



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

**Financial Statements Audit Report**

**Central Washington University  
Athletic Department**

**For the period July 1, 2013 through June 30, 2014**

**Published January 22, 2015**

**Report No. 1013484**





## Washington State Auditor Troy Kelley

January 22, 2015

Central Washington University Athletic Department  
Ellensburg, Washington

### **Report on Financial Statements**

Please find attached our report on the Central Washington University Athletic Department's financial statements.

We are issuing this report in order to provide information on the University Athletic Department's financial condition.

Sincerely,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

## **Central Washington University Athletic Department July 1, 2013 through June 30, 2014**

Central Washington University Athletic Department  
Ellensburg, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Central Washington University Athletic Department, Kittitas County, Washington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University Athletic Department's financial statements, and have issued our report thereon dated January 15, 2015. Our report includes a reference to other auditors who audited the financial statements of the Central Washington University Foundation, as described in our report on the Central Washington University Athletic Department's financial statements. This report includes our consideration of the results of the other auditor's testing of internal controls over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Central Washington University Foundation were not audited in accordance with *Government Auditing Standards*.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the University Athletic Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University Athletic Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the University Athletic Department's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University Athletic Department's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the University Athletic Department's financial statements are free from material misstatement, we performed tests of the University Athletic Department's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University Athletic Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University Athletic Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of

public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

January 15, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## Central Washington University Athletic Department July 1, 2013 through June 30, 2014

Central Washington University Athletic Department  
Ellensburg, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying statement of revenues and expenditures of the Central Washington University Athletic Department, Kittitas County, Washington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University Athletic Department's financial statements as listed on page 10.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Central Washington University Foundation, which represents 13 percent and 12 percent, respectively, of the revenues and expenditures of the Central Washington University Athletic Department in 2014. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Central Washington University Foundation, is based on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Central Washington University Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University Athletic Department's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University Athletic Department's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, based on our audit and the report of the other auditors, the financial statement referred to above presents fairly, in all material respects, the total revenues and expenditures of the Central Washington University Athletic Department for the year ended June 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

### **Matters of Emphasis**

As discussed in Note 1, the accompanying statement of revenues and expenditures of the Central Washington University Athletic Department is intended to present the revenues and expenditures of only that portion of the business-type activities of the University that is attributable to the transactions of the University Athletic Department. It does not purport to, and does not, present fairly the revenues and expenditures of the University for the year ended June 30, 2014, in conformity with accounting principles generally accepted in the United States of America.

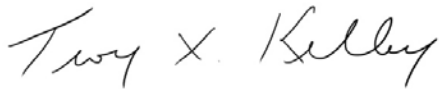
### **Other Matters**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Central Washington University as of and for the years ended June 30, 2014 and 2013, and our report thereon, dated December 22, 2014, expressed an unmodified opinion on those financial statements.



## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2015 on our consideration of the University Athletic Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University Athletic Department's internal control over financial reporting and compliance.



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

January 15, 2015

## FINANCIAL SECTION

### **Central Washington University Athletic Department July 1, 2013 through June 30, 2014**

#### **FINANCIAL STATEMENTS**

Statement of Revenues and Expenditures – 2014

Notes to Financial Statements – 2014

**ATHLETIC DEPARTMENT**  
**Central Washington University**  
**Statement of Revenues and Expenditures**  
**For the year ended June 30, 2014**

	<u>CWU</u>	<u>Foundation</u>
<b>Revenues</b>		
Tuition and Fees	\$ 3,685,446	\$ (9,704)
Sales and Services	370,160	46,945
Commissions	-	-
Contributions and Investment Interest	94,264	573,711
Other Revenue	89,711	34,035
	<u>4,239,581</u>	<u>644,987</u>
 <b>Expenditures</b>		
Salaries and Wages	1,758,823	-
Employee Benefits	472,274	-
Personal Services	126,447	300
Goods and Services	851,481	412,384
Travel	825,059	17,676
Gifts in Kind/Other	23,626	29,053
Grants and Subsidies	102,529	88,361
	<u>4,160,238</u>	<u>547,774</u>
 <b>Excess (Deficiency) of Revenues Over Expenditures</b>	 <u>\$ 79,342</u>	 <u>\$ 97,213</u>

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

**CENTRAL WASHINGTON UNIVERSITY  
ATHLETIC DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2014**

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**NOTE 1 –ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Athletic Department (the Department) is a unit of Central Washington University (the University) and manages the athletic programs of the University.

Central Washington University is a comprehensive regional institution of higher education offering baccalaureate and graduate degrees. The University is an agency of the State of Washington, governed by a Board of Trustees appointed by the governor, and included in the general-purpose financial statements of the State of Washington. The University's financial statements include the accounts of the Central Washington University Foundation, an independent, non-profit organization established to raise private funds that support the students, faculty, and programs of the University. Accordingly, the Foundation has been reported as a discretely presented component unit in the University's financial statements. Separate financial statements of the Foundation can be requested from its administrative office.

**B. Basis of Presentation**

The University's financial statements for the fiscal year ended June 30, 2014, are prepared in accordance Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

Portions of the CWU Statement of Revenues, Expenses, and Changes in Net Position are included in the accompanying statement of revenues and expenditures to the extent that activities in that presentation are associated with the Central Washington University Athletic Department.

Activities for Athletics are extracted from the following funds:

<b><u>Fund</u></b>	<b><u>Fund Name</u></b>
Fund 145	Grants and Contracts
Fund 148	Local Dedicated Revenue Fund
Fund 149	Local General Tuition
Fund 522	Student Activities
Fund 846	Scholarship Fund
Fund 000	Foundation

**C. Basis of Accounting**

These financial statements present only a selected portion of the activities of the University. As such, they are not intended to and do not present either the financial position, results of operations or changes in fund balance of Central Washington University.

