January 17, 2017

Diana S. Natalicio, Ph.D., President
The University of Texas at El Paso
500 West University Avenue
Administration Building, Room 500
El Paso, Texas 79968-0500

Dear Dr. Natalicio:

We have completed our Independent Auditor’s Report on the Application of the Agreed-Upon Procedures for the Department of Intercollegiate Athletics at The University of Texas at El Paso (UTEP) for the Fiscal Year Ended August 31, 2016. The results of the engagement are detailed in the attached report.

We appreciate the assistance provided by management and staff from UTEP’s Department of Intercollegiate Athletics.

Sincerely,

J. Michael Peppers, CPA, CIA, QIAL, CRMA
Chief Audit Executive

cc:  Steven Leslie, Ph.D., Executive Vice Chancellor for Academic Affairs, UT System
Richard Adauto III, Executive Vice President, UTEP
Robert Stull, Director of Athletics, UTEP
Daniel Garcia, Assistant Director of Internal Operations, UTEP
Claudia Vanderslice, Athletics Business Manager, UTEP
Fadia Rouhana, Athletics Aid Coordinator, UTEP
Lori Wertz, Chief Audit Executive, UTEP
The University of Texas at El Paso
Department of Intercollegiate Athletics

Independent Auditor’s Report on the
Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2016

January 2017

THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE
210 WEST SIXTH STREET, SUITE B.140E
AUSTIN, TX 78701
(512) 499-4390
INDEPENDENT\(^1\) AUDITOR’S REPORT
ON THE APPLICATION OF AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the President of The University of Texas at El Paso (UTEP), solely to assist UTEP management in evaluating whether the accompanying Statement of Revenues and Expenses (SRE) of UTEP’s Department of Intercollegiate Athletics (Athletics) is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15.1 for the fiscal year (FY) ended August 31, 2016. UTEP’s management is responsible for the SRE and compliance with NCAA 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 users 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.

The following pages outline the required procedures and results. Reportable findings are defined as errors or misclassifications equal to or greater than one percent of total revenues or expenses. Also attached to this report are the following appendices: Appendix A, SRE of Athletics for the Fiscal Year Ended August 31, 2016; Appendix B, Findings and Recommendations; Appendix C, Follow-Up on Prior Year’s Findings and Recommendations; Appendix D, Notes to the SRE; and Appendix E, Variance Analysis.

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

Agreed-Upon Procedures Related to all Revenues and Expenses

• Agree the amounts reported on the SRE to UTEP’s general ledger.

  In most instances, revenues and expenses reported on the SRE materially agreed to the amounts reported in UTEP’s general ledger cost centers. In addition, there are certain items recorded on the SRE that are not required to be recorded in UTEP’s general ledger system, including out-of-state tuition waivers, indirect institutional support, and gifts in-kind. The NCAA requires that these items be reported on the SRE to fully reflect the operations of the Athletics Department. As a result of the procedures performed, we identified two material omissions from the SRE. Both resulted in an understatement in revenue for Contributions and a corresponding understatement in expense for Athletic Facility Debt Service. Management agreed and recorded the adjustments in the SRE located in Appendix A of this report. The specific adjustments identified and recorded are described for the affected SRE revenue and expense categories in the results below.

• Perform the following procedures for all revenue and expense categories applicable to the SRE:
  - Compare and agree each operating revenue and expense category reported in the SRE during the reporting period to supporting schedules provided by UTEP.

\(^1\) The NCAA requires this agreed-upon procedures engagement to be conducted by an independent accountant. For purposes of this engagement, the NCAA considers the UT System Audit Office to be independent.
• Compare and agree a sample of operating revenue receipts and operating expenses obtained from the above supporting schedules to adequate supporting documentation.
• Compare each major revenue and expense account over 10 percent of the total revenues/expenses to prior period amounts and budget estimates. Obtain and document an understanding of any significant variations over the lesser of $1 million or 10 percent. Report the analysis as a supplement to the final Agreed-Upon procedures report.

These procedures were performed for the revenue and expense categories listed below, except for those less than 0.5% of the total revenues or total expenses, as stated in the procedures. If applicable, any material exceptions are noted below under the specific category.

• Identify and document aspects of UTEP's internal control structure that are unique to Athletics. Test specific elements of the control environment and accounting systems that (1) are unique to Athletics and (2) have not been addressed in connection with the audit of the institution's financial statements.

