



UNIVERSITY OF DELAWARE

Statements of State of Delaware General, Capital Improvement, and
Agency Funds Appropriated, Received, and Expended, with Supplemental
Data

Year Ended June 30, 2017

(With Independent Auditors' Reports Thereon)

UNIVERSITY OF DELAWARE

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KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Trustees
University of Delaware:

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Delaware (the University), which comprise the statements of State of Delaware general funds appropriated, received, and expended; State of Delaware general funds expended; and State of Delaware capital improvement funds appropriated, received, and expended for the year ended June 30, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in note 2 to the financial statements; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity'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, the financial statements referred to above present fairly, in all material respects, the appropriated general and capital improvement funds received from the State of Delaware and the expenditures therefrom by the University of Delaware for the year ended June 30, 2017, in accordance with the cash basis of accounting described in note 2 to the financial statements.



Basis of Accounting

We draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary information included in Schedule 1 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information included in Schedule 1 is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2017 on our consideration of the University'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 solely 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 the effectiveness of the University's 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's internal control over financial reporting and compliance.

KPMG LLP

Philadelphia, Pennsylvania
November 10, 2017

UNIVERSITY OF DELAWARE

Statement of State of Delaware General Funds Appropriated, Received, and Expended

Year ended June 30, 2017

	<u>Appropriated</u>	<u>Contingent</u>	<u>Allocations ²</u>	<u>Received and expended</u>
Current funds – state appropriations:				
General unrestricted operations	\$ 91,767,500	2,150,800	—	93,918,300
State scholarships	10,355,700	—	—	10,355,700
Restricted:				
College of Agriculture and Natural Resources	5,405,400	110,300	19,900	5,535,600
College of Arts and Sciences	3,079,000	68,200	(284,400)	2,862,800
College of Business and Economics	1,737,300	40,700	—	1,778,000
College of Earth, Ocean, and Environment	831,100	19,000	—	850,100
College of Education and Human Development	2,476,400	57,100	295,700	2,829,200
College of Engineering	808,900	19,000	—	827,900
College of Health Sciences ¹	796,800	18,700	—	815,500
Other programs	1,420,100	23,900	(31,200)	1,412,800
	<u>16,555,000</u>	<u>356,900</u>	<u>—</u>	<u>16,911,900</u>
Total state appropriations	\$ <u>118,678,200</u>	<u>2,507,700</u>	<u>—</u>	<u>121,185,900</u>

¹ The College of Health Sciences includes \$250,000 for Nursing expansion.

² Certain appropriated funds may be allocated to different programs.

See accompanying notes to financial statements.

