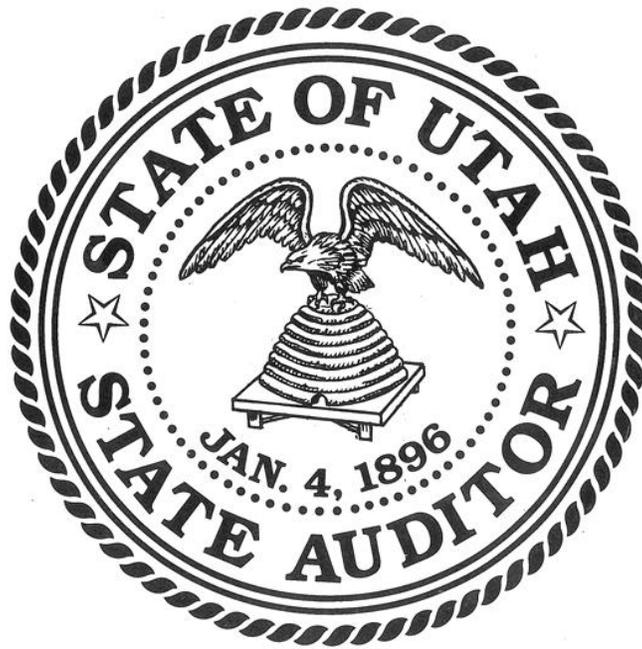


UTAH STATE UNIVERSITY

Athletic Department
Agreed-Upon Procedures Report
For the Year Ended June 30, 2015

Report No. 15-31



OFFICE OF THE
UTAH STATE AUDITOR

UTAH STATE UNIVERSITY

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For the Year Ended June 30, 2015

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AUDIT LEADERSHIP:

Jon Johnson, CPA, Audit Director

Patricia Nelson, CPA, Audit Supervisor



OFFICE OF THE
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee,
and
Stan L. Albrecht, 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, 2015. 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 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.
- B. We tested the specific elements of the control environment and accounting systems that are unique to the Athletic Department that were not addressed in connection with the audit of the University's financial statements. This included testing samples of Athletic Department cash receipts, payroll transactions, and non-payroll transactions for compliance with internal control policies and procedures. Sample sizes were limited to 25 items or 10% of the population, whichever was smaller.
- 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. The only booster group activity is the Big Blue Club, which is under the accounting control of the University.

We found no exceptions as a result of these procedures.

Statement of Revenues and Expenses Agreed-Upon Procedures

- D. We obtained the Athletic Department's Statement for the year ended June 30, 2015, 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 comprises more than 0.5% 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 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 understanding of any variations over the lesser of \$1 million or 10%. We have reported our analysis as a supplement to this final Agreed-Upon Procedures report (see Exhibit I).
- We reviewed the footnotes to the Statement for propriety and compliance with NCAA guidelines.

We proposed one adjustment to the Statement to reclassify debt payments of \$813,200, paid with University building fees for Athletic debt service, from Student Fees to Indirect Institutional Support revenue. We found no other exceptions requiring adjustment to the Statement by more than \$25,000 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 recalculated totals. We did not perform further procedures related to attendance figures.

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 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.

Conference Distributions

5. We obtained and inspected agreements related to the University's conference distributions and to participation in revenues from tournaments during the reporting period to gain an understanding of the 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.

Expense Procedures:

Athletic Student Aid

7. We selected a 10% sample of students 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 allocated from the related aid award letter to the student's account.
9. We performed a check to ensure the information for each student selected was accurately reported in the NCAA's Compliance Assistant software using criteria listed in the NCAA 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 10% sample of 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 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.
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 10% sample of support staff/administrative personnel employed by the University and related entities during the reporting period.
16. We obtained and inspected reporting period summary payroll registers for each selection. We compared and agreed related summary payroll 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, or adjustments to the statement greater than \$25,000, as a result of these procedures.

Additional Agreed-Upon Procedures

- F. We compared and agreed the sports sponsored as reported in the NCAA Membership Financial Reporting System to the squad lists of the University.

