UTAH STATE UNIVERSITY

Athletic Department
Agreed-Upon Procedures Report
For the Year Ended June 30, 2018

Report No. 18-31

OFFICE OF THE
STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Hollie Andrus, CPA, Audit Director
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OFFICE OF THE
STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

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

We have performed the procedures enumerated below, which were agreed to by Utah State University's (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 is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15 for the year ended June 30, 2018. 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 Athletic Department. As part of this review, we reviewed the organization of the Athletic Department. 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 Intercollegiate Athletic Programs are the same as those addressed in connection with the audit of the University's financial statements for June 30, 2018. Our sample sizes were limited to 5 items each for Ticket Office cash receipts, Athletic Office cash receipts, payroll transactions, and non-payroll transactions. We found no exceptions as a result of these procedures.

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

Statement of Revenues and Expenses Agreed-Upon Procedures

D. We obtained the Athletic Department's Statement of Revenues and Expenses (the Statement) for the year ended June 30, 2018, 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 sample items 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. We found no exceptions as a result of these procedures.

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 and recalculated totals. We identified a $51,215 difference between our estimates and the amounts reported in the Statement and a ($47,655) difference between the Ticketing System reports and the amounts reported on the Statement.

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.
3. Because the University recognizes student fees for the Athletic Department based on enrollment, we did not obtain documentation of the University's methodology for allocating student fees to the Athletic Department.

Direct Institutional Support

4. 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

5. We agreed a detailed listing of contributions to the general ledger and then scanned the listing for contributions of moneys, goods, or services received directly by the University from any affiliated or outside organization, agency, or group of individuals (two or more) 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. We did not identify any such contributions and, therefore, did not obtain or review documentation for contributions or recalculate totals.

Conference Distributions

6. 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.
7. We compared and agreed the related revenues to the University's general ledger and/or the Statement and recalculated totals.

Except as noted above, we found no exceptions as a result of these revenue procedures.

Expense Procedures:

Athletic Student Aid

8. We selected a sample of 39 student athletes from the listing of University student aid recipients during the reporting period.
9. 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 Compliance Assistant (CA) software. We identified differences between the University's student system and the CA software for all 39 student athletes selected. These variances between total aid according to the University's student system and the amount reported in the CA software ranged from ($5,780.53) to $5,414.75, netting to a ($7,969.80) difference for all 39 student athletes selected.
10. We performed a check to ensure the information for each student selected was accurately reported in the NCAA's CA software using the criteria listed in the 2018 NCAA Agreed-Upon Procedures Guide.
11. We recalculated totals for each sport and overall.

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

12. We obtained and inspected a listing of coaches employed by the University and related entities during the reporting period. We selected 6 coaches' contracts that included football, and men's and women's basketball from the listing.

13. 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.
14. We obtained and inspected summary payroll registers for the reporting period for each selection. We compared and agreed summary payroll 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.
15. 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

16. We selected 25 support staff/administrative personnel employed by the University and related entities during the reporting period.
17. 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.

Except as noted above, we found no exceptions as a result of these expense procedures.

Additional Agreed-Upon Procedures

F. We compared and agreed the sports sponsored as reported in the NCAA Membership Financial Reporting System (MFRS) to the Calculation of Revenue Distribution Equivalencies Report (CRDE) or equivalent supporting equivalency calculations from the University.

G. We obtained the University's Sports Sponsorship and Demographics Forms Report for the reporting year and validated that the countable sports reported by the University met the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and the number of participants in each contest that is 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.

H. 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 found no exceptions as a result of these additional 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 accompanying Statement's compliance with NCAA Bylaw 3.2.4.15. Accordingly, we do not express any such opinion. Had we performed additional

procedures, other matters might have come to our attention that would have been reported to you.

As noted above, this agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. These standards require us to convey that "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, this report is a public document and its distribution is not limited.

Office of the State Auditor

Office of the State Auditor
January 14, 2019

UTAH STATE UNIVERSITY
ATHLETIC DEPARTMENT
Statement of Revenues and Expenses
For the Year Ended June 30, 2018