UNIVERSITY OF DELAWARE

Statement of State of Delaware General Funds Expended

Year ended June 30, 2017

	<u>Salaries and wages</u>	<u>Benefits</u>	<u>Scholarships and awards</u>	<u>Supplies, travel, and other</u>	<u>Total</u>
Current funds – state appropriations:					
General unrestricted operations	\$ 65,095,874	28,822,426	—	—	93,918,300
State scholarships	192,647	21,671	9,869,007	272,375	10,355,700
Restricted:					
College of Agriculture and Natural Resources:					
Cooperative Extension	1,124,522	384,024	—	365,854	1,874,400
Poultry Disease Research	414,252	150,455	—	566,293	1,131,000
Carvel Research and Education Center	265,036	91,567	—	698,697	1,055,300
Agricultural Experiment Station	238,969	82,494	—	388,537	710,000
Biotechnology	421,197	163,803	—	—	585,000
Soil Testing	115,845	43,558	—	597	160,000
Great Beginnings	15,544	1,772	—	2,584	19,900
	<u>2,595,365</u>	<u>917,673</u>	<u>—</u>	<u>2,022,562</u>	<u>5,535,600</u>
College of Arts and Sciences:					
Secondary Clinical Teacher Education – Upstate	310,631	116,797	—	15,572	443,000
Center for Translational Cancer Research (CTCR)	148,071	55,715	—	111,214	315,000
Public Service & Applied Research Projects	250,213	8,787	—	1,000	260,000
Computer Aided Instruction Arts & Sciences	—	—	—	228,400	228,400
Information Technology Partnership	183,195	44,505	—	—	227,700
Community & Nonprofit Development Program	146,785	59,347	—	20,368	226,500
Local Government Research & Assistance	150,797	56,700	—	3	207,500
Science, Engineering and Technology (SET) Policy	167,941	31,824	—	—	199,765
Associate in Arts Degree	136,338	51,263	—	3,534	191,135
Healthy Communities Program	82,659	29,660	—	5,681	118,000
Training and Research (Educational Management)	74,133	27,367	—	—	101,500
The Energy and Environmental Policy Analysis (EEPA) Program	76,529	21,871	—	—	98,400
Civics Education for Teachers	62,675	24,225	—	—	86,900
Research on School Finance	61,941	16,559	—	—	78,500
Computer Aided Math Instruction	442	166	—	39,392	40,000
Biology Biotech Lines	21,076	7,924	—	—	29,000
Women's Leadership	9,096	1,716	—	688	11,500
	<u>1,882,522</u>	<u>554,426</u>	<u>—</u>	<u>425,852</u>	<u>2,862,800</u>
College of Business and Economics:					
Information Technology Partnership	1,301,279	463,491	—	13,230	1,778,000
	<u>1,301,279</u>	<u>463,491</u>	<u>—</u>	<u>13,230</u>	<u>1,778,000</u>
College of Earth, Ocean, and Environment:					
Sea Grant Program	437,866	155,986	—	—	593,852
Coastal Community Development	81,652	28,622	—	73,436	183,710
Biotechnology	52,717	19,821	—	—	72,538
	<u>572,235</u>	<u>204,429</u>	<u>—</u>	<u>73,436</u>	<u>850,100</u>
College of Education and Human Development:					
Math/Science/Literacy/Social Studies Ed for DE Teachers	357,980	119,137	—	138,983	616,100
Early Learning Center	284,592	184,908	—	—	469,500
Clinical Instruction in Teacher Education	196,399	47,878	—	20,123	264,400
Delaware Center for Teacher Education	139,883	52,507	—	68,410	260,800
Delaware Education Research & Development Center	119,195	36,057	—	100,348	255,600
Delaware Academy for School Leadership (Trn/Rsch Ed Mgt)	132,244	37,634	—	25,922	195,800
Secondary Education Southern Delaware – Downstate	166,670	59,452	—	69,678	295,800
Kent/Sussex Teacher Ed Support (formerly Milford PDS)	98,081	31,819	—	—	129,900
Early Childhood Education	93,412	17,935	—	15,353	126,700
The College School	61,599	40,101	—	—	101,700
Public Service and Applied Research	69,075	2,625	—	—	71,700
Graduate Education – Southern Delaware	29,942	11,258	—	—	41,200
	<u>1,749,072</u>	<u>641,311</u>	<u>—</u>	<u>438,817</u>	<u>2,829,200</u>

UNIVERSITY OF DELAWARE

Statement of State of Delaware General Funds Expended

Year ended June 30, 2017

	<u>Salaries and wages</u>	<u>Benefits</u>	<u>Scholarships and awards</u>	<u>Supplies, travel, and other</u>	<u>Total</u>
College of Engineering:					
Information Technology Partnership	\$ 287,635	108,151	—	—	395,786
Biotechnology	153,308	57,644	—	—	210,952
Electrical Engineering Biotechnology	84,951	31,941	—	—	116,892
Computer & Information Science Biotechnology	75,778	28,492	—	—	104,270
	<u>601,672</u>	<u>226,228</u>	<u>—</u>	<u>—</u>	<u>827,900</u>
College of Health Sciences:					
State Nursing Expansion Program	407,539	157,961	—	—	565,500
Nurse Practitioner Program	181,686	68,314	—	—	250,000
	<u>589,225</u>	<u>226,275</u>	<u>—</u>	<u>—</u>	<u>815,500</u>
Other programs:					
Delaware Biotechnology Institute	382,687	160,827	—	4,886	548,400
Diversity Enhancement	147,338	77,418	—	49,844	274,600
Improved Campus Security (Cadet Program – formerly PSA)	94,400	—	—	—	94,400
Library Automation	—	—	—	44,200	44,200
Software License Support	—	—	—	267,400	267,400
Undergraduate Multimedia Instruction & Student Multimedia Design Center	85,930	20,311	—	77,559	183,800
	<u>710,355</u>	<u>258,556</u>	<u>—</u>	<u>443,889</u>	<u>1,412,800</u>
Total state appropriations	\$ <u>75,290,246</u>	<u>32,336,486</u>	<u>9,869,007</u>	<u>3,690,161</u>	<u>121,185,900</u>

See accompanying notes to financial statements.