As an agency of the State of Washington, the University's general and service operations are subject to the state appropriation and budgetary process, which is based on the concept that revenues and expenditures are recognized on the accrual basis. Operating revenues are recorded in the accounting period in which they are earned and become measurable. If any doubt exists, the revenue is recognized when cash is received. Expenditures are recorded in the accounting period incurred. The State of Washington appropriates funds to the University on a biennial basis. Appropriations are recognized as revenues when the related expenditures are made.

The statement of revenues and expenditures is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period. To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures - in the case of normal replacement of movable equipment; (2) mandatory transfers - in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a non-mandatory nature - in all other cases.

#### **D. Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. The University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

#### **E. Tax Exemption**

The University is exempt from federal income taxes on related income under the provisions of Section 115(a) of the Internal Revenue Code. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

#### **F. Revenues and Expenditures**

Under the full accrual basis of accounting, revenues are recognized when they become measurable and earned. Measurable means the amount of the transaction can be determined and includes the following:

1. Charges for tuition, fees, services, interest on investments, and rents in governmental funds.
2. State shared revenues that have been collected but not remitted by an intermediary collection agency to the University.
3. Grants, to the extent that expenses have been made.
4. Other intergovernmental revenues.

#### Investment Interest Income

The University's investment officer invests or deposits all temporary cash as part of Cash and Pooled Investments. Earnings from pool deposits are allocated to the funds owning the cash in proportion to the ending monthly balance in the investment pool. Consistent with any attendant restrictions, endowment or other restricted funds may be invested individually or in the investment pool. Interest earned will be credited in accordance with the terms of the endowment or contractual restrictions.

#### Gifts, Grants and Contracts Revenues

The University treats private gifts and grants as private funds and can invest these funds in the stocks or bonds of any company, association or corporation. Private funds are invested in accordance with the CWU Foundation investment committee's investment schedule. Gifts, including unconditional pledges, are recognized in the period received. Revenue from government and private grant and contract agreements is recognized as it is earned through expenditure in accordance with the agreement.

#### Intergovernmental Revenues

The Normal School Permanent Fund, established under RCW 43.79.160, is a permanent endowment fund that derives its corpus from the sale of state lands and timber. The University's share of the net earnings of the Normal School Permanent Fund and tuition distributions, reduced by expenditures for capital projects and debt service incurred over the years is reported in Fund 063. The investing activities are handled by the State Treasurer's Office, while the sale of land and timber is handled by the Department of Natural Resources. Interest earned from investments is either reinvested or used exclusively for the benefit of Central Washington University, Eastern Washington University, Western Washington University and the Evergreen State College. Central Washington University received a portion of the earnings. For fiscal year 2014 no Fund 063 expenditures were associated with the CWU Athletic Department.

All other revenues are not recognized until collected. Expenses are generally recognized when the related fund liability is incurred and measurable.

#### Maintenance and General Administration Expenditures

The expenditures on behalf of the Department for the maintenance of grounds, utilities and custodial or similar services remain unallocated for the usage of multipurpose facilities and grounds. The University reports these expenditures in Fund 001.

### **NOTE 2 – RETIREMENT PLANS**

As employees of CWU, Athletics permanent staff are eligible to participate in the Central Washington University Retirement Plan (CWURP), or the Public Employees Retirement System (PERS).

The CWURP is a defined contribution plan administered by the University. Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by the four fund sponsors. Employee contribution rates, based on age, are 5%, 7.5%, or 10% of salary. The University matches the contributions of employees. Within parameters established by the legislature, contribution requirements may be established or amended by Central Washington University's Board of Trustees.

PERS is a defined benefit pension plan administered by the State of Washington Department of Retirement Systems. The Office of the State Actuary, using funding methods prescribed by statute, determines actuarially required contribution rates for employees and employers.

2014 PERS CONTRIBUTION RATES:

<u>Plan</u>	<u>Member</u>	<u>University</u>
PERS I	6.00%	9.21%
PERS II	4.92%	9.21%
PERS III	VARIOUS	9.21%

### **NOTE 3 - DEFERRED COMPENSATION**

The University, through the State of Washington, offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. Under the plan, eligible employees can elect to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable financial emergency.

### **NOTE 4 - RELATED PARTY TRANSACTIONS**

The Central Washington University Foundation is organized to operate exclusively for the purposes of encouraging, promoting, and supporting educational programs and scholarly pursuits at or in conjunction with Central Washington University. The Foundation provided \$1,552,357 in scholarships and program support to the University. Detailed financial information for the Foundation may be obtained from its administrative office.

### **NOTE 5 – COMMITMENTS AND CONTINGENT LIABILITIES**

In accordance with state policy, the University self-insures unemployment compensation for all employees. Payments for state general fund employees are appropriated by the State. The University assesses local funds a semi-monthly payroll expense for unemployment compensation for all local fund employees. Charges for all local funds are based on employee earnings. The percentage charged is based primarily upon the insured funds claims experience.

The Risk Management Act of Washington State provides a \$5,000,000 self-insurance policy applying to all exposure to tort, general damage, and vehicle liability. The Athletic Department purchases athletic medical and catastrophic insurance to cover injuries to athletes participating in sports.

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, the ultimate resolution of these matters will not have a material adverse effect upon the University's financial position. The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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