No material exceptions were noted as a result of these procedures.

• Identify all intercollegiate athletics related affiliated and outside organizations and obtained those organizations' financial statements for the reporting period.

No material exceptions were noted in performing this procedure. See Appendix D, Note 3.

Agreed-Upon Procedures Related to Revenues
Ticket Sales
1. Compare tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by UTEP in the SRE and the related attendance figures and recalculate totals.

No material exceptions were noted as a result of this procedure.

Student Fees
2. Compare and agree student fees reported by UTEP in the SRE for the reporting period to student enrollments during the same reporting period and recalculate totals.
3. Obtain and document an understanding of the UTEP's methodology for allocating student fees to intercollegiate athletics programs.
4. If the athletics department is reporting that an allocation of student fees should be countable as generated revenue, recalculate the totals of their methodology for supporting that they are able to count each sport. Tie the calculation to supporting documents such as seat manifests, ticket sales reports, and student fee totals.

No material exceptions were noted as a result of these procedures.
Direct State or Other Governmental Support
5. Compare direct state or other governmental support recorded by UTEP during the reporting period with state appropriations, institutional authorizations, and/or other corroborative supporting documentation and recalculate totals.

_Procedure was not applicable. Athletics did not receive direct state or other governmental support._

Direct Institutional Support
6. Compare the direct institutional support recorded by UTEP during the reporting period with institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculate totals.

_No material exceptions were noted as a result of this procedure._

Transfers Back to Institution
7. Compare the transfers back to UTEP with permanent transfers back to institution from the athletics department and recalculate totals.

_Procedure was not applicable. Athletics did not have any transfers back to the institution._

Indirect Institutional Support
8. Compare the indirect institutional support recorded by UTEP during the reporting period with expense payments, cost allocation detail, and other corroborative supporting documentation and recalculate totals.

_No material exceptions were noted as a result of this procedure._

Guarantees
9. Select a sample of settlement reports for away games during the reporting period and agree each selection to UTEP’s general ledger and/or the SRE and recalculate totals.
10. Select a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period. Compare and agree each selection to UTEP’s general ledger and/or the SRE and recalculate totals.

_No material exceptions were noted as a result of these procedures._

Contributions
11. Obtain and review supporting documentation for any contributions of moneys, goods, or services received directly by the intercollegiate athletics program from any affiliated or outside organization that constituted 10 percent or more of all contributions received for intercollegiate athletics during the reporting period and recalculate totals.

_In the SRE, contributions are to be recognized to the extent provided and used. There was one athletic facility whose debt service payments, which were funded by contributions, were not_
included in the original SRE. Total debt service paid in FY 2016 for the facility from contributions was $849,183.92. Athletics corrected the error by including the contributions in the final SRE that appears in Appendix A of this report. Also, see procedure #58 under Athletic Facility Debt Service, Leases and Rental Fees below.

In addition, there were no individual contributions of moneys, goods, or services received directly by Athletics from an affiliated or outside organization that constituted 10 percent or more of all contributions received for Athletics during the reporting period. As no individual contributions constituted 10 percent or more of all contributions received during the reporting period, we did not present a listing in a supplemental schedule to the SRE.

In-Kind
12. Compare the in-kind recorded by UTEP during the reporting period with a schedule of in-kind donations and recalculate totals.

No material exceptions were noted as a result of this procedure.

Compensation and Benefits Provided by a Third-Party
13. Obtain the summary of revenues from affiliated and outside organizations (Summary) as of the end of the reporting period from UTEP. Select a sample of funds from the Summary and compare and agree each selection to supporting documentation, UTEP's general ledger, and/or the Summary and recalculate totals.

14. If the third party was audited by independent auditors, obtain the related independent auditors' report.

No material exceptions were noted as a result of these procedures.

Media Rights
15. Obtain and inspect agreements to understand UTEP's total media (broadcast, television, radio) rights received by UTEP or through their conference offices as reported in the SRE.
16. Compare and agree the media right revenues to a summary statement of all media rights identified, if applicable, and UTEP's general ledger and recalculate totals.

No material exceptions were noted as a result of these procedures.

