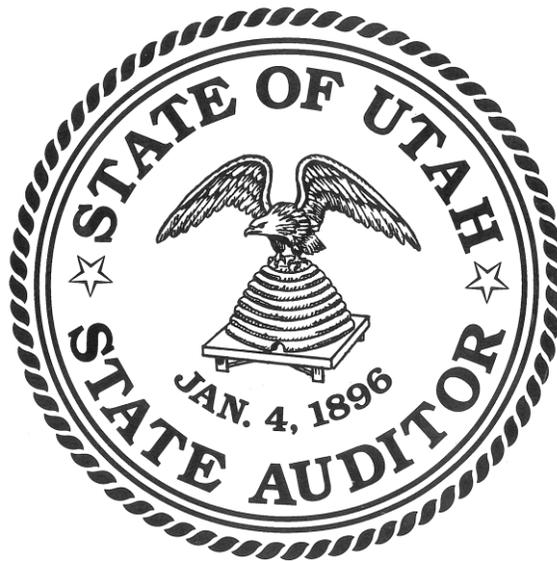


UTAH STATE UNIVERSITY

Athletic Department
Agreed-Upon Procedures Report
For the Year Ended June 30, 2017

Report No. 17-25



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Hollie Andrus, CPA, Audit Director
Sean Clayton, Audit Senior



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, 2017. 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. We found no exceptions as a result of these procedures.
- 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 Ticket Office cash receipts, Athletic Office cash receipts, payroll transactions, and non-payroll transactions for compliance with internal control policies and procedures. Sample sizes were 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. The only booster group activity is Aggies Unlimited, which is under the accounting control of the University; therefore, we did not perform additional 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, 2017, 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 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 understanding 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 \$25,000. 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.

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) 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

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.

We found no exceptions greater than \$25,000 as a result of these revenue procedures.

Expense Procedures:

Athletic Student Aid

7. We selected a sample of 36 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 Compliance Assistant (CA) software. We identified differences between the University's student system and the CA software for all 36 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 (\$3,602.77) to \$3,620.66, netting to a (\$18,406.76) difference for all 36 student athletes selected.
9. We performed a check to ensure the information for each student selected was accurately reported in the CA software using criteria listed in the 2017 NCAA 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 4 coaches that included football, and men's and women's basketball from the listing and reviewed the contract or personnel action form, if the coach did not have a formal contract for the selected coaches.
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 25 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.

Except as noted above, we found no exceptions greater than \$25,000 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 to the squad lists of the University.
- G. We obtained the University's Sports Sponsorship and Demographics Forms Report for the reporting year. We 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 reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.
- H. We could not agree the total number of student-athletes who, during the academic year, received a Pell Grant award and the total value of these Pell Grants reported in the NCAA Membership Financial Reporting System to a report, generated out of the institution's financial aid records, of all student-athlete Pell Grants. As of the date of this report, the University had not submitted this information in the NCAA Membership Financial Reporting System.

Except as noted in H, we found no exceptions greater than \$25,000 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 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 State Auditor

