



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, 2018

(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 statements of 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; State of Delaware capital improvement funds appropriated, received, and expended; and State of Delaware agency funds appropriated, received, and expended for the year ended June 30, 2018, 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, capital improvement, and agency funds received from the State of Delaware and the expenditures therefrom by the University of Delaware for the year ended June 30, 2018, 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 December 3, 2018 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
December 3, 2018

UNIVERSITY OF DELAWARE

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

Year ended June 30, 2018

	<u>Appropriated</u>	<u>Allocations ²</u>	<u>Received and expended</u>
Current funds – state appropriations:			
General unrestricted operations	\$ 91,975,000	—	91,975,000
State scholarships	10,355,700	—	10,355,700
Restricted:			
College of Agriculture and Natural Resources	5,405,300	17,900	5,423,200
College of Arts and Sciences	3,090,200	(285,500)	2,804,700
College of Business and Economics	1,742,400	—	1,742,400
College of Earth, Ocean, and Environment	833,100	—	833,100
College of Education and Human Development	2,476,900	295,700	2,772,600
College of Engineering	811,300	—	811,300
College of Health Sciences ¹	801,600	—	801,600
Other programs	1,302,000	(28,100)	1,273,900
	<u>16,462,800</u>	<u>—</u>	<u>16,462,800</u>
Total state appropriations	\$ <u>118,793,500</u>	<u>—</u>	<u>118,793,500</u>

¹ The College of Health Sciences includes \$247,000 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, 2018

	<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	\$ 64,400,744	27,574,256	—	—	91,975,000
State scholarships	188,699	18,826	9,875,800	272,375	10,355,700
Restricted:					
College of Agriculture and Natural Resources:					
Cooperative Extension	1,145,730	414,412	—	346,857	1,906,999
Poultry Disease Research	512,140	220,601	—	238,559	971,300
Carvel Research and Education Center	263,666	97,437	—	710,897	1,072,000
Agricultural Experiment Station	277,967	97,958	—	324,075	700,000
Biotechnology	430,995	169,005	—	—	600,000
Soil Testing	110,781	43,648	—	572	155,001
Great Beginnings	11,583	1,602	—	4,715	17,900
	<u>2,752,862</u>	<u>1,044,663</u>	<u>—</u>	<u>1,625,675</u>	<u>5,423,200</u>
College of Arts and Sciences:					
Secondary Clinical Teacher Education – Upstate	305,655	120,427	—	8,057	434,139
Center for Translational Cancer Research (CTCR)	131,852	51,950	—	124,899	308,701
Public Service & Applied Research Projects	243,248	7,552	—	4,000	254,800
Computer Aided Instruction Arts & Sciences	—	—	—	223,858	223,858
Information Technology Partnership	177,345	45,801	—	—	223,146
Community & Nonprofit Development Program	147,912	61,529	—	12,529	221,970
Local Government Research & Assistance	149,866	52,484	—	1,000	203,350
Science, Engineering and Technology (SET) Policy	160,258	35,512	—	—	195,770
Associate in Arts Degree	134,370	52,942	—	—	187,312
Healthy Communities Program	83,479	29,732	—	2,430	115,641
Training and Research (Educational Management)	72,929	26,541	—	—	99,470
The Energy and Environmental Policy Analysis (EEPA) Program	77,237	18,036	—	1,159	96,432
Civics Education for Teachers	62,724	22,438	—	—	85,162
Research on School Finance	61,482	15,442	—	5	76,929
Computer Aided Math Instruction	—	—	—	39,200	39,200
Biology Biotech Lines	20,387	8,033	—	—	28,420
Women's Leadership	8,260	2,140	—	—	10,400
	<u>1,837,004</u>	<u>550,559</u>	<u>—</u>	<u>417,137</u>	<u>2,804,700</u>
College of Business and Economics:					
Information Technology Partnership	1,244,802	464,134	—	33,464	1,742,400
	<u>1,244,802</u>	<u>464,134</u>	<u>—</u>	<u>33,464</u>	<u>1,742,400</u>
College of Earth, Ocean, and Environment:					
Sea Grant Program	427,441	168,411	—	—	595,852
Coastal Community Development	70,042	24,346	—	89,322	183,710
Biotechnology	38,406	15,132	—	—	53,538
	<u>535,889</u>	<u>207,889</u>	<u>—</u>	<u>89,322</u>	<u>833,100</u>
College of Education and Human Development:					
Math/Science/Literacy/Social Studies Ed for DE Teachers	395,914	132,155	—	88,031	616,100
Early Learning Center	291,589	177,911	—	—	469,500
Clinical Instruction in Teacher Education	196,841	41,336	—	26,423	264,600
Delaware Center for Teacher Education	128,789	48,037	—	83,974	260,800
Delaware Education Research & Development Center	176,384	62,185	—	12,181	250,750
Delaware Academy for School Leadership (Trn/Rsch Ed Mgt)	104,053	30,221	—	61,526	195,800
Secondary Education Southern Delaware – Downstate	125,029	45,345	—	125,226	295,600
Kent/Sussex Teacher Ed Support (formerly Milford PDS)	106,167	23,387	—	346	129,900
Early Childhood Education	98,562	24,981	—	3,157	126,700
The College School	63,102	38,556	—	42	101,700
Public Service and Applied Research	19,331	619	—	—	19,950
Graduate Education – Southern Delaware	33,515	7,500	—	185	41,200
	<u>1,739,276</u>	<u>632,233</u>	<u>—</u>	<u>401,091</u>	<u>2,772,600</u>