NCAA Distributions
17. Compare the amounts recorded in the revenue and expense reporting to UTEP's general ledger detail for NCAA distributions and other corroborative supporting documents and recalculate totals.

No material exceptions were noted as a result of this procedure.
Conference Distributions
18. Obtain and inspect agreements related to UTEP’s conference distributions and participation in revenues from tournaments during the reporting period to gain an understanding of the relevant terms and conditions.
19. Compare and agree the related revenues to UTEP’s general ledger and/or the SRE and recalculate totals.

No material exceptions were noted as a result of these procedures.

Program Sales, Concessions, Novelty Sales, and Parking
20. Compare the amount recorded in the revenue reporting category to UTEP’s general ledger detail of program sales, concessions, novelty sales, and parking as well as any other corroborative supporting documents and recalculate totals.

No material exceptions were noted as a result of this procedure.

Royalties, Licensing, Advertisements, and Sponsorships
21. Obtain and inspect agreements related to UTEP’s participation in revenues from royalties, licensing, advertisements, and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions.
22. Compare and agree the related revenues to UTEP’s general ledger and/or the SRE and recalculate totals.

No material exceptions were noted as a result of these procedures.

Sports Camp Revenues
23. Inspect sports-camp contracts between UTEP and persons conducting institutional sports-camps or clinics during the reporting period to obtain an understanding of the UTEP’s methodology for recording revenues from sports-camps.
24. Obtain schedules of camp participants and select a sample of individual camp participant cash receipts from the schedule of sports-camp participants and agreed each selection to UTEP’s general ledger and/or the SRE and recalculate totals.

No material exceptions were noted as a result of these procedures.

Athletics Restricted Endowment and Investment Income
25. Obtain and inspect endowment agreements to gain an understanding of the relevant terms and conditions.
26. Compare and agree the classification and use of endowments and investment income reported in the SRE during the reporting period to the uses of income deferred within the related endowment agreement and recalculate totals.

No material exceptions were noted as a result of these procedures.
Other Operating Revenue

27. Perform minimum agreed-upon procedures referenced for all revenue categories and recalculate totals (see page 1).

   *No material exceptions were noted as a result of this procedure.*

Agreed Upon Procedures Related to Expenses

Athletic Student Aid

28. Select a sample of students from the listing of institutional student aid recipients during the reporting period.
29. Obtain individual student-account detail for each selection and compare the total aid allocated from the related aid award letter to the student’s account.
30. Perform a check of each student selected to ensure their information was reported accurately in the NCAA Membership Financial Reporting System.
31. Recalculate totals for each sport and overall.

   *No material exceptions were noted as a result of these procedures.*

Guarantees

32. Obtain and inspect visiting institution’s away game settlement reports received by UTEP during the reporting period and agree related expenses to UTEP’s general ledger and/or the SRE and recalculate totals.
33. Obtain and inspect contractual agreements pertaining to expenses recorded by UTEP from guaranteed contests during the reporting period. Compare and agree related amounts expensed by the institution during to UTEP’s general ledger and/or the SRE and recalculate totals.

   *No material exceptions were noted as a result of these procedures.*

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

34. Obtain and inspect a listing of coaches employed by UTEP and related entities during the reporting period. Select a sample of coaches’ contracts, including football and men’s and women’s basketball from the listing.
35. Compare and agree the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by UTEP and related entities in the SRE during the reporting period.
36. Obtain and inspect payroll summary registers for the reporting year for each selection. Compare and agree payroll summary registers from the reporting period to the related coaching salaries, benefits, and bonuses paid by UTEP and related entities expense recorded by UTEP in the SRE during the reporting period.
37. Compare and agree the totals recorded to any employment contracts executed for the sample selected and recalculate totals.

   *No material exceptions were noted as a result of these procedures.*
Coaching Other Compensation and Benefits Paid by a Third-Party
38. Obtain and inspect a listing of coaches paid by third parties during the reporting period. Select a sample of coaches' contracts, including football and men's and women's basketball from the listing.
39. Compare and agree the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third-party and recorded by UTEP in the SRE during the reporting period.
40. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary register to the coaching other compensation and benefits paid by a third-party expenses recorded by UTEP in the SRE during the reporting period and recalculate totals.

No material exceptions were noted as a result of these procedures.

