



UTAH STATE UNIVERSITY

Athletic Department
Agreed-Upon Procedures Report
For the Year Ended June 30, 2008

Report No. 08-39

*Keeping Utah
Financially Strong*

AUSTON G. JOHNSON, CPA
UTAH STATE AUDITOR



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INDEPENDENT STATE AUDITOR'S REPORT

Report No. 08-39

To the Board of Trustees, Audit Committee,
and
Stan Albrecht, President
Utah State University

We have audited the financial statements of Utah State University (the University) as of and for the year ended June 30, 2008, and have issued our unqualified report thereon dated November 11, 2008. We have also performed the procedures enumerated below, which were agreed to by the University's management, solely to assist in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the University is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. for the year ended June 30, 2008. The University's management is responsible for the accompanying Statement and 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

1. We reviewed the general control environment for the Athletic Department. As part of this review, we looked at the organization of the Athletic Department. We made certain inquiries of management regarding control consciousness, competence of personnel, adequate safeguarding and control of records and assets, the extent of the Internal Audit Department's involvement with athletics, and the controls over interactions with the Information Technology Department. We also tested the specific elements of the control environment and accounting systems that are unique to the Athletic Department that have not been addressed in connection with the audit of the University's financial statements. This included testing samples of transactions for compliance with internal control policies for the Ticket Office cash receipts and Athletics Office cash receipts, payroll transactions and non-payroll transactions. Our sample sizes were limited to 25 items or 10% of the population, whichever was smaller.

2. 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 included under the accounting control of the University.

STATEMENT OF REVENUES AND EXPENSES – AGREED-UPON PROCEDURES

3. We obtained the Athletic Department's Statement of Revenues and Expenses (the Statement) for the year ended June 30, 2008, as prepared by management and as presented in Exhibit I. We agreed the revenues and expenses on the Statement to the University's general ledger and supporting schedules, as applicable. We ensured that the amounts were reported in accordance with the NCAA Guidelines and generally accepted accounting principles. Adjustments made on the schedule to allocate revenues and expenses between activities and non-program specific activities were reviewed for reasonableness and consistency with the allocation description in the notes. Adjustments were reviewed on a sample basis.
4. We compared and agreed samples of revenue receipts and expenses to adequate supporting documentation.
5. We compared each major revenue and expense account to prior period amounts. The University does not prepare budgets for the categories included in the NCAA statement; therefore, we were unable to compare each major revenue and expense account to budget estimates. However, we were able to compare each budgeted expense category to actual expenses in the Athletic Department's accounts. We obtained and documented an understanding of any significant variances greater than \$25,000 and 20%. There were no significant variances which were unexplained.
6. We performed the following procedures related to the University's Athletic Department revenues and recalculated the totals for each category:
 - a. *Ticket Sales*
 - For a sample of two sports (football and men's basketball), we compared the 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.
 - b. *Contributions*
 - We compared each major revenue account to prior period amounts. We were unable to compare major revenue accounts to budget estimates, see 5 above. We obtained and documented an understanding of any significant variances (greater than \$25,000 and 20%).
 - There were no contributions 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) that constitute 10% or more of all contributions received for intercollegiate athletics.
 - c. *NCAA/Conference Distributions Including All Tournament Revenues*
 - We obtained and inspected agreements related to revenues from the University's participation in tournaments to gain an understanding of the relevant terms and conditions.
 - We compared and agreed the related revenues to the University's general ledger and/or the Statement.

We found no exceptions as a result of these procedures.

7. We performed the following procedures related to the University's Athletic Department expenses, and recalculated the totals for each category:

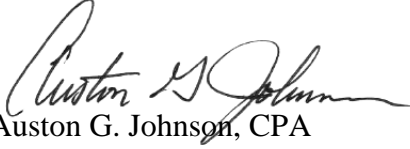
- a. *Athletic Student Aid*
 - We selected a sample of 25 students from the listing of institutional student aid recipients.
 - We obtained individual student account detail for each selection and compared total aid from the related aid award letter to the student's account.
- b. *Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities*
 - We selected a sample of 10% of coaches' contracts that included football and men's and women's basketball.
 - We compared and agreed the financial terms and conditions of each contract selected to the related coaching salary, benefits, and bonuses recorded by the University and related entities in the Statement.
 - We compared and agreed related W-2s, 1099s, etc. to the related coaching salaries, benefits, and bonuses paid by the University and related entities expenses as recorded by the University in the Statement.
- c. *Severance Payments*
 - We noted that there were no employees receiving severance payments from the University during fiscal year 2008.
- d. *Membership and Dues*
 - We agreed membership and dues expenditures on the Statement to the University's general ledger and supporting schedules as described in 3. above. We also compared membership and dues to the prior period amounts and obtained an understanding of significant variances as described in 5. above. We were unable to compare actual memberships and dues to budget estimates as described in 5. above.

We found no exceptions as a result of these procedures.

8. We reviewed the footnotes to the Statement and found them to be proper and in compliance with NCAA guidelines.

We were not engaged to and did not conduct an examination of internal controls related to the Athletic Department or an audit of the Athletic Department's Statement of Revenues and Expenses, the objective of which would be the expression of an opinion on either the Athletic Department's internal control or on the accompanying Statement of Revenues and Expenses. Accordingly, we do not express any such opinions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to the University.

This report is intended solely 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.


