

Central Michigan University
Intercollegiate Athletics Program

Report on Agreed-Upon Procedures

For the year ended June 30, 2008



Independent Accountants' Report on
Applying Agreed-Upon Procedures

Dr. Michael Rao
President
Central Michigan University
Mt. Pleasant, Michigan

Dear President Rao:

We have audited the financial statements of Central Michigan University (the "University") as of and for the year ended June 30, 2008, and have issued our unqualified report thereon dated August 29, 2008. We have also performed the procedures enumerated below, which were agreed to by you, solely to assist you in evaluating whether the accompanying statement of revenues and expenses of the University is in compliance with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. The University's Management is responsible for 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 the specified user of the 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.

Agreed-Upon Procedures Related to the Statement of Revenues and Expenses

The Management of the University is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by Management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide Management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with Management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

INTERNAL CONTROL PROCEDURES

- We identified and documented aspects of the general control environment for the Athletics Department. We evaluated departmental organization (after obtaining an organization chart), control consciousness, competence of personnel, use of internal auditors in the department, controls over interaction with the information technology department, and protection of records and equipment.
- We obtained an understanding of the internal accounting controls unique to intercollegiate athletics in order to ensure that recorded revenues are completed and expenses are properly authorized. We reviewed the extent of documentation of these accounting systems and procedures. This review included controls over cash receipts, expense disbursements, and payroll disbursements. It also included controls related to accounting systems that were not reviewed in conjunction with the University audit, such as controls over ticket sales and other areas. We noted exceptions related to controls over ticket sales reporting as discussed within this report.
- We expanded the non-payroll disbursement test performed during the audit of the University to include a sample of 3 disbursements charged to the Intercollegiate Athletics Program and examined related supporting documentation. We noted no exceptions as a result of our testing.
- We expanded the payroll disbursement test performed during the audit of the University to include a sample of 3 disbursements charged to the Intercollegiate Athletics Program and examined related supporting documentation. We noted no exceptions as a result of our testing.

SUBSTANTIVE PROCEDURES

General

- We obtained a printout of revenues and expenses for the athletic department accounts and traced and reconciled amounts reported on the statement to the University's cost center and supporting schedules.
- We performed analytical review procedures by comparing current year revenue and expenses of the intercollegiate athletics programs to the prior year and current year budget in order to identify unusual fluctuations. We obtained and documented an understanding of these variances. We noted no exceptions as a result of our testing.
- We determined that the University does not allocate indirect facilities and administrative support costs to specific programs/sports through inquiry with management.
- We obtained supporting documentation for additions to restricted funds (none were noted), changes to endowment funds, and significant (all items greater than 10% of total capital additions) changes to plant funds. No exceptions were noted during our testing.
- We inquired about the existence of outstanding athletics debt maintained by the University during the reporting period and obtained a description and repayment schedules of athletics debt. We recalculated annual maturities (consisting of principal and interest) provided in the repayment schedules obtained. We also agreed the total annual maturities to supporting

documentation and the University's general ledger. No exceptions were noted during our testing.

- We inquired of members of the Athletics Department regarding the existence of any significant outside booster group, alumni organization, and independent or affiliated foundation activities for or on behalf of the intercollegiate athletics program. We were informed that there were none. We also inquired if any internal booster group supports intercollegiate athletics. We did note that the Chippewa Club was one such club whose purpose is to raise funds for intercollegiate athletics. We also noted that all monies raised through the Chippewa Club are recorded with other athletic contributions and turned into the Development Office in accordance with the University policy. We noted no exceptions as a result of our testing.
- We reviewed for reasonableness and vouched work performed by the Internal Audit Department of the University and documented reliance upon that work during our testing of the Athletics area. Except for what is noted below under Ticket Sales, we noted no exceptions as a result of our testing.