Support Staff/Administrative Salaries, Benefits, and Bonuses Paid By the University and Related Entities
41. Select a sample of support staff/administrative personnel employed by UTEP and related entities during the reporting period.
42. Obtain and inspect reporting period summary payroll register for each selection. Compare and agree the related payroll summary registers to the related support staff/administrative salaries, benefits, and bonuses paid by UTEP and related entities expense recorded by UTEP in the SRE during the reporting period and recalculate totals.

No material exceptions were noted as a result of these procedures.

Support Staff/Administrative Other Compensation and Benefits Paid by a Third-Party
43. Select a sample of support staff/administrative personnel employed by third parties during the reporting period.
44. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary registers to the related support staff/administrative other compensation and benefits expense recorded by UTEP in the SRE during the reporting period and recalculate totals.

No material exceptions were noted as a result of these procedures.

Severance Payments
45. Select a sample of employees receiving severance payments by UTEP during the reporting period and agree each severance payment to the related termination letter or employment contract and recalculate totals.

No material exceptions were noted as a result of this procedure.

Recruiting
46. Obtain and document an understanding of UTEP’s recruiting expense policies.
47. Compare and agree to existing institutional and NCAA-related policies.
48. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.

No material exceptions were noted as a result of these procedures.

Team Travel
49. Obtain and document an understanding of UTEP’s team travel policies.
50. Compare and agree to existing institutional- and NCAA-related policies.
51. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.

No material exceptions were noted as a result of these procedures.

Equipment, Uniforms, and Supplies
52. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

No material exceptions were noted as a result of this procedure.

Game Expenses
53. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

No material exceptions were noted as a result of this procedure.

Fund Raising, Marketing, and Promotion
54. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

No material exceptions were noted as a result of this procedure.

Sports Camps Expenses
55. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

No material exceptions were noted as a result of this procedure.

Spirit Groups
56. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

No material exceptions were noted as a result of this procedure.

Athletic Facility Debt Service, Leases and Rental Fees
57. Obtain a listing of debt service schedules, lease payments, and rental fees for athletics facilities for the reporting year. Compare a sample of facility payments including the top two highest facility
payments to additional supporting documentation (e.g., debt financing agreements, leases, rental agreements).

58. Compare amounts recorded to amounts listed in the general ledger detail and recalculate totals.

In the SRE, contributions are to be recognized to the extent provided and used. There was one athletic facility whose debt service payments, which were funded by contributions, were not included in the original SRE. Total debt service paid in FY 2016 for the facility from contributions was $849,183.92. Athletics corrected the error by including the debt service payments in the final SRE that appears in Appendix A of this report. Also, see procedure #11 under Contributions above.

Direct Overhead and Administrative Expenses
59. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

No material exceptions were noted as a result of this procedure.

Indirect Institutional Support
60. Tested with revenue section - Indirect Institutional Support (see procedure #8 on page 3).

No material exceptions were noted as a result of this procedure.

Medical Expenses and Medical Insurance
61. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

No material exceptions were noted as a result of this procedure.

Memberships and Dues
62. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

No material exceptions were noted as a result of this procedure.

Other Operating Expenses and Transfers to Institution
63. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

No material exceptions were noted as a result of this procedure.
The University of Texas at El Paso
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2016

Additional Minimum Agreed-Upon Procedures

Bowl Revenues
A. Obtain and inspect agreements related to UTEP’s revenues from post-season bowl participation during the reporting period to gain an understanding of the relevant terms and conditions.
B. Compare and agree the related revenues to UTEP’s general ledger, and/or the SRE and recalculate totals.

Procedures were not applicable. Athletics did not have any bowl revenues for the reporting period.

Student-Athletic Meals (non-travel)
C. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

No material exceptions were noted as a result of this procedure.

Bowl Expenses
D. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

Procedure was not applicable. Athletics did not have any bowl expenses for the reporting period.

NCAA Financial Reporting System
- Compare and agree the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the institution.

No material exceptions were noted as a result of this procedure.

- Obtain UTEP’s Sports Sponsorship and Demographics Forms Report for the reporting period. Validate that the countable sports reported by UTEP meet the minimum requirements set forth in Bylaw 20.9.6.3 for the number of countable contests and the number of participants in each contest that is counted toward meeting the minimum-contest requirement. Once countable sports have been confirmed, ensure that UTEP has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.

