



UNIVERSITY OF DELAWARE

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

June 30, 2016

(With Independent Auditors' Reports Thereon)

UNIVERSITY OF DELAWARE

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KPMG LLP
1601 Market Street
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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 statement of State of Delaware general funds appropriated and received, and expended; the statement of State of Delaware capital improvement funds appropriated and received, and expended; and the statement of State of Delaware agency funds appropriated and received, and expended for the year ended June 30, 2016, and the related note 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 1; 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, 2016, in accordance with the cash basis of accounting described in note 1.

Basis of Accounting

We draw attention to note 1 of 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 schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary information included in schedules 1 and 2 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 schedules 1 and 2 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 2, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

November 2, 2016

UNIVERSITY OF DELAWARE

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

Year ended June 30, 2016

	<u>Cash balance on hand at beginning of year</u>	<u>Funds appropriated and received (a)</u>	<u>Expended</u>	<u>Returned to State of Delaware</u>	<u>Cash balance on hand at end of year</u>
Current funds:					
Government appropriations – State:					
General Operations	\$ —	92,151,500	92,151,500	—	—
College of Agriculture and Natural Resources:					
Agricultural Experiment Station	—	704,900	704,900	—	—
Biotechnology	—	567,921	567,921	—	—
Carvel Research and Education Center	—	970,000	970,000	—	—
Cooperative Extension	—	1,746,088	1,746,088	—	—
Crop Extension	—	55,750	55,750	—	—
Poultry Disease Research	—	1,123,763	1,123,763	—	—
Soil Testing/Pesticide Control	—	159,978	159,978	—	—
	—	<u>5,328,400</u>	<u>5,328,400</u>	—	—
College of Arts and Sciences:					
Associate in Arts Degree	—	162,660	162,660	—	—
Biotechnology	—	28,604	28,604	—	—
Civics Education for Teachers	—	85,853	85,853	—	—
Computer Aided Arts and Science Instruction	—	160,000	160,000	—	—
Computer Aided Math Instruction	—	40,000	40,000	—	—
Center for Community Development and Family Policy	—	223,892	223,892	—	—
Center for Energy & Environmental Policy	—	294,669	294,669	—	—
Center for Translational Cancer Research	—	312,279	312,279	—	—
Delaware Center for Teacher Education	—	247,441	247,441	—	—
Educational Management and Government Training	—	100,252	100,252	—	—
Information Technology Partnership	—	225,859	225,859	—	—
Local Government Research	—	204,780	204,780	—	—
Math/Science Education for Delaware Teachers	—	350,412	350,412	—	—
Public Service Assistantships	—	259,775	259,775	—	—
Research on School Finance Issues	—	77,852	77,852	—	—
Secondary Clinical Teacher Education	—	128,346	128,346	—	—
Urban Agent Program	—	116,277	116,277	—	—
Women's Leadership	—	11,449	11,449	—	—
	—	<u>3,030,400</u>	<u>3,030,400</u>	—	—
College of Business and Economics:					
Information Technology Partnership	—	1,701,500	1,701,500	—	—
	—	<u>1,701,500</u>	<u>1,701,500</u>	—	—
College of Earth, Ocean, and Environment:					
Biotechnology	—	52,488	52,488	—	—
Coastal Community Development	—	183,710	183,710	—	—
Sea Grant Program	—	578,202	578,202	—	—
	—	<u>814,400</u>	<u>814,400</u>	—	—
College of Education and Human Development:					
Clinical Instruction in Teacher Education	—	253,400	253,400	—	—
The College School	—	97,400	97,400	—	—
Delaware Center for Teacher Education	—	249,700	249,700	—	—
Delaware Education Research/Development Center	—	244,700	244,700	—	—
Early Childhood Education	—	121,300	121,300	—	—
Early Learning Center	—	449,600	449,600	—	—
Educational Management and Government Training	—	187,500	187,500	—	—
Graduate Education – Southern Delaware	—	39,500	39,500	—	—
Math/Science Education for Delaware Teachers	—	590,000	590,000	—	—
Milford Professional Development School	—	124,400	124,400	—	—
Public Service Assistantships	—	68,700	68,700	—	—
	—	<u>2,426,200</u>	<u>2,426,200</u>	—	—
College of Engineering:					
Biotechnology	—	609,224	609,224	—	—
Information Technology Partnership	—	182,976	182,976	—	—
	—	<u>792,200</u>	<u>792,200</u>	—	—
College of Health Sciences:					
Nurse Practitioner	—	250,000	250,000	—	—
Nursing Program Expansion	—	530,300	530,300	—	—
	—	<u>780,300</u>	<u>780,300</u>	—	—
Other Programs:					
Biotechnology Institute	—	524,800	524,800	—	—
Diversity Enhancement	—	262,800	262,800	—	—
Improved Campus Security	—	90,600	90,600	—	—
Library Automation	—	44,200	44,200	—	—