	Football	Basketball	Other Sports	Non-Program Specific	Total
REVENUES:					
Ticket sales	$ 1,489,740	$ 643,570	$ 50,500	$ 38,750	$ 2,222,560
Direct state or other government support	-	-	137,541	-	137,541
Student fees	-	-	-	5,025,260	5,025,260
Direct institutional support	666,370	1,404,729	2,696,966	8,634,433	13,402,498
Indirect institutional support	314,494	324,932	565,384	750,254	1,955,064
Indirect institutional support - Athletic facilities debt service, lease, and rental fees	-	-	-	1,149,620	1,149,620
Guarantees	1,300,000	278,915	38,276	-	1,617,191
Contributions	2,513,367	6,300	19,940	2,189,291	4,728,898
In-kind contributions	225,252	18,268	74,389	56,270	374,179
Compensation and benefits provided by a third party	543,515	100,000	-	-	643,515
Media rights	-	-	-	1,104,541	1,104,541
NCAA distributions	-	-	-	839,472	839,472
Conference distributions	1,403,170	583,241	-	262,169	2,248,580
Program, novelty, parking, and concession sales	-	-	-	70,898	70,898
Royalties, licensing, advertisement, and sponsorships	-	-	-	773,126	773,126
Athletics-restricted endowment and investment income	33,264	29,434	33,353	1,147,463	1,243,514
Other revenue	72,759	12,271	5,276	269,105	359,411
Bowl revenues	816,529	-	-	-	816,529
Total revenue	9,378,460	3,401,660	3,621,625	22,310,652	38,712,397
EXPENSES:					
Athletic student aid	2,458,025	435,701	3,148,754	113,863	6,156,343
Guarantees	280,000	284,881	42,630	-	607,511
Coaching salaries, benefits, and bonuses paid by the University	3,344,763	1,101,126	2,433,688	-	6,879,577
Coaching other compensation and benefits paid by a third party	543,515	100,000	-	-	643,515
Support staff salaries, benefits, and bonuses paid by the University	46,601	18,277	62,733	4,544,718	4,672,329
Support staff other compensation and benefits paid by a third party	-	-	-	-	-
Severance payments	-	353,497	4,144	-	357,641
Recruiting	226,094	149,040	217,568	-	592,702
Team travel	918,111	324,259	1,765,374	-	3,007,744
Sports equipment, uniforms, and supplies	414,301	127,798	562,148	145,525	1,249,772
Game expenses	285,891	216,856	264,900	169,625	937,272
Fund raising, marketing, and promotion	98,788	37,197	14,453	464,103	614,541
Sports camp expenses	-	-	-	-	-
Spirit groups	-	-	4,500	16,000	20,500
Athletic facilities debt service, leases, and rental fees	1,839,165	100,754	180,113	3,667,619	5,787,651
Direct overhead administrative expenses	64,746	4,509	48,699	749,815	867,769
Indirect institutional support expense	314,494	324,932	565,384	750,254	1,955,064
Medical expenses and insurance	5,257	231	1,045	404,186	410,719
Memberships and dues	420	3,270	13,262	502,777	519,729
Student-athlete meals (non-travel)	195,466	17,777	58,300	404,052	675,595
Other expenses	155,727	214,652	199,880	1,670,620	2,240,879
Bowl expenses	684,798	-	-	-	684,798
Bowl expenses – Coaching compensation/bonuses	193,460	-	-	-	193,460
Total expenses	12,069,622	3,814,757	9,587,575	13,603,157	39,075,111
Excess/(deficiency) of revenues over/(under) expenses	$ (2,691,162)	$ (413,097)	$ (5,965,950)	$ 8,707,495	$ (362,714)
OTHER REPORTING ITEMS:					
Excess transfer to institution	$ -	$ -	$ -	$ -	$ -
Conference realignment expenses	$ -	$ -	$ -	$ -	$ -
Total athletics-related debt	$ -	$ -	$ -	$ 50,192,931	$ 50,192,931
Total institutional debt	$ -	$ -	$ -	$ 243,059,253	$ 243,059,253
Value of athletics-dedicated endowments	$ -	$ -	$ -	$ 4,859,379	$ 4,859,379
Value of institutional endowments	$ -	$ -	$ -	$ 377,024,188	$ 377,024,188
Total athletics-related capital expenditures	$ 751,653	$ -	$ -	$ -	$ 751,653

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

Accrual Basis - The accompanying Statement of Revenues and Expenses (Statement) presents the results of financial activity of Utah State University's Athletic 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, rather than when pledged or received, as required by the NCAA.
- 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 athletics-restricted endowment income and athletic facilities debt service expense, 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 is the same as for all University 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 Athletic Department.

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

The state appropriations made to the University and then distributed to the Athletic Department were 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 Athletic 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 Athletic 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 Athletic Department. These charges include operation and maintenance expense allocation by athletic unit, based on square footage of athletic facilities, and an institutional support expense allocation based on total salaries and wages of the Athletic Department. Of the $1,955,064 in indirect support, $1,270,090 is operation and maintenance expense for the athletic facilities and $684,974 is institutional support expense.