Revenues

Ticket Sales

- 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 CMU Athletics Department in the Statement of Revenues and Expenses and the related attendance figures by performing the following:
 - Examined 16 billings and traced name, amount of payment, form of payment, seats, and type of ticket holder to the athletic ticket system for agreement. We noted no exceptions as a result of our testing.
 - Selected 10 System Batch Reports and reviewed for intern or coordinator review; clerical accuracy; reconciliation of cash to the computer ticket system; timeliness of deposit; and whether the cash, checks, and individual event sales traced to the deposit tickets; whether the deposits traced to the general ledger; whether there were reconciling problems; and whether there was agreement between the credit card sales and the general ledger. We noted no exceptions as a result of our testing.
 - Selected 5 Order Detail Reports and footed and recalculated totals. Traced season tickets on the report to the subscriber lists by selecting a sample of 10 people and traced payment history to ensure that the report is accurate. We noted no exceptions as a result of our testing.
 - Our procedures also included tracing football Order Detail Reports ticket numbers and revenue dollar numbers to the NCAA report as well as selecting 2 events and reconciling to the system batch reports; however, Order Detail Reports could not be reconciled to system batch reports because the system batch does not include the appropriate detail for each event and only shows the totals for the day. We were able to perform a reconciliation of revenue from Order Detail Reports to the NCAA report with a difference of \$174.17.

- Obtained copies of 2 football Order Detail Reports and obtained the reduced price ticket stubs counted and reconciled to the game report. Also obtained copies of 2 football Order Detail Reports and if Athletics has documentation for discounted tickets, traced to it. We noted that ticket stubs from each game are maintained in a large plastic bag and are not divided by price; therefore, actual discounted ticket stubs were not obtained or counted. In place of these, Ticket Type Reports were obtained from the XOS system. These reports listed the recipient of discounted tickets, the game of issue, the seats, the amount of tickets sold, and the discount pricing code. We noted no exceptions as a result of our testing.
- Obtained copies of 2 football Order Detail Reports and traced the number of CMU students to the count sheets. We noted that the number of students present at games is not listed on the Order Detail Report. Therefore, it was not possible to trace student attendance from the report to the count sheets. In place of this, we obtained Internal Audit attendance sheets for 2 football games. According to management, the “clicker” count totals should be exclusively students. Approximate student attendance for the Eastern Michigan game totaled 8,120 and for the North Dakota State game, 7,028. Amounts appear reasonable.
- Obtained copies of 2 football Order Detail Reports and reviewed the number of CMU Marching Band members submitted by the Band Director (band roster) for reasonableness. We noted that despite repeated requests in the past, band count sheets were not supplied to the Ticket Office. We therefore obtained a memo sent to the Board of Trustees of the University from the Internal Audit Department which listed the final counts of attendance at the football games. Amounts totaled 1,415 for both games and appeared reasonable.
- Obtained copies of all football Order Detail Reports and traced to the NCAA report and determined that the reports were clerically accurate and submitted to NCAA prior to February 15th. We noted no exceptions as a result of our testing.
- Reviewed 3 ticket seller’s statements and examined for proper information and signatures; recalculated ticket sales and total cash; reviewed trouble sheet for accurate information; traced deposit to general ledger; and for 3 events, reconciled the number of tickets printed to the number sold plus the number of unsold consignment tickets. We noted no exceptions as a result of our testing.
- Reconciled total revenue recorded in the general ledger with game reports. Obtained the adjustment to clear out the account and traced sales to event reports; traced the adjustment to the general ledger accounts 55075; scanned the general ledger for other items; and determined if the account was cleared for the season. From discussion with management, we noted that a clearing account is no longer used to move revenue into specific sports. The new XOS ticket system has the capability of sorting revenue into specific general ledger accounts when it is received, thus eliminating the necessity to run it through the clearing account. Therefore, tracing adjustments to the general ledger was not deemed necessary. Clearing account was cleared for the season.

- Determined how voids and returns are handled. Selected 10 dates from the manual void/return log and traced to the tickets and ensured that they were defaced. We noted no exceptions as a result of our testing. As noted in the prior year report, a written log will document voids and returns but it may still pose a risk for loss of voided tickets for accounting purposes because management would still be unable to reconcile a system generated report of all voids and returns to the physical void and return tickets.

Student Fees

- We noted that the CMU Athletics Department does not have any revenue related to student fees.

Away-Game Sales and Guarantees

- We selected a sample of 14 contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compared and agreed each selection to the University's general ledger and/or statement of revenues and expenses. We noted no exceptions as a result of our testing.
- We reviewed the guarantee game revenue with the applicable schools for football and basketball. Also, we obtained copies of sports schedules to determine if guarantees should have been received for other away games. No exceptions were noted as a result of our testing.