UNIVERSITY OF DELAWARE

Statement of State of Delaware General Funds Expended

Year ended June 30, 2018

	Salaries and wages	Benefits	Scholarships and awards	Supplies, travel, and other	Total
College of Engineering:					
Information Technology Partnership	\$ 278,228	109,622	—	—	387,850
Biotechnology	148,294	58,428	—	—	206,722
Electrical Engineering Biotechnology	82,172	32,376	—	—	114,548
Computer & Information Science Biotechnology	73,300	28,880	—	—	102,180
	<u>581,994</u>	<u>229,306</u>	<u>—</u>	<u>—</u>	<u>811,300</u>
College of Health Sciences:					
State Nursing Expansion Program	395,743	158,357	—	—	554,100
Nurse Practitioner Program	177,547	69,953	—	—	247,500
	<u>573,290</u>	<u>228,310</u>	<u>—</u>	<u>—</u>	<u>801,600</u>
Other programs:					
Delaware Biotechnology Institute	349,523	145,278	—	—	494,801
Diversity Enhancement	141,342	70,350	—	36,107	247,799
Improved Campus Security (Cadet Program)	85,200	—	—	—	85,200
Library Automation	—	—	—	39,800	39,800
Software License Support	—	—	—	240,600	240,600
Undergraduate Multimedia Instruction & Student Multimedia Design Center	78,763	19,651	—	67,286	165,700
	<u>654,828</u>	<u>235,279</u>	<u>—</u>	<u>383,793</u>	<u>1,273,900</u>
Total state appropriations	<u>\$ 74,509,388</u>	<u>31,185,455</u>	<u>9,875,800</u>	<u>3,222,857</u>	<u>118,793,500</u>

See accompanying notes to financial statements.

UNIVERSITY OF DELAWARE

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

Year ended June 30, 2018

	<u>Year ended June 30, 2018</u>			<u>Inception through June 30, 2018 (Unaudited)</u>			
	<u>Cash balance on hand at beginning of year</u>	<u>Funds appropriated and received</u>	<u>Expended</u>	<u>Cash balance on hand at end of year</u>	<u>Original appropriation</u>	<u>Funds expended through June 30, 2018</u>	<u>Unexpended appropriations at June 30, 2018</u>
Plant funds – capital improvements:							
Act of 2016 – Laboratories	\$ —	77,143	77,143	—	6,000,000	6,000,000	—
Act of 2017 – Laboratories	—	750,370	750,370	—	5,500,000	750,370	4,749,630
Act of 2018 – Laboratories	—	—	—	—	5,500,000	—	5,500,000
Total plant funds	\$ —	827,513	827,513	—	17,000,000	6,750,370	10,249,630

See accompanying notes to financial statements.

