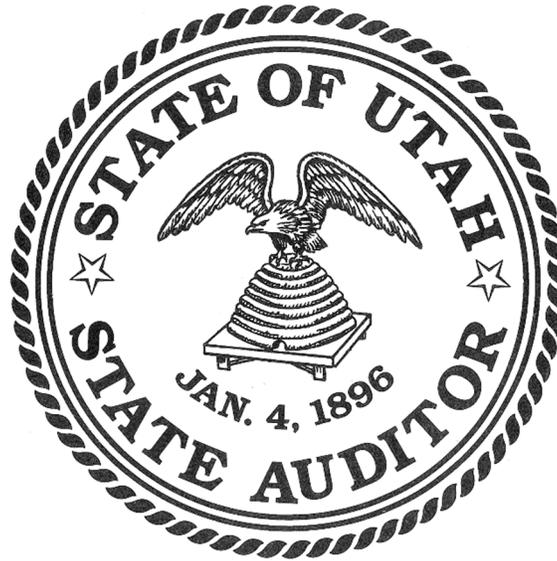


DIXIE STATE UNIVERSITY

Athletic Department
Agreed-Upon Procedures Report
For the Year Ended June 30, 2018

Report No. 18-34



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Hollie Andrus, CPA, Audit Director
Doug Seager, CPA, Audit Supervisor
Andrew Driggs, Audit Senior



OFFICE OF THE
STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee,
and
Richard B. Williams, President
Dixie State University

We have performed the procedures enumerated below, which were agreed to by Dixie 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 6.2.3 for the year ended June 30, 2018. 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 performed 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 samples of Ticket Office cash receipts, Business Office cash receipts, payroll transactions, and non-payroll transactions to ensure that the internal controls of the Athletic Department are the same as those addressed in connection with the audit of the University's financial statements for June 30, 2018. Our sample sizes were limited to 5 items each for Ticket Office cash receipts, Business Office cash receipts, payroll transactions, and non-payroll transactions. We identified one employee who was paid \$15.00/hour instead of the \$10.00/hour stipulated in his Employment Assignment Form. The Department did not document approval of the pay increase.
- C. We reviewed and tested the University's procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the Athletic Department. All booster group activity is under the accounting control of the University; therefore, we performed no 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, 2018, 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 samples selected in step 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 explanation 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 \$50,000. We found no exceptions greater than \$50,000 as a result of these procedures.

E. We performed the following procedures related to the Athletic Department.

Revenue Procedures:

Ticket Sales

1. We compared tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the University in the Statement and the related attendance figures and recalculated totals. We identified an \$8,786 difference between our estimates and the amounts reported in the Statement and a \$10,065 difference between the Ticketing System reports and the amounts reported on the Statement.

Contributions

2. We obtained and reviewed supporting documentation for the one contribution of moneys, goods, or services received directly by the University from an 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.

Except as noted above, we found no exceptions as a result of these revenue procedures.

Expense Procedures:

Recruiting

3. We obtained documentation of the University's recruiting expense policies.
4. We compared and agreed these policies to existing University- and NCAA-related policies.
5. We obtained general ledger detail and compared it to the total expenses reported and recalculated totals.

Team Travel

6. We obtained documentation of the University's team travel policies.
7. We compared and agreed these policies to existing University- and NCAA-related policies.
8. We obtained general ledger detail and compared it to the total expenses reported and recalculated totals.

We found no exceptions as a result of these expense 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 6.2.3. 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 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 14, 2019

Dixie State University
Athletic Department
Statement of Revenues and Expenses
For the Year Ended June 30, 2018

	<u>Football</u>	<u>Men's Basketball</u>	<u>Women's Basketball</u>	<u>Other Sports</u>	<u>Non-Program Specific</u>	<u>Total</u>
Revenues:						
Ticket Sales	\$ 23,874	\$ 18,907	\$ 1,320	\$ 31,939	\$ -	\$ 76,040
Direct Government Support	-	-	-	-	-	-
Student Fees	209,672	138,741	87,813	449,763	244,564	1,130,553
Direct Institutional Support	954,410	253,827	272,436	1,698,428	1,325,119	4,504,220
Less-Transfers to Institution	-	-	-	-	-	-
Indirect Institutional Support	-	-	-	-	-	-
Indirect Institutional Debt Service	-	-	-	-	316,354	316,354
Guarantees	-	2,930	11,500	10,000	-	24,430
Contributions	28,160	21,487	14,272	211,298	35,377	310,594
In-Kind	-	-	-	-	-	-
Compensation & Benefits by 3rd Party	-	-	-	-	-	-
Media Rights	-	-	-	-	-	-
NCAA Distributions	3,694	10,654	1,547	38,137	4,308	58,340
Conference Distributions	-	3,047	-	-	-	3,047
Program Sales, Concessions, etc.	-	-	-	1,110	-	1,110
Royalties, Advertising, Sponsors	38,129	25,230	15,968	81,789	44,473	205,589
Sports Camps	22,596	380,726	145,870	173,465	1,993	724,650
Endowment	923	8,747	93	13,081	259	23,103
Bowl	-	-	-	-	-	-
Other	63,671	25,784	12,528	176,409	42,318	320,710
Total Revenues	<u>1,345,129</u>	<u>890,080</u>	<u>563,347</u>	<u>2,885,419</u>	<u>2,014,765</u>	<u>7,698,740</u>
Expenses:						
Athletic Student Aid	532,833	137,950	118,364	923,247	18,130	1,730,524
Guarantees	-	-	-	-	-	-
Coaching Salaries, Benefits, etc.	497,746	230,920	190,034	756,305	8,356	1,683,361
Coaching Salaries, Benefits & Bonuses by 3rd Party	-	-	-	-	-	-
Support Staff Salaries, Benefits, etc.	14,740	52,223	39,331	104,871	722,703	933,868
Support Staff Salaries, Benefits, etc. by 3rd Party	-	-	-	-	-	-
Severance Payments	-	-	-	-	-	-
Recruiting	17,910	6,847	9,822	22,745	1,805	59,129
Team Travel	98,997	101,151	73,317	567,401	22,834	863,700
Equipment, Uniforms, & Supplies	99,928	22,949	29,979	160,949	55,759	369,564
Game	22,366	11,279	13,625	48,053	-	95,323
Fund Raising, Marketing, Promotions	16,356	30,776	384	97,864	125,625	271,005
Sport Camps	123	282,186	71,660	53,480	(39,171)	368,278
Spirit Groups	-	-	-	-	46,447	46,447
Facilities Debt Service, Leases & Rental Fees	-	-	-	-	316,354	316,354
Direct Facilities, Maintenance, & Rental	35,372	9,407	12,551	134,400	246,141	437,871
Indirect Institutional Support	-	-	-	-	-	-
Medical & Insurance	1,302	1,302	-	2,604	158,411	163,619
Memberships & Dues	182	2,150	2,303	4,788	31,980	41,403
Athletic Meals (non-travel)	7,274	886	928	7,286	5,324	21,698
Bowl	-	-	-	-	-	-
Other	-	54	1,049	1,426	5,824	8,353
Total Expenses	<u>1,345,129</u>	<u>890,080</u>	<u>563,347</u>	<u>2,885,419</u>	<u>1,726,522</u>	<u>7,410,497</u>
Excess/(Deficiency) of Revenues Over/(Under)						
Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 288,243</u>	<u>\$ 288,243</u>

