agreed student fees reported by the University in the Statement for the reporting period to student enrollments during the same reporting period and recalculated totals.

Direct Institutional Support

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

Contributions

4. We obtained and reviewed supporting documentation for each contribution of moneys, goods, or services received directly by the Athletic Department from any affiliated or outside organization, agency, or group of individuals (two or more) not included above (e.g. contributions by corporate sponsors) that constituted 10% or more in aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting period and recalculated totals.

Conference Distributions and Conference Distributions of Bowl-Generated Revenue

5. We obtained and inspected agreements related to the University’s conference distributions and to participation in revenues from tournaments during the reporting period for relevant terms and conditions.
6. We compared and agreed the related revenues to the University’s general ledger and/or the Statement and recalculated totals.

We found no exceptions as a result of these procedures.

Expense Procedures:

Athletic Student Aid

7. We selected 40 student athletes from the listing of University student aid recipients during the reporting period.
8. We obtained individual student account detail for each selection and compared total aid in the University's student system to the student's detail in the NCAA's Compliance Assistant (CA) software.
9. We performed a check to ensure the information for each student selected was accurately reported in the NCAA's Compliance Assistant software using the criteria listed in the NCAA 2019 Agreed-Upon Procedures Guide.
10. We recalculated totals for each sport and overall.

Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities

11. We obtained and inspected a listing of coaches employed by the University and related entities during the reporting period. We selected a sample of 10% of the coaches' contracts that included football, and men's and women's basketball from the listing.
12. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University and related entities in the Statement during the reporting period.
13. We obtained and inspected payroll summary registers for the reporting period for each selection. We compared and agreed payroll summary registers from the reporting period to the related coaching salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the Statement during the reporting period.
14. We compared and agreed the totals recorded to any employment contracts executed for the sample selected and recalculated totals.

Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities

15. We selected a sample of 10% of support staff/administrative personnel employed by the University and related entities during the reporting period.
16. We obtained and inspected reporting period payroll summary registers for each selection. We compared and agreed related payroll summary registers to the related support staff/administrative salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the Statement during the reporting period and recalculated totals.

We found no exceptions as a result of these procedures.

Additional Agreed-Upon Procedures

F. Grants-in-Aid:

- We compared and agreed the sports sponsored as reported in the NCAA Membership Financial Reporting System (MFRS) to other reports that support the equivalency calculations from the University.

- We compared current year Grants-in-Aid revenue distribution equivalencies to the prior year reported equivalencies per the Membership Financial Report submission.

G. Sports Sponsorship:

- We obtained the University's Sports Sponsorship and Demographics Form submitted to the NCAA for the reporting year and validated that the countable NCAA sports reported by the University met the minimum requirements set forth in Bylaw 20.9.6.3 related to the number of contests and the number of participants in each contest that are counted toward meeting the minimum contest requirement. We then ensured that the University properly reported these sports as countable for revenue distribution purposes within the MFRS.
- We compared the current year number of Sports Sponsored to the prior year reported total per the Membership Financial Report submission.

H. Pell Grants:

- We agreed the total number of Division I student athletes who, during the academic year, received a Pell Grant award and the total value of these Pell Grants reported in the MFRS to a report, generated out of the University's financial aid records, of all student athlete Pell Grants. We tied the information for any student selected in step E.7. who received Pell Grants back to the report.
- We compared the current year Pell Grants total to the prior year reported total per the Membership Financial Report submission.

For these additional agreed-upon procedures, we agreed to inquire and document an explanation for any variance exceeding the thresholds described in the 2019 NCAA Agreed-Upon Procedures guidelines. We found no variances exceeding the acceptable thresholds.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Statement's compliance with NCAA Bylaw 3.2.4.15. 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 for the information and use of the Board of Trustees, Audit Committee, and Administration of the University and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to *Utah Code* Title 63G Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.