UNIVERSITY OF DELAWARE

Statement of State of Delaware Capital Improvement Funds Appropriated and Received, and Expended

Year ended June 30, 2017

	Year ended June 30, 2017			Inception through June 30, 2017 (Unaudited)			
	Cash balance on hand at beginning of year	Funds appropriated and received	Expended	Cash balance on hand at end of year	Original appropriation	Funds expended through June 30, 2017	Unexpended appropriations at June 30, 2017
Plant funds – capital improvements:							
Act of 2016 – Laboratories	\$ —	5,780,704	5,780,704	—	6,000,000	5,922,857	77,143
Act of 2017 – Laboratories	—	—	—	—	5,500,000	—	5,500,000
Total plant funds	\$ —	5,780,704	5,780,704	—	11,500,000	5,922,857	5,577,143

See accompanying notes to financial statements.

UNIVERSITY OF DELAWARE

Statement of State of Delaware Agency Funds Appropriated and Received, and Expended

Year ended June 30, 2017

	<u>Cash balance on hand at beginning of year</u>	<u>Funds appropriated and received</u>	<u>Expended</u>	<u>Returned to State of Delaware</u>	<u>Cash balance on hand at end of year</u>
Delaware Geological Survey – 2016/2017:					
Salaries and wages	\$ 302,723	1,622,733	1,704,959	—	220,497
Travel	—	1,498	1,498	—	—
Supplies and expense	—	70,969	65,422	—	5,547
Federal cooperative program	—	144,000	109,025	—	34,975
Rivermaster program	106,314	127,300	95,265	—	138,349
	<u>\$ 409,037</u>	<u>1,966,500</u>	<u>1,976,169</u>	<u>—</u>	<u>399,368</u> (a)

The Delaware Geological Survey is a separate State agency under the general charge and direction of the University of Delaware, and therefore, the Delaware Geological Survey appropriations are not included in the statement of State of Delaware general funds appropriated and received, and expended.

Note:

(a) At June 30, 2017, the ending balance consisted of \$178,871 in encumbered funds and \$220,497 to be carried forward to fiscal year 2018.

See accompanying notes to financial statements.

UNIVERSITY OF DELAWARE

Notes to Statements of State of Delaware General Funds Appropriated, Received, and Expended;
State of Delaware General Funds Expended; and State of Delaware Capital Improvement Funds Appropriated
and Received, and Expended

Year ended June 30, 2017

(1) The University and State Relationship

The University of Delaware (the University), a privately chartered university with public support, is a doctoral/research institution-extensive, land-grant, sea-grant, space-grant, and urban-grant institution. The University, with origins in 1743, was chartered by the State of Delaware (the State) in 1833. A Women's College was opened in 1914, and in 1945, the University became permanently coeducational. The main campus is located in Newark, Delaware, a suburban community of 31,500, situated midway between Philadelphia and Baltimore. Courses are also offered at other locations throughout the State, including Wilmington, Lewes, Dover, Milford, and Georgetown.

The University receives an annual operating and capital appropriation from the State, which are detailed herein. The University also participates in certain benefit plans of the State. Expenses associated with such benefit plans are not included herein. The State also provided auto, fire, and other insurance coverage with an estimated premium value of \$1,048,967, which is also not included herein.

The Delaware Geological Survey (the DGS) is a separate state agency under the general charge and direction of the University, and therefore, the DGS appropriations are not included in the statement of State of Delaware general funds appropriated and received, and expended. The DGS appropriation from the State for fiscal year 2017 was \$1,966,500.