Office of the State Auditor
January 12, 2018

**UTAH STATE UNIVERSITY
ATHLETIC DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017**

	Football	Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:					
Ticket sales	1,282,214	642,850	43,461	36,896	2,005,421
Direct state or other govt support	-	-	127,583	-	127,583
Student fees	-	-	-	5,103,542	5,103,542
Direct institutional support	792,563	1,098,488	2,870,619	5,941,400	10,703,070
Less - Transfers to institution	-	-	-	-	-
Indirect institutional support revenue	303,293	266,293	829,259	710,620	2,109,465
rental fees	-	-	-	867,458	867,458
Guarantees	1,200,000	8,000	27,000	-	1,235,000
Contributions	2,046,378	90,080	33,444	1,828,764	3,998,666
In-kind contributions	475,533	18,273	85,405	93,974	673,185
Compensation & benefits provided by a third party	305,000	100,000	-	-	405,000
Media rights	1,382,222	-	-	225,695	1,607,917
NCAA distributions	-	-	-	1,310,168	1,310,168
Conference distributions	1,494,579	687,681	-	247,437	2,429,697
Program, novelty, parking and concession sales	-	-	-	50,942	50,942
Royalties, licensing, advertisement and sponsorships	-	-	-	989,578	989,578
Sports camp revenues	-	-	-	-	-
Athletics restricted endowment and investment income	32,841	29,224	36,290	404,939	503,294
Other operating revenue	442	31	34,642	243,192	278,307
Bowl revenues	-	-	-	-	-
	<u>9,315,065</u>	<u>2,940,920</u>	<u>4,087,703</u>	<u>18,054,605</u>	<u>34,398,293</u>
Operating expenses:					
Athletic student aid	2,231,477	407,357	3,011,899	94,040	5,744,773
Guarantees	550,000	241,161	38,308	-	829,469
Coaching salaries, benefits, & bonuses paid by the University	3,016,904	1,033,060	2,302,735	-	6,352,699
Coaching other compensation & benefits paid by a third party	305,000	100,000	-	-	405,000
Support staff salaries, benefits & bonuses paid by the University	47,031	19,269	91,765	4,258,558	4,416,623
Support staff other compensation & benefits paid by a third party	-	-	-	-	-
Severance payments	-	227,294	-	-	227,294
Recruiting	215,727	137,711	208,593	-	562,031
Team travel	740,487	323,808	1,758,760	5,262	2,828,317
Sports equipment, uniforms & supplies	523,588	70,444	509,886	98,853	1,202,771
Game expenses	311,082	274,005	360,102	35,202	980,391
Fund raising, marketing & promotion	69,878	31,917	13,157	382,927	497,879
Sports camp expenses	-	-	-	-	-
Spirit groups	-	-	-	20,500	20,500
Athletic facilities debt service, leases & rental fees	1,580,854	100,754	83,969	1,408,243	3,173,820
Direct overhead & admin expenses	51,810	5,536	179,906	727,610	964,862
Indirect institutional support expense	303,293	266,293	829,259	710,620	2,109,465
Medical expenses & insurance	160	111	1,670	487,697	489,638
Memberships & dues	1,500	2,819	19,158	472,358	495,835
Student-athlete meals (non-travel)	232,285	19,854	85,080	248,605	585,824
Other operating expenses	438,854	81,012	186,240	1,620,108	2,326,214
Bowl expenses	-	-	-	-	-
	<u>10,619,930</u>	<u>3,342,405</u>	<u>9,680,487</u>	<u>10,570,583</u>	<u>34,213,405</u>
Excess/(deficiency) of revenues over/(under) expenses	<u>(1,304,865)</u>	<u>(401,485)</u>	<u>(5,592,784)</u>	<u>7,484,022</u>	<u>184,888</u>
Other reporting items:					
Excess transfer to institution	-	-	-	-	-
Conference realignment expenses	-	-	-	-	-
Total athletics related debt	-	-	-	53,580,658	53,580,658
Total institutional debt	-	-	-	213,363,737	213,363,737
Value of athletics dedicated endowments	-	-	-	4,739,735	4,739,735
Value of institutional endowments	-	-	-	360,157,494	360,157,494
Total Athletics related capital expenditures	6,412,682	-	298,882	-	6,711,564

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, 2017

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 NCAA.
- Debt service payments paid by the University for athletic-related debt have been reported as Indirect Institutional Support Revenue and Athletic facilities debt service expense as required by NCAA.
- Debt service payments paid by Athletic endowment donations for Athletic related debt have been reported as Athletic endowment income and Athletic facilities debt service expense as required by 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 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 costing \$100,000 or more is capitalized when acquired. 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 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

UTAH STATE UNIVERSITY
ATHLETIC DEPARTMENT

Notes to the Statement of Revenues and Expenses
For the year ended June 30, 2017

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, and an institutional support expense allocation, based on total salaries and wages of the Athletic Department. Of the \$2,109,465 in indirect support, \$1,510,270 is operation and maintenance expense for the athletic facilities and \$599,195 is institutional support expense.

Athletic Department Debt – The principal balance of all external Athletic Department debt at June 30, 2017 is \$41,434,686. This includes the Series 2015 Stadium Bonds in the amount of \$23,470,000, a portion of the Series 2013B bonds for the Wayne Estes Center in the amount of \$8,377,000, the Series 2013 bonds for the Stadium/Spectrum in the amount of \$6,555,000, and contracts payable (SunTrust Leasing Corporation) for scoreboards and field turf in the amount of \$608,322 and contracts payable (Zions Bank) for scoreboards and a sound system in the amount of \$2,424,364. In fiscal year 2017, annual external debt service payments totaled \$3,173,820 of which \$2,722,342 was related to facilities and \$451,478 was related to equipment. Of the \$3,173,820 of total debt service, the Institution paid \$856,243 and the Athletic Department paid \$2,317,577.