No material exceptions were noted as a result of this procedure.

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 SRE of Athletics. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the procedures specified above and does not extend to UTEP’s financial statements.
This report is intended solely for the information and use of UTEP management and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

J. Michael Peppers, CPA, CIA, QIAL, CRMA
Chief Audit Executive

Eric Polanski, CPA, CIA
Director of Audits
## APPENDIX A

### THE UNIVERSITY OF TEXAS AT EL PASO DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

#### STATEMENT OF REVENUES AND EXPENSES FOR THE FISCAL YEAR ENDED AUGUST 31, 2016

### REVENUES

<table>
<thead>
<tr>
<th>Operating Revenues:</th>
<th>Football</th>
<th>Men's Basketball</th>
<th>Women's Basketball</th>
<th>Other Sports</th>
<th>Non-Program Specific</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ticket Sales</td>
<td>$582,468.50</td>
<td>$1,181,783.50</td>
<td>$212,696.50</td>
<td>$11,283.00</td>
<td>-</td>
<td>$1,988,231.00</td>
</tr>
</tbody>
</table>

#### EXPENSES

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Operating Expenses:</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 Athletic Student Aid</td>
<td>$2,431,191.10</td>
</tr>
<tr>
<td>21 Guarantees</td>
<td>$175,000.00</td>
</tr>
<tr>
<td>22 Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities</td>
<td>$2,218,532.41</td>
</tr>
<tr>
<td>23 Coaching Other Compensation and Benefits Paid by a Third-Party</td>
<td>$35,092.70</td>
</tr>
<tr>
<td>24 Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities</td>
<td>$322,044.72</td>
</tr>
<tr>
<td>25 Support Staff/Administrative Other Compensation and Benefits Paid by a Third-Party</td>
<td>$3,253.44</td>
</tr>
<tr>
<td>26 Severance Payments</td>
<td>$129,018.82</td>
</tr>
<tr>
<td>27 Recruiting</td>
<td>$263,442.64</td>
</tr>
<tr>
<td>28 Team Travel</td>
<td>$1,053,716.24</td>
</tr>
<tr>
<td>29 Sports Equipment, Uniforms, and Supplies</td>
<td>$395,940.19</td>
</tr>
<tr>
<td>30 Game Expenses</td>
<td>$641,751.59</td>
</tr>
<tr>
<td>31 Fund Raising, Marketing, and Promotions</td>
<td>$371,529.17</td>
</tr>
<tr>
<td>32 Sports Camp Expenses</td>
<td>$22,775.79</td>
</tr>
<tr>
<td>33 Spirit Groups</td>
<td>$134,925.02</td>
</tr>
<tr>
<td>34 Athletic Facilities Debt Service, Leases, and Rental Fees</td>
<td>$293,915.25</td>
</tr>
<tr>
<td>35 Direct Overseas and Administrative Expenses</td>
<td>$594,299.38</td>
</tr>
<tr>
<td>36 Indirect Institutional Support</td>
<td>$706,079.91</td>
</tr>
<tr>
<td>37 Medical Expenses and Medical Insurance</td>
<td>$356,871.90</td>
</tr>
<tr>
<td>38 Memberships and Dues</td>
<td>$142,718.88</td>
</tr>
<tr>
<td>39 Student-Athlete Meals</td>
<td>$300,803.72</td>
</tr>
<tr>
<td>40 Other Operating Expenses</td>
<td>$105,291.47</td>
</tr>
<tr>
<td>41 Bowl Expenses</td>
<td>-</td>
</tr>
</tbody>
</table>

#### TOTAL OPERATING EXPENSES | $10,738,194.44 |

#### EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES

$2,461,227.25
APPENDIX B
FINDINGS AND RECOMMENDATIONS

There were no reportable findings and recommendations from the agreed-upon procedures performed.
APPENDIX C
FOLLOW-UP ON PRIOR YEAR’S FINDINGS AND RECOMMENDATIONS

There were no reportable findings and recommendations for follow-up from the agreed-upon procedures performed in the prior year.
NOTE 1 – Principles of Preparation

The SRE is prepared in accordance with the NCAA financial reporting guidelines. Information used in the SRE’s preparation is obtained primarily from information recorded in UTEP’s financial accounting system. Other information, such as amounts estimated for non-cash trade-out agreements and gifts in-kind, is obtained from records maintained by Athletics.