UNIVERSITY OF DELAWARE

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

Year ended June 30, 2018

	<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 – 2017/2018:					
Salaries and wages	\$ 220,498	1,636,855	1,686,626	—	170,727
Travel	—	693	693	—	—
Supplies and expense	5,547	57,852	63,399	—	—
Federal cooperative program	34,975	124,300	108,823	—	50,452
Rivermaster program	<u>138,349</u>	<u>127,300</u>	<u>45,363</u>	<u>—</u>	<u>220,286</u>
	<u>\$ 399,369</u>	<u>1,947,000</u>	<u>1,904,904</u>	<u>—</u>	<u>441,465</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, received, and expended.

Note:

(a) At June 30, 2018, the ending balance consisted of \$270,739 in encumbered funds and \$170,726 to be carried forward to fiscal year 2019.

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, Received, and Expended

Year ended June 30, 2018

(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 \$2,080,651, 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, received, and expended. The DGS appropriation from the State for fiscal year 2018 was \$1,947,000.

(2) Basis of Presentation

The statements of State of Delaware general funds appropriated, received, and expended; State of Delaware general funds expended; State of Delaware capital improvement funds appropriated, received, and expended; and State of Delaware agency funds appropriated, 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 House Bill No. 275 Act of 2018, the State appropriated \$102,330,700 to the University for unrestricted use in its operations and student scholarships. Additionally, in the House Bill No. 275 Act of 2018, the State appropriated \$16,462,800 for restricted programmatic support for the related colleges within the University. All 2018 appropriations were received and expended during fiscal year 2018. 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, Received, and Expended

Year ended June 30, 2018

(4) Capital Improvement Appropriations

In the Capital Improvement Act of 2016, the State appropriated \$6,000,000. Funds were fully expended by June 30, 2018. In the Capital Improvement Act of 2017, the State appropriated \$5,500,000. The unexpended appropriations balance of \$4,749,630 consists of funds held by the State and not drawn by the University as of June 30, 2018. Funds must be expended by June 30, 2019. In the Capital Improvement Act of 2018, the State appropriated \$5,500,000. As of June 30, 2018, the University has not drawn on these funds, which must be expended by June 30, 2020.

(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, 2018

	<u>Instruction and departmental research</u>	<u>Sponsored research</u>	<u>Extension and public service</u>	<u>Academic support</u>	<u>Student services</u>	<u>General institutional support</u>	<u>Student aid</u>	<u>Operations and maintenance</u>	<u>Total (a)</u>
Expenses:									
Current funds – state appropriations:									
General unrestricted operations	\$ 43,340,105	1,333,944	203,266	11,879,310	3,795,418	13,026,323	—	18,396,634	91,975,000
State scholarships	150,000	—	80,000	95,000	27,375	—	10,003,325	—	10,355,700
Restricted:									
College of Agriculture and Natural Resources	—	3,330,150	2,078,941	—	—	—	—	14,109	5,423,200
College of Arts and Sciences	1,438,896	308,700	1,056,943	—	—	—	—	161	2,804,700
College of Business and Economics	1,742,400	—	—	—	—	—	—	—	1,742,400
College of Earth, Ocean, and Environment	53,538	595,852	183,710	—	—	—	—	—	833,100
College of Education and Human Development	2,032,259	250,750	489,450	—	—	—	—	141	2,772,600
College of Engineering	770,187	41,113	—	—	—	—	—	—	811,300
College of Health Sciences	801,600	—	—	—	—	—	—	—	801,600
Other programs	643,450	—	—	205,500	—	424,950	—	—	1,273,900
Total expenses	<u>\$ 50,972,435</u>	<u>5,860,509</u>	<u>4,092,310</u>	<u>12,179,810</u>	<u>3,822,793</u>	<u>13,451,273</u>	<u>10,003,325</u>	<u>18,411,045</u>	<u>118,793,500</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; State of Delaware capital improvement funds appropriated, received, and expended; and State of Delaware agency funds appropriated, received, and expended of the University of Delaware (the University) for the year ended June 30, 2018, and have issued our report thereon dated December 3, 2018.

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
December 3, 2018