Office of the State Auditor

Office of the State Auditor
January 15, 2020

UTAH STATE UNIVERSITY
ATHLETIC DEPARTMENT
Statement of Revenues and Expenses
For the Year Ended June 30, 2019

	Football	Basketball	Other Sports	Non-Program Specific	Total
REVENUES:					
Ticket sales	\$ 1,328,343	\$ 618,985	\$ 62,573	\$ 13,843	\$ 2,023,744
Direct state or other government support	-	-	131,965	-	131,965
Student fees	-	-	-	4,980,942	4,980,942
Direct institutional support	669,067	1,152,444	3,516,745	6,240,276	11,578,532
Indirect institutional support	668,714	355,825	483,730	748,256	2,256,525
Indirect institutional support - Athletic facilities debt service, lease, and rental fees	-	-	-	4,548,404	4,548,404
Guarantees	1,575,000	185,000	16,905	-	1,776,905
Contributions	3,629,900	38,119	47,955	2,286,064	6,002,038
In-kind contributions	234,650	85,040	71,342	76,332	467,364
Compensation and benefits provided by a third party	367,917	225,000	-	-	592,917
Media rights	-	-	-	1,128,904	1,128,904
NCAA distributions	-	-	-	707,381	707,381
Conference distributions	70,202	690,552	-	406,327	1,167,081
Conference distributions of Bowl	1,493,530	-	-	-	1,493,530
Program, novelty, parking, and concession sales	-	-	-	80,418	80,418
Royalties, licensing, advertisement, and sponsorships	-	-	-	739,848	739,848
Athletics-restricted endowment and investment income	15,728	30,175	37,630	75,806	159,339
Other revenue	820,523	14,540	10,151	144,391	989,605
Bowl revenues	732,618	-	-	-	732,618
Total revenue	11,606,192	3,395,680	4,378,996	22,177,192	41,558,060
EXPENSES:					
Athletic student aid	2,482,057	457,511	3,352,235	102,234	6,394,037
Guarantees	530,000	322,932	25,118	-	878,050
Coaching salaries, benefits, and bonuses paid by the University	3,709,260	1,668,862	2,605,325	-	7,983,447
Coaching other compensation and benefits paid by a third party	367,917	225,000	-	-	592,917
Support staff salaries, benefits, and bonuses paid by the University	64,732	71,290	65,451	4,242,277	4,443,750
Support staff other compensation and benefits paid by a third party	-	-	-	-	-
Severance payments	-	266,941	-	-	266,941
Recruiting	241,646	112,126	202,935	-	556,707
Team travel	986,419	274,810	1,757,959	-	3,019,188
Sports equipment, uniforms, and supplies	566,174	75,454	477,885	107,443	1,226,956
Game expenses	275,936	220,062	212,044	135,829	843,871
Fund raising, marketing, and promotion	76,120	44,715	9,825	459,040	589,700
Sports camp expenses	-	-	-	-	-
Spirit groups	683	-	-	16,000	16,683
Athletic facilities debt service, leases, and rental fees	1,834,244	100,754	167,555	4,144,534	6,247,087
Direct overhead administrative expenses	53,003	9,685	39,399	687,152	789,239
Indirect institutional support expense	668,714	355,825	483,730	748,256	2,256,525
Medical expenses and insurance	2,661	3,904	4,349	507,068	517,982
Memberships and dues	519	2,095	16,362	507,244	526,220
Student-athlete meals (non-travel)	184,159	18,178	71,996	401,659	675,992
Other expenses	419,607	178,095	185,055	1,408,621	2,191,378
Bowl expenses	588,276	-	-	-	588,276
Bowl expenses – Coaching compensation/bonuses	193,488	-	-	-	193,488
Total expenses	13,245,615	4,408,239	9,677,223	13,467,357	40,798,434
Excess/(deficiency) of revenues over/(under) expenses	<u>\$ (1,639,423)</u>	<u>\$ (1,012,559)</u>	<u>\$ (5,298,227)</u>	<u>\$ 8,709,835</u>	<u>\$ 759,626</u>
OTHER REPORTING ITEMS:					
Excess transfer to institution	\$ -	\$ -	\$ -	\$ -	\$ -
Conference realignment expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total athletics-related debt	\$ -	\$ -	\$ -	\$ 45,837,746	\$ 45,837,746
Total institutional debt	\$ -	\$ -	\$ -	\$ 242,296,799	\$ 242,296,799
Value of athletics-dedicated endowments	\$ -	\$ -	\$ -	\$ 4,931,441	\$ 4,931,441
Value of institutional endowments	\$ -	\$ -	\$ -	\$ 402,862,475	\$ 402,862,475
Total athletics-related capital expenditures	\$ 108,966	\$ -	\$ -	\$ 30,000	\$ 138,966

The accompanying notes are an integral part of this financial statement.