Athletic Department Debt – The principal balance of all external Athletic Department debt at June 30, 2018 is $39,965,650. This includes a portion of the Series 2017 bonds for the Wayne Estes Center in the amount of $7,765,000, the Series 2015 Building bonds for the Stadium in the amount of $23,030,000, a portion of the Series 2013B bonds for the Wayne Estes Center in the amount of $868,000, the Series 2013 bonds for the Stadium/Spectrum in the amount of $5,930,000, contracts payable (SunTrust Leasing Corporation) for scoreboards and field turf in the amount of $459,225, and contracts payable (Zions Bank) for scoreboards and sound system in the amount of $1,913,425. In fiscal year 2018, annual external debt service payments totaled $3,461,407 of which $2,721,162 was related to facilities and $740,245 was related to equipment. Of the $3,461,407 of total external debt service, the University paid $801,551 and the Athletic Department paid $2,659,856.

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 Athletic Department.

The principal balance of all internal Athletic Department debt at June 30, 2018 is $10,227,281. This includes a loan from the University to the Athletic Department as part of the Maverik Stadium renovations. The Athletic Department debt service payments are satisfied as previously-pledged contributions are received. In fiscal year 2018, the Athletic Department received and used $890,170 in contributions to repay a portion of this debt.

UTAH STATE UNIVERSITY
ATHLETIC DEPARTMENT
Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2018

Amounts due on external bonds and contracts payable in future years are as follows:

Amounts Due on Bonds and Contracts Payable - Related to Athletics
As of June 30, 2018

Fiscal	Wayne Estes Center Series 2013B Bonds		Wayne Estes Center Series 2017 Bonds		Stadium Spectrum Series 2013 Bonds		Stadium Series 2015 Bonds		SunTrust Leasing Corp		SunTrust Leasing Corp		Zions Bank		
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2019	$ 160,000	$ 30,987	$ 30,000	$ 263,331	$ 650,000	$ 174,387	$ 460,000	$ 902,348	$ 92,767	$ 7,986	$59,695	$ 981	$ 526,433	$ 52,342	$ 3,411,257
2020	166,000	24,447	30,000	262,731	675,000	148,138	475,000	883,502	94,957	5,797	15,118	51	542,398	36,337	3,359,476
2021	174,000	17,620	30,000	262,131	700,000	120,888	500,000	859,648	97,197	3,556			558,847	19,846	3,343,733
2022	180,000	10,520	30,000	261,531	735,000	92,537	525,000	834,544	99,491	1,263			285,747	3,584	3,059,217
2023	188,000	3,133	30,000	260,931	765,000	66,663	550,000	808,190							2,671,917
2024-2028			1,260,000	1,147,406	2,405,000	100,503	3,170,000	3,639,227							11,722,136
2029-2033			1,540,000	871,606			3,735,000	3,064,423							9,211,029
2034-2038			1,795,000	621,317			4,445,000	2,350,548							9,211,865
2039-2043			2,085,000	319,164			5,390,000	1,401,834							9,195,998
2045-2046			935,000	28,099			3,780,000	293,800							5,036,899
	$ 868,000	$ 86,707	$7,765,000	$4,298,247	$ 5,930,000	$ 703,116	$ 23,030,000	$ 15,038,064	$384,412	$ 18,602	$74,813	$1,032	$1,913,425	$112,109	$ 60,223,527

Contributions and Major Nonoperating Activities – There were no significant changes to endowments for intercollegiate athletics during the year ended June 30, 2018. Endowment contributions of $72,530 were received in the University's endowment fund for the benefit of the Athletic Department and have not been reported in this Statement. Total contributions received by the University for the benefit of the Athletic Department are as follows:

Contributions reported on Statement of Revenues and Expenditures	$ 5,103,077
Contributions received in the University's endowment and plant funds	72,530
Total contributions	$ 5,175,607

Exhibit I

UTAH STATE UNIVERSITY
ATHLETIC DEPARTMENT
Auditors Analysis of Significant Variances
For the Year Ended June 30, 2018

	FY 2018 Totals	FY 2017 Totals	Variance $ Increase/ (Decrease)	Variance % Increase/ (Decrease)
Revenues				
Student fees	$ 5,025,260	$ 5,103,542	$ (78,282)	-1.5%
Direct institutional support	13,402,498	10,703,070	2,699,428	25.2% *
Contributions	4,728,898	3,998,666	730,232	18.3% **
Expenses				
Athletic student aid	6,156,343	5,744,773	411,570	7.2%
Coaching salaries, benefits, etc. paid by the University	6,879,577	6,352,699	526,878	8.3%
Support staff salaries, benefits, etc. paid by the University	4,672,329	4,416,623	255,706	5.8%
Athletic facilities debt services, leases, and rental fees	5,787,651	3,173,820	2,613,831	82.4% ***

* Additional institutional support was provided to buy out a coach's contract and to fund the search and hiring process for a new coach.

** Contributions pledged in previous years for the Maverik Stadium renovation were received and then used to service internal debt related to the renovations.

*** The Athletic Department began servicing internal debt related to the Maverik Stadium renovation. See also ** above.