NOTE 2 – Contributions Constituting More than 10 Percent of All Contributions

There were no individual contributions of moneys, goods, or services received directly by Athletics from an affiliated or outside organization that constituted 10 percent or more of all contributions received for Athletics during the reporting period.

NOTE 3 – Affiliated and Outside Organizations

Affiliated and outside organizations includes entities that have a primary purpose which benefits UTEP’s Athletic Department and are not under UTEP’s accounting control. The UTEP Touchdown Club is a not-for-profit 501(c)(3) fund-raising organization that supports UTEP Football by providing financial support to underwrite programs, training, coaching, equipment, and other activities.

NOTE 4 – Capital Assets

Athletics acquires, depreciates, and disposes assets in accordance with UTEP institutional policy as follows:

- Acquisition – Athletics acquires capital assets through the normal process at the institution. All purchases are centralized and are to be made using the method that provides the best value to UTEP. Competitive bidding is required for all assets above $5,000, which is the capitalization threshold.
- Depreciation – Depreciation is allocated to Athletics based on the assets, or portions of real-assets, under the control of Athletics. Depreciation is calculated on a straight-line basis.
- Disposal – Disposal of capital assets must be done in accordance with State of Texas law and institutional policy.

NOTE 5 – Other Reporting Items

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess Transfers to Institution</td>
<td>$0.00</td>
</tr>
<tr>
<td>Conference Realignment Expenses</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Total Athletics Related Debt</td>
<td>$13,075,000.00</td>
</tr>
<tr>
<td>Total Institutional Debt</td>
<td>$224,377,000.00</td>
</tr>
<tr>
<td>Value of Athletics Dedicated Endowments</td>
<td>$10,964,171.62</td>
</tr>
<tr>
<td>Value of Institutional Endowments</td>
<td>$186,387,228.37</td>
</tr>
<tr>
<td>Total Athletics Related Capital Expenditures</td>
<td>$29,619.85</td>
</tr>
</tbody>
</table>
NOTE 6 – Future Debt Repayment Schedule

UTEP receives proceeds from bonds issued and held by UT System to support capital projects of UT System and its institutions. All bonds issued by the UT System are defined as revenue bonds. As such, the revenues of all UT System institutions, including UTEP, are pledged for repayment of the bonds. No amount of indebtedness related to these bonds has been recorded on UTEP’s financial statements.

As of August 31, 2016, UTEP (through UT System) had outstanding debt related to the Athletics Department totaling $13,075,000.00. Debt service requirements to maturity for this outstanding debt are summarized as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$525,000.00</td>
<td>578,833.92</td>
<td>1,103,833.92</td>
</tr>
<tr>
<td>2018</td>
<td>550,000.00</td>
<td>552,683.92</td>
<td>1,102,683.92</td>
</tr>
<tr>
<td>2019</td>
<td>570,000.00</td>
<td>525,183.92</td>
<td>1,095,183.92</td>
</tr>
<tr>
<td>2020</td>
<td>600,000.00</td>
<td>496,683.92</td>
<td>1,096,683.92</td>
</tr>
<tr>
<td>2021</td>
<td>380,000.00</td>
<td>466,683.92</td>
<td>846,683.92</td>
</tr>
<tr>
<td>2022-2026</td>
<td>2,165,000.00</td>
<td>2,064,994.56</td>
<td>4,229,994.56</td>
</tr>
<tr>
<td>2027-2031</td>
<td>2,685,000.00</td>
<td>1,533,774.52</td>
<td>4,218,774.52</td>
</tr>
<tr>
<td>2032-2036</td>
<td>3,290,000.00</td>
<td>916,585.68</td>
<td>4,206,585.68</td>
</tr>
<tr>
<td>2037-2041</td>
<td>2,310,000.00</td>
<td>197,906.40</td>
<td>2,507,906.40</td>
</tr>
<tr>
<td><strong>Total Requirements</strong></td>
<td><strong>$13,075,000.00</strong></td>
<td><strong>7,333,430.46</strong></td>
<td><strong>20,408,430.76</strong></td>
</tr>
</tbody>
</table>

UTEP also receives proceeds from commercial paper issued and held by UT System to support capital equipment financing. The revenues of all UT System institutions, including UTEP, are pledged for repayment of the commercial paper. No amount of indebtedness related to the commercial paper has been recorded on UTEP’s financial statements.