UNIVERSITY OF DELAWARE

Statement of State of Delaware General Funds Appropriated and Received, and Expended
Year ended June 30, 2016

	<u>Cash balance on hand at beginning of year</u>	<u>Funds appropriated and received (a)</u>	<u>Expended</u>	<u>Returned to State of Delaware</u>	<u>Cash balance on hand at end of year</u>
Software License Support	\$ —	267,400	267,400	—	—
Undergraduate Multimedia Instruction	—	178,200	178,200	—	—
	<u>—</u>	<u>1,368,000</u>	<u>1,368,000</u>	<u>—</u>	<u>—</u>
Government appropriations – State Scholarships:					
General Scholarships	—	3,317,901	3,317,901	—	—
Scholarship Fund	—	2,507,300	2,507,300	—	—
Academic Incentive Program	—	114,600	114,600	—	—
Aid to Needy Students	—	1,940,400	1,940,400	—	—
Delaware Scholars Program	—	200,000	200,000	—	—
Service Learning Scholarships	—	200,000	200,000	—	—
Title VI Compliance	—	1,742,400	1,742,400	—	—
Student Employment Program	—	133,099	133,099	—	—
Delaware Research Scholars Program	—	150,000	150,000	—	—
Study Abroad – Delaware residents	—	50,000	50,000	—	—
	<u>—</u>	<u>10,355,700</u>	<u>10,355,700</u>	<u>—</u>	<u>—</u>
Total government appropriations – State Scholarships	\$ <u>—</u>	<u>118,748,600</u>	<u>118,748,600</u>	<u>—</u>	<u>—</u>

Note:

- (a) In addition to general appropriated funds received, the State of Delaware also provided auto, fire, and other insurance coverage with an estimated premium value of \$1,052,932.

See accompanying notes to the statements.

UNIVERSITY OF DELAWARE

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

Year ended June 30, 2016

	For the year ended June 30, 2016			Inception (Unaudited) through June 30, 2016			
	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, 2016	Unexpended appropriations at June 30, 2016
Plant funds – capital improvements:							
Act of 2014 – Laboratories	\$ 163,830	48,929	212,759	—	4,000,000	4,000,000	—
Act of 2015 – Laboratories	—	2,856,974	2,856,974	—	4,300,000	4,300,000	—
Act of 2016 – Laboratories	—	142,153	142,153	—	6,000,000	142,153	5,857,847
Grand total plant funds	\$ <u>163,830</u>	<u>3,048,056</u>	<u>3,211,886</u>	<u>—</u>	<u>14,300,000</u>	<u>8,442,153</u>	<u>5,857,847</u>

See accompanying notes to the statements.

UNIVERSITY OF DELAWARE

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

Year ended June 30, 2016

	<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 – 2015/2016:					
Salaries and wages	\$ 263,103	1,580,773	1,549,820	—	294,056
Travel	—	1,500	1,500	—	—
Supplies and expense	—	119,290	119,290	—	—
Federal cooperative program	—	112,785	112,785	—	—
Rivermaster program	110,158	106,252	110,096	—	106,314
	<u>\$ 373,261</u>	<u>1,920,600</u>	<u>1,893,491</u>	<u>—</u>	<u>400,370</u>

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, 2016, the ending balance consisted of \$106,314 in encumbered funds and \$294,056 to be carried forward to fiscal year 2017.

See accompanying notes to the statements.