We found no exceptions as a result of these 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 authorized representatives of the NCAA 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 Utah State Auditor

Office of the Utah State Auditor
January 14, 2016

Utah State University
Athletic Department
Statement of Revenues and Expenses
For the Year Ended June 30, 2015

	Football	Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:					
Ticket sales	\$ 1,194,744	\$ 763,899	\$ 25,383	\$ 156,761	\$ 2,140,787
Direct state or other government support	-	-	125,032	-	125,032
Student fees	-	-	-	4,179,850	4,179,850
Direct institutional support	782,594	1,541,131	2,504,020	7,459,869	12,287,614
Less - Transfers to institution	-	-	-	(200,000)	(200,000)
Indirect institutional support revenue	289,376	122,490	192,910	2,170,757	2,775,533
Guarantees	1,700,000	-	61,000	-	1,761,000
Contributions	556,046	30,555	55,629	2,040,373	2,682,603
In-kind contributions	161,716	37,577	20,311	87,423	307,027
Compensation & benefits provided by a third party	255,000	120,000	-	-	375,000
NCAA distributions	-	-	-	723,284	723,284
Conference distributions	1,142,470	433,711	-	252,297	1,828,478
Program, novelty, parking and concession sales	-	-	-	71,967	71,967
Royalties, licensing, advertisement and sponsorships	-	-	225	565,634	565,859
Athletics restricted endowment and investment income	30,023	27,626	28,055	463,646	549,350
Other operating revenue	1,022	41	27,836	130,889	159,788
Total operating revenue	6,112,991	3,077,030	3,040,401	18,102,750	30,333,172
Operating expenses:					
Athletic student aid	1,955,872	374,486	2,272,152	211,036	4,813,546
Guarantees	350,000	261,039	16,679	-	627,718
Coaching salaries, benefits, & bonuses paid by the University	2,210,111	1,256,260	2,022,618	-	5,488,989
Coaching other compensation & benefits paid by a third party	255,000	120,000	-	-	375,000
Support staff salaries, benefits & bonuses paid by the University	95,929	-	44,293	3,443,461	3,583,683
Severance Payments	-	204,229	-	39,784	244,013
Recruiting	175,377	84,707	217,263	(122)	477,225
Team travel	676,683	380,720	1,695,368	339	2,753,110
Sports equipment, uniforms & supplies	522,123	70,479	470,138	92,072	1,154,812
Game expenses	143,999	159,700	160,085	26,096	489,880
Fund raising, marketing & promotion	66,323	22,107	19,834	401,199	509,463
Spirit groups	-	-	-	16,000	16,000
Athletic facilities debt service, leases & rental fees	107,436	-	-	1,210,660	1,318,096
Direct overhead & admin expenses	465,984	188,702	123,095	447,296	1,225,077
Indirect institutional support expense	289,376	122,490	192,910	1,357,557	1,962,333
Medical expenses & insurance	193	196	13,144	469,744	483,277
Memberships & dues	1,200	410	13,477	394,472	409,559
Other operating expenses	384,964	156,443	158,029	1,656,200	2,355,636
Total operating expenses	7,700,570	3,401,968	7,419,085	9,765,794	28,287,417
Excess/(deficiency) of revenues over/(under) expenses	<u>\$ (1,587,579)</u>	<u>\$ (324,938)</u>	<u>\$ (4,378,684)</u>	<u>\$ 8,336,956</u>	<u>\$ 2,045,755</u>

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, 2015

Accrual Basis – The accompanying statement of revenues and expenses has been prepared on the accrual basis of accounting and presents the results of financial activity of the Utah State University (University) Athletic Department. 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. Revenue and expenses related to Bowl games as well as depreciation expense have also been excluded from the Statement as required by NCAA Guidelines.

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.

Capital assets are recorded at cost at date of acquisition, or fair market value at the date of donation 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. 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, and equipment 3-15 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.

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

The state appropriations 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 – Indirect institutional support includes overhead not charged directly to the Athletic Department. These charges include an operation and maintenance expense allocation by athletic unit, based on square footage of athletic facilities; an institutional support expense allocation, based on total salaries and wages of the Athletic Department; and debt service payments on Athletic Department debt paid with University building fees. Of the \$2,775,533 in indirect support, \$1,283,138 is operation and maintenance expense for the athletic facilities, \$679,195 is institutional support expense, and the remaining \$813,200 is for debt service.