Contributions

- We obtained and reviewed a listing of individual contributions of monies, goods, or services received directly by an intercollegiate athletics program for any affiliated or outside organization, agency, or group of individuals and noted that none of them constituted 10% or more of all contributions received for intercollegiate athletics.

Compensation and Benefits Provided by a Third Party

- We noted that there was compensation and benefits provided by a third party in the amount of \$25,120 which includes amounts paid to various CMU Athletics Department staff for camps, clinics, speaking engagements, endorsement contracts, development programs, and filming assistance. The remaining amount shown in the Statement of Revenues and Expenses is the value of seven graduate students provided to the athletics department in exchange for teaching duties in the physical education and sports department.

Direct State or Other Governmental Support

- We noted that the CMU Athletics Department does not receive direct state or other governmental support.

Direct Institutional Support

- We compared the direct institutional support recorded by the CMU Athletics Department during the reporting period with state appropriations, institutional authorizations, and other corroborative supporting documentation. No exceptions were noted as a result of our testing.

Indirect Facilities and Administrative Support

- We noted that there was no indirect facilities and administrative support received by specific programs/sports.

NCAA/Conference Distributions Including All Tournament Revenues

- We obtained and inspected agreements related to the CMU Athletics Department's participation in revenues from tournaments during the reporting period to gain an understanding of the relevant terms and conditions. We noted that all relevant terms and conditions appeared reasonable. We also compared and agreed the related revenues to the University's general ledger. No exceptions were noted as a result of our testing.

Broadcast, Television, Radio, and Internet Rights

- We obtained and inspected 10 agreements related to the CMU Athletics Department's participation in revenues from broadcast, television, radio, and internet rights to gain an understanding of the relevant terms and conditions. We noted that all relevant terms and conditions appeared reasonable. We also compared and agreed the related revenues for the 10 agreements to the University's general ledger. No exceptions were noted as a result of our testing.

Royalties, Licensing, Advertisements, and Sponsorships

- We obtained and inspected agreements related to the CMU Athletics Department's participation in revenues from royalties, licensing, advertisements, and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions. We noted that all relevant terms and conditions appeared reasonable. We also compared and agreed the related revenues for advertisements to the University's general ledger. No exceptions were noted as a result of our testing.

Sports Camp Revenues

- We inspected 2 sports camp contracts between the CMU Athletic Department and persons conducting institutional sports camps or clinics during the reporting period to obtain an understanding of the University's methodology for recording revenues from sports camps. We noted that the methodology appeared reasonable. We also selected a sample of 12 individual camp participant cash receipts from the schedule of sports camp participants and agreed each selection to the University's general ledgers. We noted no exceptions as a result of our testing.

Endowment and Investment Income

- We obtained and inspected 10 endowment agreements to gain an understanding of the relevant terms and conditions. We compared and agreed the classification and use of endowment and investment income reported in the Statement of Revenues and Expenses during the reporting period to the uses of income defined within the related endowment agreement. No exceptions were noted as a result of our testing.

Expenses

Athletic Student Aid

- We selected a sample of 5 students from the listing of institutional student aid recipients during the reporting period. 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. No exceptions were noted as a result of our testing.

Guarantees

- We obtained and inspected contractual agreements pertaining to expenses recorded by the CMU Athletics Department from guaranteed contests during the reporting period and reviewed for reasonableness. We noted no exceptions as a result of our testing.
- We obtained the schedule of guarantee expenses and agreed it to the general ledger. We reviewed the guarantee game expenses and agreed them with the applicable contractual agreements for football and basketball. Also, we obtained copies of sports schedules to determine if guarantees should have been paid for other home games. We noted no exceptions as a result of our testing.

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

- We obtained and inspected a listing of coaches employed by the University during the reporting period. We then selected a sample of three coaches' contracts that included football, men's basketball, and women's basketball from the listing of coaches employed by the University. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the CMU Athletics Department in the Statement of Revenues and Expenses during the reporting period. We obtained and inspected W-2's for each selection and compared and agreed these to the related coaching salaries, benefits, and bonuses paid by the University and recorded by the CMU Athletics Department in the Statement of Revenues and Expenses during the reporting period. No exceptions were noted as a result of our testing.