Utah State University
Athletic Department

Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2019

Accrual Basis – The accompanying Statement of Revenues and Expenses presents the results of financial activity of Utah State University’s Athletic Department (Department) and has been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles except for the following:

- Direct institutional support revenues and athletic student aid expenses have not been reduced for scholarship allowances.
- Tuition waivers have been reported as direct institutional support and athletic student aid expense.
- Contribution revenues are recognized in the Statement when both received and used, as required by the NCAA, rather than when pledged or received.
- Debt service payments paid by the University for athletics-related debt have been reported as indirect institutional support revenue and athletic facilities debt service expense, as required by the NCAA.
- Debt service payments paid by athletic endowment distributions for athletics-related debt have been reported as athletic-restricted endowment income and athletic facilities debt service expense, as required by the NCAA.
- Debt service payments and supplementary information for internal loan programs are reported on this statement, as required by the NCAA.

Capital Assets – The University’s policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletic-related capital assets are the same as for all the Department’s capital assets. For management purposes and accountability, assets have been capitalized and depreciation expense recorded to distribute costs over the useful life of the assets.

Capital assets are recorded at historical cost or at acquisition value at the donation date in the case of gifts.

The University capitalizes all equipment with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Purchased software is capitalized when acquisition costs are \$100,000 or more. Buildings costing \$250,000 or more are capitalized, as are improvements to buildings costing \$250,000 or more that extend the useful life of the building. Improvements other than buildings costing \$250,000 or more are also capitalized.

The University computes depreciation using the straight-line composite method over the estimated useful life of the assets. The estimated useful lives are as follows: buildings 10–40 years, improvements other than buildings 5–20 years, equipment 3–15 years, and purchased software 5–10 years.

Revenue Allocation – Revenues from operations have been allocated to the activity generating the income. Gifts and investment income have been allocated based on management decisions of the Department.

Student fee revenue was allocated 100% to Non-Program Specific activities.

The state appropriations made to the University and then distributed to the Department were

**Utah State University
Athletic Department**

Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2019

allocated through direct institutional support based on the actual payments made in support of Football, Basketball, Other Sports, and Non-Program Specific activities.

Revenues received during a given fiscal year but not expended are carried forward for use by the Department in future fiscal years.

Sports Accounting – The major sports, which include men's football and basketball, are reported separately. Other sports in which the University participates are combined and reported as “Other Sports.” The administrative functions of the Department and activities which support all sports have been combined for reporting purposes under the caption “Non-Program Specific.”

Indirect Institutional Support Revenue – Indirect facilities and administrative support includes overhead not charged directly to the Department. These charges include operation and maintenance expense allocated to the Athletic Department, based on square footage of athletics facilities and an institutional support expense allocation based on total salaries, wages, and benefits of the Department. Of the \$2,256,525 in indirect support, \$1,541,204 is operation and maintenance expense for the athletic facilities and \$715,321 is institutional support expense.

Athletic Department Debt – The principal balance of all external Department debt at June 30, 2019 is \$37,986,755. The external debt includes a portion of the Series 2013B and 2017 bonds for the Wayne Estes Center in the amount of \$8,443,000, the Series 2015 Building bonds for the Stadium in the amount of \$22,570,000, the Series 2013 bonds for the Stadium/Spectrum in the amount of \$5,280,000, contracts payable (SunTrust Leasing Corporation) for scoreboards and field turf in the amount of \$306,763, and contracts payable (Zions Bank) for scoreboards and sound system in the amount of \$1,386,922. In fiscal year 2019, annual external debt service payments totaled \$3,411,257 of which \$2,671,053 was related to facilities and \$740,204 was related to equipment. Of the \$3,411,257 of total external debt service, the institution paid \$2,411,257 and the Department paid \$1,000,000.