UNIVERSITY OF DELAWARE

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

Year ended June 30, 2016

(1) The University and State Requirement

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 of Delaware. The University also participates in certain benefit plans of the State.

The statements included herein, along with the supplemental schedules, 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."

(2) Basis of Presentation

The statement of State of Delaware general funds appropriated and received, and expended; the statement of State of Delaware capital improvement funds appropriated and received, and expended; and the statement of State of Delaware agency funds appropriated and received, and expended by the University of Delaware (the University) were prepared on the cash basis of accounting, and accordingly, certain revenue and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

(3) Capital Improvement Appropriations

In the Capital Improvement Act of 2016, the State of Delaware appropriated \$6,000,000 to the University for laboratories. Funds must be expended by June 30, 2018. The unexpended appropriations balance of \$5,857,847 consists of funds held by the State and not drawn by the University as of June 30, 2016.

UNIVERSITY OF DELAWARE
 State of Delaware Appropriated Funds – Current Funds Expenditures
 Year ended June 30, 2016

	2016								
	Instruction and departmental research	Sponsored research	Extension and public service	Academic support	Student services	General institutional support	Student aid	Operations and maintenance	Total
Expenses:									
Salaries and wages	\$ 34,185,970	3,661,499	2,950,802	10,182,415	2,469,754	8,879,277	123,724	11,992,792	74,446,233
Benefits	12,207,480	1,366,828	999,476	4,525,713	1,039,069	4,346,082	—	6,537,512	31,022,160
Scholarships, fellowships, and awards	—	753	—	—	—	—	9,879,601	—	9,880,354
Supplies and general	520,585	1,590,123	323,360	219,036	27,375	287,451	—	56,037	3,023,967
Travel	118,993	16,547	125,696	—	—	9,949	—	—	271,185
Capital equipment	68,305	36,396	—	—	—	—	—	—	104,701
Total expenses	<u>\$ 47,101,333</u>	<u>6,672,146</u>	<u>4,399,334</u>	<u>14,927,164</u>	<u>3,536,198</u>	<u>13,522,759</u>	<u>10,003,325</u>	<u>18,586,341</u>	<u>118,748,600</u>

See accompanying independent auditors' report.

UNIVERSITY OF DELAWARE

State of Delaware Appropriated Funds – Current Funds Expenditures by Function

Year ended June 30, 2016

		2016								
		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:										
	\$	20,152,497	312,279	1,355,483	120,760	—	—	—	—	21,941,019
		3,361,098	5,378,995	2,341,883	72,476	—	—	—	60,811	11,215,263
		5,331,404	244,700	518,258	867,188	—	—	—	133	6,961,683
		5,705,601	—	—	399,488	—	—	—	—	6,105,089
		5,439,713	—	—	242,606	—	—	—	—	5,682,319
		3,276,884	7,970	—	514,765	58,806	119,007	—	—	3,977,432
		1,477,342	578,202	183,710	339,498	—	—	—	—	2,578,752
		—	150,000	—	—	—	406,182	—	18,524,678	19,080,860
		—	—	—	—	2,210,163	602,531	9,978,325	—	12,791,019
		70,687	—	—	7,760,875	—	—	—	719	7,832,281
		—	—	—	—	—	6,896,725	—	—	6,896,725
		2,286,107	—	—	2,641,924	1,267,229	504,427	25,000	—	6,724,687
		—	—	—	1,967,584	—	1,875,273	—	—	3,842,857
		—	—	—	—	—	3,118,614	—	—	3,118,614
	\$	<u>47,101,333</u>	<u>6,672,146</u>	<u>4,399,334</u>	<u>14,927,164</u>	<u>3,536,198</u>	<u>13,522,759</u>	<u>10,003,325</u>	<u>18,586,341</u>	<u>118,748,600</u>
		Total expenses								

(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 statement of State of Delaware general funds appropriated and received, and expended; the statement of State of Delaware capital improvement funds appropriated, received, and expended; and the statement of State of Delaware agency funds appropriated, received, and expended of the University of Delaware (the University) for the year ended June 30, 2016, and have issued our report thereon dated November 2, 2016.

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 the University's 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 2, 2016