Coaching Other Compensation and Benefits Paid by a Third Party

- We noted that there was coaching compensation and benefits paid by a third party in the amount of \$25,120 which includes amounts paid to coaches for camps, clinics, speaking engagements, endorsement contracts, and development programs. The remaining amount shown in the Statement of Revenues and Expenses is the value of seven graduate students provided to athletics department in exchange for teaching duties in the physical education and sports department.

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

- We selected a sample of 5 support staff/administrative personnel employed by the University and related entities during the reporting period. We then obtained and inspected W-2's for each selection. We compared and agreed these to the related support staff/administrative salaries, benefits, and bonuses paid by the University and related entities expense recorded by the CMU Athletics Department in the Statement of Revenue and Expenses during the reporting period. We noted no exceptions as a result of our testing.

Support Staff/Administrative Other Compensation and Benefits Paid by a Third Party

- The amount shown in the Statement of Revenues and Expenses is the value of two graduate students provided to athletics department in exchange for teaching duties in the physical education and sports department.

Severance Payments

- We selected the only employee that received severance payments by the University during the reporting period and agreed the severance payment to the related termination letter or employment contract. We noted no exceptions as a result of our testing.

Recruiting

- We obtained and documented an understanding of the CMU Athletics Department's recruiting expense policies. We then compared and agreed this to existing institutional and NCAA related policies. We noted no exceptions as a result of our testing.

Team Travel

- We obtained and documented an understanding of the CMU Athletics Department's team travel policies. We then compared and agreed this to existing institutional and NCAA related policies. We noted no exceptions as a result of our testing.

Indirect Facilities and Administrative Support

- We noted that there was no indirect facilities and administrative support costs charged to specific programs/sports.

Capitalized Assets, Additions, and Improvements of Facilities

- We obtained a schedule of total intercollegiate athletics capitalized assets, additions, and improvements of facilities by type. We then traced the amounts to the general ledger. No exceptions were noted as a result of our testing.
- For any significant athletic department capitalized additions made by the University greater than 10% of total capital additions, we agreed the recorded cost to adequate supporting documentation. No exceptions were noted as a result of our testing.

* * *

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying Statement of Revenue and Expenses of the University. Accordingly, we do not express such an opinion. Also, we express no opinion on the University's internal control over financial reporting or any part thereof. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Trustees, Management of Central Michigan University and the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than those who have agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes of these specified parties.

Saginaw, Michigan
November 10, 2008

Exhibit I
Central Michigan University
Intercollegiate Athletics Program
Statement of Revenues and Expenses
For the year ended June 30, 2008
(Dollars in Thousands)

	Football	Men's Basketball	Women's Basketball	Baseball	Other Sports	Non- Program Specific	Total
Revenues:							
Ticket sales	\$ 707	\$ 75	\$ 5	\$ 7	\$ 37	\$ 50	\$ 881
Away-game sales and guarantees	1,100	105	28	11			1,244
Contributions	394	60	60	134	471	352	1,471
Compensation and benefits provided by a third party	4	10		18	77	34	143
Direct institutional support						14,357	14,357
NCAA/Conference distributions including all tournament revenues	452	151			29	648	1,280
Broadcast, Television, Radio, and Internet Rights	52	24					
Program sales, concessions, novelty sales, and parking	45	5		5	2	57	114
Royalties, licensing, advertisements, and sponsorships	364	89	80	19	77	193	822
Sports camp revenues	121	131	181	69	587	42	1,131
Endowment and investment income	2		1	2	4	7	16
Other revenues	8		5	3	1	84	101
Total operating revenue	3,249	650	360	268	1,285	15,824	21,636
Expenses:							
Athletic student aid	1,500	200	211	185	1,783	227	4,106
Guarantees	325	18	3		1		347
Coaching salaries, benefits, and bonuses paid by the University	1,337	446	366	179	1,499		3,827
Coaching other compensation and benefits paid by a third party	4	10		18	77		109
Support staff/administrative salaries, benefits, and bonuses paid by the University	343	79	52			2,023	2,497
Support staff/administrative other compensation and benefits paid by a third party						34	34
Severance payments			17				17
Recruiting	146	50	45	26	134		401
Team travel	790	142	99	110	470		1,611
Equipment, uniforms, and supplies	146	3	24	20	99	4	296
Game expenses	199	69	36	14	45	22	385
Fundraising, marketing, and promotion	680	163	86	54	97	309	1,389
Sports camp expenses	65	156	75	32	382	150	860
Direct facilities, maintenance, and rental	43	6	6	17	217	4,215	4,504
Other operating expenses	139	37	38	23	104	912	1,253
Total operating expenses	5,717	1,379	1,058	678	4,908	7,896	21,636
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	\$(2,468)	\$(729)	\$(698)	\$(410)	\$(3,623)	\$ 7,928	\$ 0

See notes to statement of revenues and expenses.