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

Dixie State University

Athletic Department

Notes to the Statement of Revenues and Expenses

For the Year Ended June 30, 2018

Accrual Basis – The accompanying Statement of Revenues and Expenses (Statement) presents the results of financial activity of the Dixie State University Athletic Department and has been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles except for the following:

- 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.

Capital Assets – The University’s policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletic-related capital assets is the same as all other University capital assets.

Property, plant, and equipment are stated at historical cost or acquisition value at date of donation in the case of gifts. For equipment, the University’s capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Buildings costing \$100,000 or more are capitalized, as are improvements to buildings costing \$100,000 or more that extend the useful life, and land improvements that cost \$100,000 or more. Other capital assets are determined at acquisition based on guidelines developed by the Utah State Division of Finance, as adopted by the Utah State Board of Regents. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation on property, plant, and equipment is recorded based on the depreciation conventions adopted by the State of Utah over the estimated useful lives of the assets: 40 years for buildings, up to 30 years for building improvements, 5 to 20 years for land improvements, 20 years for library books, and 3 to 20 years for equipment.

The University added additional grandstands and concession areas to the football stadium. The additions allow the institution to support larger events and provide additional protection and security to the facility by adding fencing and secure access points. The total invested in the project during fiscal year 2018 was \$7,108,147.

Contributions – The Athletic Department received contributions of \$60,000 from Habibian LTD, which constitutes 21.72% of total contributions revenue during fiscal year 2018. There were no significant changes to endowments for the Athletic Department.

Long-term Debt – The principal balance of all debt related to the Athletic Department at June 30, 2018 was \$5,360,000. This amount represents the Avenna Center capital lease and the East Stadium Grandstand bonds in the amounts of \$600,000 and \$4,760,000, respectively.

Dixie State University
Athletic Department
Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2018

Amounts due in future years are as follows:

Year Ending June 30	Principal	Interest
2019	\$ 131,667	\$ 208,119
2020	511,667	202,523
2021	526,666	188,874
2022	515,000	173,834
2023	115,000	158,122
2024-2028	425,000	729,313
2029-2033	540,000	618,163
2034-2038	640,000	512,425
2039-2043	780,000	372,374
2044-2049	1,175,000	211,125
Total	\$ 5,360,000	\$ 3,374,872

Dixie State University
Athletic Department
Analysis of Significant Variances
For the Year Ended June 30, 2018

COMPARISON OF CURRENT YEAR ACTUAL TO PRIOR YEAR ACTUAL

	<u>2018 Totals</u>	<u>2017 Totals</u>	<u>Variance \$ Over/(Under)</u>	<u>Variance % Over/(Under)</u>
Revenues				
Student Fees	\$ 1,130,553	\$ 1,048,752	\$ 81,801	7.80%
Direct Institutional Support	4,504,220	3,935,434	568,786	14.45% ^A
Expenses				
Athletic Student Aid	1,730,524	1,550,982	179,542	11.58% ^B
Coaching Salaries, Benefits, Etc.	1,683,361	1,455,668	227,693	15.64% ^C
Support Staff Salaries, Benefits, Etc.	933,868	853,657	80,211	9.40%
Team Travel	863,700	893,161	(29,461)	(3.30%)

A The increase in "Direct institutional Support" is mainly related to a \$500,000 increase in University support of Athlete Student Success Efforts. The remaining \$69,000 is related to increased enrollment and fee distributions.

B The increase in "Athletic Student Aid" was due to providing an additional 12 full out-of-state tuition waivers (about \$180,000) in efforts to help 5th year seniors graduate.

C The increase in "Coaching Salaries, Benefits, Etc." was due to Softball and Cross Country/Track Coaches being moved from part-time to full-time employees.