Utah State University

Athletic Department

Notes to the Statement of Revenues and Expenses

For the Year Ended June 30, 2015

Athletic Department Debt – The principal balance of all external Athletic Department debt at June 30, 2015 is \$17,480,121. This includes a portion of the Series 2013B bonds for the Wayne Estes Center in the amount of \$8,662,000, Series 2013 bonds for the Stadium/Spectrum in the amount of \$7,750,000, and contracts payable (SunTrust Leasing Corporation) for scoreboards and field turf in the amount of \$1,068,121. In fiscal year 2015, annual external debt service payments totaled \$1,451,856, of which \$1,210,660 was related to facilities and paid by the University, and \$241,196 was related to equipment and paid by the Athletic Department.

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.

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, 2015

Fiscal Year	Wayne Estes Center Bonds		Stadium/Spectrum Bonds		SunTrust Leasing Corporation		SunTrust Leasing Corporation		SunTrust Leasing Corporation		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2016	\$ 135,000	\$ 395,098	\$ 590,000	\$ 231,063	\$ 74,297	\$ 5,364	\$ 86,498	\$ 14,255	\$ 56,089	\$ 4,588	\$ 1,592,252
2017	150,000	390,785	605,000	213,250	77,301	2,357	88,539	12,214	57,266	3,411	1,600,123
2018	155,000	386,198	625,000	194,950	19,809	105	90,629	10,125	58,468	2,209	1,542,493
2019	160,000	380,527	650,000	174,387			92,767	7,986	59,695	982	1,526,344
2020	166,000	373,987	675,000	148,138			94,957	5,797	15,118	51	1,479,048
2021-25	941,000	1,761,863	3,785,000	365,217			196,688	4,819			7,054,587
2026-30	1,175,000	1,523,725	820,000	15,375							3,534,100
2031-35	1,498,000	1,205,454									2,703,454
2036-40	1,886,000	814,400									2,700,400
2041-45	2,396,000	301,015									2,697,015
	\$8,662,000	\$7,533,052	\$7,750,000	\$1,342,380	\$171,407	\$7,826	\$650,078	\$55,196	\$246,636	\$11,241	\$26,429,816

Contributions and Major Nonoperating Activities – The Athletic Department received contributions from Cache Valley Electric Company in the amount of \$512,236 which is greater than ten percent of the total gift revenue from groups of two or more individuals. Contributions of \$1,106,950 were received in the University’s endowment fund for the benefit of the Athletic Department and have not been reported in this statement. Contributions of \$506,000 were received in the University’s plant fund for the benefit of the Athletic Department and have not been reported in this statement. There were no significant changes to endowments or plant funds for Intercollegiate Athletics during the year ended June 30, 2015. Total contributions received by the University for the benefit of the Athletic Department are as follows:

Contributions reported on Statement of Revenues and Expenses	\$2,989,630
Contributions received in the University’s endowment and plant funds	1,612,950
Total contributions	<u><u>\$4,602,580</u></u>

Utah State University
Athletic Department
Analysis Of Significant Variances
For the Year Ended June 30, 2015

The following table details each major revenue or expense category over 10% of the total operating revenue or total operating expense categories as compared to prior period amounts. A description of any variances over the lesser of \$1 million or 10% is also provided.

COMPARISON OF PRIOR YEAR ACTUAL TO CURRENT YEAR ACTUAL

	<u>FY 2014</u> <u>Totals</u>	<u>FY 2015</u> <u>Totals</u>	<u>Variance \$</u> <u>Increase/</u> <u>(Decrease)</u>	<u>Variance %</u> <u>Increase/</u> <u>(Decrease)</u>
Operating Revenues				
Student Fees	\$ 4,027,277	\$ 4,179,850	\$ 152,573	3.8%
Direct Institutional Support	8,209,899	12,287,614	4,077,715	49.7% *
Operating Expenses				
Athletic student aid	4,423,657	4,813,546	389,889	8.8%
Coaching salaries, benefits, & bonuses paid by the University	5,317,130	5,488,989	171,859	3.2%
Support staff salaries, benefits & bonuses paid by the University	3,192,838	3,583,683	390,845	12.2% **

* Increase due to the University transferring funds to cover various deficit fund balances of Athletic accounts under the previous Athletic Director and the addition of additional University discretionary funds for Athletics.

** Increase due to 1) reclassification of weightroom staff from "coaching" to "support staff" and 2) increases in overall salary and benefit rates.