Central Michigan University

Intercollegiate Athletics Program

Notes to Statement of Revenues and Expenses

For the year ended June 30, 2008

1. Basis of Presentation and Summary of Significant Accounting Policies

The statement of revenues and expenses for the Intercollegiate Athletics Program has been prepared in accordance with the accounting principles generally accepted in the United States of America and the *NCAA Financial Audit Guidelines*.

2. Capital Assets

	Beginning Balance July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008
<i>Buildings</i>				
Football	\$ 4,578,400	-	-	\$ 4,578,400
Basketball	14,034,566	\$ 669,542	-	14,704,108
Other	27,948,981	40,675	-	27,989,656
Total buildings	46,561,947	710,217	-	47,272,164
<i>Land improvements</i>				
Football	155,928	706,668	-	862,596
Basketball	502,483	-	-	502,483
Other	484,438	-	-	484,438
Total land improvements	1,142,849	706,668	-	1,849,517
<i>Infrastructure</i>				
Other	410,534	-	-	410,534
Total infrastructure	410,534	-	-	410,534
<i>Capitalized collections</i>				
Football	10,680	-	-	10,680
Total capitalized collections	10,680	-	-	10,680
<i>Equipment</i>				
Football	144,247	20,373	\$ 23,534	141,086
Basketball	761,035	-	112,767	648,268
Other	230,079	-	8,752	221,327
Total equipment	1,135,361	20,373	145,053	1,010,681
TOTAL	49,261,371	1,437,258	145,053	50,553,576
<i>Less accumulated depreciation:</i>				
Buildings	16,348,678	1,213,635	-	17,562,313
Land improvements	496,716	829,644	-	1,326,360
Infrastructure	104,146	20,631	-	124,777
Equipment	955,321	51,176	126,850	879,647
TOTAL	17,904,861	2,115,086	126,850	19,893,097
CAPITAL ASSETS, NET	\$31,356,510	\$ (677,828)	\$ 18,203	\$30,660,479

Central Michigan University

Intercollegiate Athletics Program

Notes to Statement of Revenues and Expenses (continued)

2. Capital Assets (continued)

All capital assets follow the policies of the University when acquiring, approving, depreciating, and disposing of intercollegiate athletics related assets. See notes to the University financial statements for further detail.

3. Booster Activity

The athletics area of the University has an internal booster club called the Chippewa Club. Its purpose is to raise funds for intercollegiate athletics. Monies raised through the club are collected and accounted for in the University's Development Office, which collects all contributions for the University.

4. Long Term Debt

Intercollegiate Athletic related long-term debt and other obligations consist of the following as of June 30, 2008:

General Revenue Bonds	Interest Rate	Fiscal Year Maturity	Beginning Balance July 1, 2007	Reductions	Ending Balance June 30, 2008	Current Portion
Series 1998:						
Series Bonds	4.35-4.85%	2009-2014	\$ 9,380,000	\$1,165,000	\$ 8,215,000	\$1,225,000
Term Bonds	4.80-5.00%	2015-2028	29,010,000	-	29,010,000	-
TOTAL			\$38,390,000	\$1,165,000	\$37,225,000	\$1,225,000

The principal and interest on notes and bonds are payable only from certain general revenues. The obligations are generally callable. The principal and interest amounts due in each of the succeeding five years ending June 30 and thereafter are as follows:

	Principal	Interest	Total
2009	\$ 1,225,000	\$ 1,796,229	\$ 3,021,229
2010	1,275,000	1,741,216	3,016,216
2011	1,330,000	1,682,590	3,012,590
2012	1,395,000	1,619,899	3,014,899
2013	1,460,000	1,552,790	3,012,790
2014-2018	8,470,000	6,604,098	15,074,098
2019-2023	10,860,000	4,213,750	15,073,750
2024-2028	11,210,000	1,196,500	12,406,500
TOTAL	\$37,225,000	\$20,407,072	\$57,632,072