As of August 31, 2016, UTEP (through UT System) had outstanding commercial paper related to Athletics totaling $1,884,000.00. Debt service requirements to maturity for this outstanding debt were calculated by the System Audit Office based on principal payment information provided by UTEP and interest rate information provided by the UT System Office of Finance. The calculated debt service requirements are summarized as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Principal</th>
<th>Interest*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$413,000.00</td>
<td>28,260.00</td>
<td>441,260.00</td>
</tr>
<tr>
<td>2018</td>
<td>303,000.00</td>
<td>32,988.33</td>
<td>335,988.33</td>
</tr>
<tr>
<td>2019</td>
<td>290,000.00</td>
<td>35,040.00</td>
<td>325,040.00</td>
</tr>
<tr>
<td>2020</td>
<td>290,000.00</td>
<td>30,730.00</td>
<td>320,730.00</td>
</tr>
<tr>
<td>2021</td>
<td>290,000.00</td>
<td>23,520.00</td>
<td>313,520.00</td>
</tr>
<tr>
<td>2022</td>
<td>290,000.00</td>
<td>12,665.00</td>
<td>302,665.00</td>
</tr>
<tr>
<td>2023</td>
<td>8,000.00</td>
<td>213.62</td>
<td>8,213.62</td>
</tr>
<tr>
<td><strong>Total Requirements</strong></td>
<td><strong>$1,884,000.00</strong></td>
<td><strong>163,416.95</strong></td>
<td><strong>2,047,416.95</strong></td>
</tr>
</tbody>
</table>

* Interest on commercial paper is variable. Interest rate is based on forecast rates and is assumed to be 1.50% in FY17, 2.25% in FY18, 3.00% in FY19, 3.5% in FY20, 4.00% in FY21, and 4.25% in FY22 and beyond.
APPENDIX E

VARIANCE ANALYSIS

Amounts for each major revenue and expense account over 10 percent of the total revenues or expenses were compared to prior period and budget estimate amounts. For variations over the lesser of $1 million or 10 percent, an understanding was obtained as noted below. All explanations appear to be reasonable.

Comparison to Prior Period

The following two SRE categories met the threshold for investigation:

<table>
<thead>
<tr>
<th>ID</th>
<th>Category</th>
<th>FY 2016 SRE</th>
<th>FY 2015 SRE</th>
<th>Variance</th>
<th>% Variance</th>
<th>Variance Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Direct Institutional Support</td>
<td>9,977,231.46</td>
<td>8,491,474.69</td>
<td>1,485,756.77</td>
<td>17.5%</td>
<td>The result of the increase in direct institutional support is the result of an increase in operating expenses such as team travel, merit increases, and the addition of the Cost of Attendance.</td>
</tr>
<tr>
<td>28</td>
<td>Team Travel</td>
<td>2,958,179.37</td>
<td>3,403,104.89</td>
<td>(444,925.52)</td>
<td>-13.1%</td>
<td>The decrease is due to the new Category 39 (Student-Athlete Meals). All preseason and training table expenses are now reported under this category, which were previously reported under team travel. Also, there was no training table for MFB as they had initiated a cafeteria plan through campus and their scholarship.</td>
</tr>
</tbody>
</table>

Budget to Actual Comparison

The following two SRE categories met the threshold for investigation:

<table>
<thead>
<tr>
<th>ID</th>
<th>Category</th>
<th>FY 2016 Revenue Estimate</th>
<th>FY 2016 SRE</th>
<th>Variance</th>
<th>% Variance</th>
<th>Variance Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Student Fees</td>
<td>2,131,751.56</td>
<td>6,180,513.00</td>
<td>4,048,761.44</td>
<td>189.9%</td>
<td>Additional fees provided to assist in funding operation increases.</td>
</tr>
<tr>
<td>4</td>
<td>Direct Institutional Support</td>
<td>5,011,189.80</td>
<td>9,977,231.46</td>
<td>4,966,041.66</td>
<td>99.1%</td>
<td>To help offset severance payments for terminated football coaches, and to aid in the funding of an increase in operating expenses such as Cost of Attendance.</td>
</tr>
</tbody>
</table>