Auston G. Johnson, CPA
Utah State Auditor
January 15, 2009

UTAH STATE UNIVERSITY
ATHLETIC DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	Football	Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:					
Ticket sales	\$ 440,332	\$ 809,634	\$ 17,336		\$ 1,267,302
Student fees	206,295	723,452	634,597	\$ 2,490	1,566,834
Guarantees	700,000				700,000
Contributions	143,807	20,330	39,693	1,102,460	1,306,290
State support			79,339		79,339
Direct institutional support	890,239	394,728	814,685	3,129,715	5,229,367
NCAA conference distributions	562,778	416,175	207,305	183,802	1,370,060
Broadcast, TV, radio					0
Program sales, concessions, etc.	11,618	27,108			38,726
Royalties, advertising, sponsors	318,856	318,856	70,857		708,569
Endowment and investment inc.	727,943	76,820	117,255	77,096	999,114
Other	1,202	135	22,156	175,662	199,155
Subtotal operating revenue	<u>4,003,070</u>	<u>2,787,238</u>	<u>2,003,223</u>	<u>4,671,225</u>	<u>13,464,756</u>
Operating expenses:					
Athletics student aid	1,759,909	214,979	1,317,508	252,452	3,544,848
Guarantees	100,000	208,000	2,000		310,000
Coaching salaries, benefits, etc.	1,133,996	875,730	1,109,161		3,118,887
Support staff salaries, benefits, etc.	23,888	82,868	53,948	1,778,885	1,939,589
Recruiting	108,233	61,967	87,123		257,323
Team travel	517,129	270,453	902,770		1,690,352
Equipment, uniforms and supplies	149,397	60,922	227,949	188,099	626,367
Game expenses	75,289	92,342	107,897		275,528
Fund raising, marketing, promotions				92,509	92,509
Direct facilities, maintenance and rental	565,366	189,067	32,392	331,395	1,118,220
Medical expenses and insurance		1,607		203,807	205,414
Memberships and dues	2,220	230	3,935	409,220	415,605
Other operating expenses	214,583	95,134	151,517	767,370 **	1,228,604
Subtotal operating expenses	<u>4,650,010</u>	<u>2,153,299</u>	<u>3,996,200</u>	<u>4,023,737</u>	<u>14,823,246</u>
Excess/(deficiency) of revenues over/(under) expenses	<u>\$ (646,940)</u>	<u>\$ 633,939</u>	<u>\$ (1,992,977)</u>	<u>\$ 647,488</u>	<u>\$ (1,358,490)</u>

**Top Three Categories
Professional/technical fees
Insurance
Visits/receptions/guests

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

UTAH STATE UNIVERSITY
ATHLETIC DEPARTMENT

NOTES TO THE STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

Accrual Basis - The accompanying statement of revenues and expenditures has been prepared on the accrual basis of accounting and presents the results of financial activity of the Athletic Department. Financial aid expenses have not been reduced for scholarship allowances. Tuition waivers have been reported as Tuition Waivers Revenue and Financial Aid Expense. 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 - 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 \$50,000 or more are capitalized, as are improvements to buildings costing \$50,000 or more that extend the useful life of the building. Improvements other than buildings costing \$50,000 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.

Student activity fees for Football and Basketball have been allocated based on student attendance at the general admission rates, with the remainder being allocated to "Other Sports".

Advertising revenue has been allocated based on management's estimate of which sport generated the revenue. It was estimated that 45% was attributable to Football, 45% to Basketball and 10% to Other Sports.

The state appropriations were allocated 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.

Fund balances from prior years were used to fund current year expenditures where operating costs exceeded current year revenues.

UTAH STATE UNIVERSITY
ATHLETIC DEPARTMENT

NOTES TO THE STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

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". General administrative costs of the University have not been allocated to athletics operations and are not reported herein.

Athletics Debt – The principal balance of all Athletics' debt at June 30, 2008 is \$11,334,701. This includes the University's Stadium/Spectrum and Student Recreation Bonds, Series 2004A (Stadium/Spectrum Bonds) in the amount of \$9,925,000 and contracts payable for scoreboards in the amount of \$1,409,701.

The Stadium/Spectrum Bonds are secured by a pledge of student building fees. The contracts payable are secured with revenue generated by the Athletics department.

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

Fiscal Year	Bond Principal	Bond Interest	Contract Principal	Contract Interest	Total
2009	\$ 340,000	\$ 479,137	\$ 208,899	\$ 57,344	\$ 1,085,380
2010	355,000	466,884	218,504	47,733	1,088,121
2011	375,000	453,150	228,552	37,677	1,094,379
2012	395,000	437,950	239,066	27,158	1,099,174
2013	415,000	421,431	203,229	16,352	1,056,012
2014-2018	2,465,000	1,766,869	311,451	27,115	4,570,435
2019-2023	3,215,000	1,049,563			4,264,563
2024-2028	2,365,000	211,188			2,576,188
	<u>\$9,925,000</u>	<u>\$5,286,172</u>	<u>\$1,409,701</u>	<u>\$213,379</u>	<u>\$16,834,252</u>

Contributions and Major Non-operating Activities – There were no direct contributions to the Athletic Department greater than ten percent of the total gift revenue from groups of two or more individuals. In addition, there were no significant changes to endowments for Intercollegiate Athletics during the year ended June 30, 2008. Contributions of \$83,960 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	\$1,306,290
Contributions received in the University's endowment fund	<u>83,960</u>
Total contributions	<u>\$1,390,250</u>