The Wayne Estes Center and Stadium/Spectrum Bonds are secured by a pledge of student building fees. The contracts payable are secured with revenue generated by the Department. Amounts due on external bonds and contracts payable in future years are as follows:

Utah State University
Amounts Due on Bonds and Contracts Payable - Related to Athletics
As of June 30, 2019

Fiscal Year	Wayne Estes Center Bonds		Stadium Spectrum Bonds		Stadium Bonds		SunTrust Leasing Corp		SunTrust Leasing Corp		Zions Bank		External Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2020	\$196,000	\$287,178	\$675,000	\$148,138	\$475,000	\$883,502	\$94,957	\$5,797	\$15,118	\$51	\$542,398	\$36,337	\$3,359,476
2021	204,000	279,751	700,000	120,888	500,000	859,648	97,197	3,556			558,847	19,846	3,343,733
2022	210,000	272,051	735,000	92,537	525,000	834,544	99,491	1,263			285,747	3,584	3,059,217
2023	218,000	264,065	765,000	66,663	550,000	808,190							2,671,918
2024	225,000	254,119	780,000	51,044	580,000	780,565							2,670,728
2025-2029	1,325,000	1,085,894	1,625,000	49,459	3,290,000	3,519,997							10,895,350
2030-2034	1,585,000	824,619			3,860,000	2,936,683							9,206,302
2035-2039	1,850,000	565,744			4,615,000	2,180,436							9,211,180
2040-2044	2,155,000	250,785			5,605,000	1,185,518							9,196,303
2045-2046	475,000	6,432			2,570,000	146,633							3,198,065
	<u>\$8,443,000</u>	<u>\$4,090,638</u>	<u>\$5,280,000</u>	<u>\$528,729</u>	<u>\$22,570,000</u>	<u>\$14,135,716</u>	<u>\$291,645</u>	<u>\$10,616</u>	<u>\$15,118</u>	<u>\$51</u>	<u>\$1,386,992</u>	<u>\$59,767</u>	<u>\$56,812,272</u>

Utah State University

Athletic Department

Notes to the Statement of Revenues and Expenses

For the Year Ended June 30, 2019

The principal balance of all internal Department debt at June 30, 2019 is \$7,850,991. The internal debt includes a loan from the University to the Department as part of the Maverik Stadium renovations. The Department debt service payments are satisfied as previously-pledged contributions are received. In fiscal year 2019, the Department received and used \$1,273,682 in contributions to repay a portion of this debt.

Contributions and Major Nonoperating Activities – There were no significant changes to endowments for intercollegiate athletics during the year ended June 30, 2019. Endowment contributions of \$1,053,167 were received in the University’s endowment, plant, and agency funds for the benefit of the Department and have not been reported in the Statement. Total contributions received by the University for the benefit of the Department are as follows:

Contributions reported on Statement of Revenues and Expenditures	\$6,469,402
Contributions received in the University’s endowment and plant funds	\$1,053,167
Total Contributions	\$7,522,569

UTAH STATE UNIVERSITY
ATHLETIC DEPARTMENT
Auditor's Analysis of Significant Variances
For the Year Ended June 30, 2019

	FY 2019 Totals	FY 2018 Totals	Variance \$ Increase/ (Decrease)	Variance % Increase/ (Decrease)
Revenues				
Student fees	\$ 4,980,942	\$ 5,025,260	\$ (44,318)	-0.9%
Direct institutional support	11,578,532	13,402,498	(1,823,966)	-13.6% *
Indirect institutional support – Athletic facilities debt service, lease and rental fees	4,548,404	1,149,620	3,398,784	295.6% **
Contributions	6,002,038	4,728,898	1,273,140	26.9% ***
Expenses				
Athletic student aid	6,394,037	6,156,343	237,694	3.9%
Coaching salaries, benefits, etc. paid by the University	7,983,447	6,879,577	1,103,870	16.0% ****
Support staff salaries, benefits, etc. paid by the University	4,443,750	4,672,329	(228,579)	-4.9%
Athletic facilities debt services, leases, and rental fees	6,247,087	5,787,651	459,436	7.9%

* Change is due to various one-time assistance payments that were made in the previous year.

** Change is due to institutional support revenue received and used for internal loan debt service expense.

*** Change is due to the recognition of football 2019 season premium seating dues.

**** Change is due to new coaching contracts.