The Wayne Estes Center (Series 2013B bonds) and Stadium/Spectrum Bonds (Series 2013 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:

Fiscal Year	Wayne Estes Center Bonds		Stadium Spectrum Bonds		Stadium Maverick Bonds		SunTrust Leasing Corp		SunTrust Leasing Corp		Zions Bank		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$155,000	\$386,197	\$625,000	\$194,950	\$440,000	\$920,015	\$90,629	\$10,125	\$58,468	\$2,209	\$510,939	\$67,875	\$3,461,407
2019	160,000	380,527	650,000	174,387	460,000	902,348	92,767	7,986	59,695	981	526,433	52,342	3,467,466
2020	166,000	373,987	675,000	148,138	475,000	883,502	94,957	5,797	15,118	51	542,398	36,337	3,416,285
2021	174,000	367,160	700,000	120,888	500,000	859,648	97,197	3,556			558,847	19,846	3,401,142
2022	180,000	360,060	735,000	92,537	525,000	834,544	99,491	1,263			285,747	3,584	3,117,226
2023-27	1,024,000	1,678,408	3,170,000	167,166	3,040,000	3,764,707							12,844,281
2028-32	1,294,000	1,406,573			3,615,000	3,185,379							9,500,952
2033-37	1,645,000	1,056,117			4,285,000	2,510,302							9,496,419
2038-42	2,070,000	628,752			5,185,000	1,609,917							9,493,669
2043-46	1,509,000	109,387			4,945,000	487,717							7,051,104
	<u>\$8,377,000</u>	<u>\$6,747,168</u>	<u>\$6,555,000</u>	<u>\$898,066</u>	<u>\$23,470,000</u>	<u>\$15,958,079</u>	<u>\$475,041</u>	<u>\$28,727</u>	<u>\$133,281</u>	<u>\$3,241</u>	<u>\$2,424,364</u>	<u>\$179,984</u>	<u>\$65,249,951</u>

Contributions and Major Nonoperating Activities – The Athletic Department received contributions from Cache Valley Electric Company in the amount of \$1,559,605 which is greater than 10% of the total gift revenue from groups of two or more individuals. Contributions of \$1,587,623 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 \$935,578 were received in the University’s plant 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:

UTAH STATE UNIVERSITY
ATHLETIC DEPARTMENT

Notes to the Statement of Revenues and Expenses
For the year ended June 30, 2017

Contributions reported on Statement of Revenues and Expenditures	\$4,671,851
Contributions received in the University's endowment and plant funds	<u>2,523,201</u>
Total contributions	<u><u>\$7,195,052</u></u>

Utah State University Athletics
Auditors Analysis of Significant Variances
For the Year Ended June 30, 2017

Operating Revenues	FY 2017 Totals	FY 2016 Totals	Variance \$ Increase/ (Decrease)	Variance % Increase/ (Decrease)	
Student Fees	5,103,542	4,332,793	770,749	17.8%	*
Direct Institutional Support	10,703,070	10,878,674	(175,604)	-1.6%	
Contributions	3,998,666	2,780,187	1,218,479	43.8%	**
Operating Expenses					
Athletics Student Aid	5,744,773	5,449,287	295,486	5.4%	
Coaching salaries, benefits, etc. paid by the University	6,352,699	5,863,844	488,855	8.3%	
Support staff salaries, benefits, etc. paid by the University	4,416,623	3,632,189	784,434	21.6%	***

* Change is the result of an institutional charge regarding student fees for online classes.

** Change is a combination of three factors: 1) The FY17 opening of the Maverick Football Stadium Complex included premium seating; these seats carried significant donation requirements resulting in increased contributions. 2) Men's basketball received a significant donation to fund a foreign tour. 3) General gifts were down because many donors directed donations towards premium seating.

*** Change is due to contractual increases, bringing outside ticket sales in house, and additional full time positions in the following departments: Training Room, Academics, Weight Room, Equipment Room, Marketing and Events.