(2) Basis of Presentation

The statements of State of Delaware general funds appropriated, received, and expended; State of Delaware general funds expended; and State of Delaware capital improvement funds appropriated and received, and expended; were prepared on the cash basis of accounting, and accordingly, appropriations are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

The statements included herein, along with the supplemental schedule, are prepared to satisfy Title 2906 (h) which states, "The Auditor of Accounts shall conduct audits of the State-funded portion of the finances of the University of Delaware as authorized by §5109 of Title 14."

(3) General and Restricted Appropriations

In the Senate Bill No. 285 Act of 2017, the State appropriated \$102,123,200 to the University for unrestricted use in its operations and student scholarships. Additionally, in the Senate Bill No. 285 Act of 2017, the State appropriated \$16,555,000 for restricted programmatic support for the related colleges within the University. The State also provided an additional \$2,507,700 to support personnel costs. All 2017 appropriations were received and expended during fiscal year 2017. Restricted appropriations are subject to annual reporting requirements to the State.

UNIVERSITY OF DELAWARE

Notes to Statements of State of Delaware General Funds Appropriated, Received, and Expended;
State of Delaware General Funds Expended; and State of Delaware Capital Improvement Funds Appropriated
and Received, and Expended

Year ended June 30, 2017

(4) Capital Improvement Appropriations

In the Capital Improvement Act of 2016, the State appropriated \$6,000,000. Funds must be expended by June 30, 2018. The unexpended appropriations balance of \$77,143 consists of funds held by the State and not drawn by the University as of June 30, 2017. In the Capital Improvement Act of 2017, the State appropriated \$5,500,000. As of June 30, 2017, the University has not drawn on these funds, which must be expended by June 30, 2019.

(5) Expended Funds

Expenditures include salaries and wages, benefits, and supplies, materials, travel and other miscellaneous program costs (other expenses). Salaries and wages are allocated based upon total budgeted state funding. Benefit expenses are allocated based upon a percentage of salaries and wages. Other expenses are direct expenses paid to vendors and suppliers or may be internally allocated from University service centers or auxiliary operations. Such allocations are based upon the nature of the service being provided.

UNIVERSITY OF DELAWARE

State of Delaware Appropriated Funds – Current Funds Expenditures by Function

Year ended June 30, 2017

	Instruction and departmental research	Sponsored research	Extension and public service	Academic support	Student services	General institutional support	Student aid	Operations and maintenance	Total (a)
Expenses:									
Current funds – state appropriations:									
General unrestricted operations	\$ 43,536,326	1,376,367	282,210	12,595,215	3,787,212	13,538,428	—	18,802,542	93,918,300
State scholarships	150,000	—	80,000	95,000	27,375	—	10,003,325	—	10,355,700
Restricted:									
College of Agriculture and Natural Resources	—	3,474,956	2,052,806	—	—	—	—	7,838	5,535,600
College of Arts and Sciences	1,468,235	315,000	1,079,565	—	—	—	—	—	2,862,800
College of Business and Economics	1,777,915	—	—	—	—	—	—	85	1,778,000
College of Earth, Ocean, and Environment	72,538	593,852	183,710	—	—	—	—	—	850,100
College of Education and Human Development	2,032,400	255,600	541,200	—	—	—	—	—	2,829,200
College of Engineering	733,582	94,318	—	—	—	—	—	—	827,900
College of Health Sciences	815,500	—	—	—	—	—	—	—	815,500
Other programs	725,210	—	—	228,000	—	459,590	—	—	1,412,800
Total expenses	<u>\$ 51,311,706</u>	<u>6,110,093</u>	<u>4,219,491</u>	<u>12,918,215</u>	<u>3,814,587</u>	<u>13,998,018</u>	<u>10,003,325</u>	<u>18,810,465</u>	<u>121,185,900</u>

(a) The University assigns the general operations expenses to Colleges and Administrative units annually.

See accompanying independent auditors' report.



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' 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

The Board of Trustees
University of Delaware:

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 statements of State of Delaware general funds appropriated, received, and expended; State of Delaware general funds expended; and State of Delaware capital improvement funds appropriated, received, and expended of the University of Delaware (the University) for the year ended June 30, 2017, and have issued our report thereon dated November 10, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements listed above, we considered the University'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 listed above, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of University'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 these financial statements are free from material misstatement, we performed tests of its 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'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Philadelphia, Pennsylvania
November 10, 2017