



**UNIVERSITY OF DELAWARE**

Single Audit Report

Year ended June 30, 2008

(With Independent Auditors' Report 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:

We have audited the accompanying consolidated statement of financial position of the University of Delaware (the University) as of June 30, 2008, and the related consolidated statements of activities, expenses by natural classification, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2007 financial statements and, in our report dated November 15, 2007, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1 to the consolidated financial statements, the *Uniform Prudent Management of Institutional Funds Act (UPMIFA)* was effective in Delaware as of July 31, 2007. As discussed in note 1(m), to conform with the provisions of UPMIFA, the University reclassified in 2008 that portion of its unrestricted net assets representing cumulative unappropriated return on permanently restricted endowments to temporarily restricted net assets.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Delaware as of June 30, 2008, and the changes in its net assets and cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.



In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 2008 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

October 20, 2008, except for Note 14, as to which the  
date is March 27, 2009

UNIVERSITY OF DELAWARE

Consolidated Statement of Financial Position  
 June 30, 2008 with Comparative Amounts for 2007  
 (Thousands of Dollars)

	2008	2007
<b>Assets</b>		
Cash and cash equivalents	\$ 39,350	46,114
Restricted cash and cash equivalents	19,987	20,686
Securities lending collateral	14,689	47,471
Interest rate swap asset	-	1,078
Accounts and notes receivable	33,415	33,371
Prepaid expenses and inventories	1,494	1,161
Contributions receivable, net	4,350	6,105
Student loan receivables	15,322	14,057
Endowment funds and other investments	1,377,805	1,469,954
Annuity and life income funds	11,394	13,617
Funds held in trust by others	71,222	75,497
Property, plant, and equipment, net of depreciation	925,358	855,620
<b>Total assets</b>	<b>2,514,386</b>	<b>2,584,731</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	59,179	52,903
Securities lending collateral payable	14,689	47,471
Deferred revenues and student deposits	7,841	7,618
Obligations under capital leases	8,565	9,002
Notes and bonds payable	250,531	257,113
Interest rate swap liability	12,758	-
Annuity and life income funds payable	5,819	5,954
Compensated absences payable	11,969	11,253
Postretirement benefit obligation	183,991	171,432
Advances from federal government for student loans	14,465	14,243
Asset retirement obligation	10,505	7,533
<b>Total liabilities</b>	<b>580,312</b>	<b>584,522</b>
<b>Total net assets</b>	<b>1,934,074</b>	<b>2,000,209</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,514,386</b>	<b>2,584,731</b>

Detail of net assets	Unrestricted	Temporarily		2008	2007
		Restricted	Permanently Restricted		
<b>Operating:</b>					
Designated for operations	\$ 74,308	7,642	-	81,950	158,943
Contributions receivable	-	4,350	-	4,350	6,105
Invested in property, plant, and equipment	639,073	-	-	639,073	574,396
Loan funds	-	-	267	267	255
Annuity and life income funds	-	1,913	3,562	5,475	7,557
Funds held in trust by others	-	-	71,222	71,222	75,497
Endowment funds	317,785	579,417	234,535	1,131,737	1,177,456
<b>Total net assets</b>	<b>\$ 1,031,166</b>	<b>593,322</b>	<b>309,586</b>	<b>1,934,074</b>	<b>2,000,209</b>

See accompanying notes to consolidated financial statements.

UNIVERSITY OF DELAWARE

Consolidated Statement of Activities  
 Year ended June 30, 2008 with Comparative Totals for 2007  
 (Thousands of Dollars)

	2008			2007	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Operating revenue:</b>					
Tuition and fees	\$ 235,398	-	-	235,398	219,900
(less scholarships and fellowships of \$66,605 during 2008 and \$60,888 during 2007)					
Contributions	18,592	1,435	-	20,027	19,766
Contracts and other exchange transactions	136,432	-	-	136,432	129,586
State operating appropriations	127,166	-	-	127,166	122,828
Endowment spending payout	41,647	7,842	-	49,489	45,869
Other investments payout	13,354	656	-	14,010	12,396
(includes net realized gain of \$335 during 2008 and \$511 during 2007)					
Activities of educational departments	7,557	-	-	7,557	7,152
Sales and services of auxiliary enterprises	88,072	-	-	88,072	81,818
(less scholarships and fellowships of \$1,291 during 2008 and \$951 during 2007)					
Other revenue	14,235	-	-	14,235	14,736
Net assets released from restrictions	8,306	(8,306)	-	-	-
<b>Total operating revenue</b>	<b>690,759</b>	<b>1,627</b>	<b>-</b>	<b>692,386</b>	<b>654,051</b>
<b>Operating expenses:</b>					
<b>Educational and general:</b>					
Instruction and departmental research	295,173	-	-	295,173	279,293
Sponsored research	105,697	-	-	105,697	103,425
Extension and public service	44,994	-	-	44,994	40,492
Academic support	55,563	-	-	55,563	54,900
Student services	24,392	-	-	24,392	22,202
General institutional support	60,451	-	-	60,451	57,985
Student aid	5,722	-	-	5,722	6,144
<b>Total educational and general expenses</b>	<b>591,992</b>	<b>-</b>	<b>-</b>	<b>591,992</b>	<b>564,441</b>
<b>Auxiliary enterprises</b>	<b>82,999</b>	<b>-</b>	<b>-</b>	<b>82,999</b>	<b>76,209</b>
<b>Total operating expenses</b>	<b>674,991</b>	<b>-</b>	<b>-</b>	<b>674,991</b>	<b>640,650</b>
<b>Reclassifications of funds</b>	<b>(2,565)</b>	<b>1,163</b>	<b>-</b>	<b>(1,402)</b>	<b>(1,013)</b>
<b>Change in net assets from operating activities</b>	<b>18,333</b>	<b>464</b>	<b>-</b>	<b>18,797</b>	<b>14,414</b>
<b>Nonoperating activities:</b>					
Net realized and unrealized investment gains (losses)	(37,004)	(50,034)	(2,806)	(89,844)	174,134
Endowment income	10,589	35,074	870	46,533	42,032
Endowment spending payout	(13,079)	(36,410)	-	(49,489)	(45,869)
Contributions for endowment and life income funds	-	219	6,669	6,888	9,630
Contributions for buildings	1,511	586	-	2,097	4,804
State capital appropriations	3,500	-	-	3,500	4,600
Hotel operations - net	(918)	-	-	(918)	(17)
Technology corporation operations - net	-	-	-	-	(383)
Net change in asset retirement obligation liability	(2,972)	-	-	(2,972)	(3,093)
Other	528	(372)	(2,285)	(2,129)	1,189
Reclassifications of funds	576	(574)	1,400	1,402	(1,013)
Net assets released from restrictions	2,679	(2,679)	-	-	-
<b>Change in net assets</b>	<b>(16,257)</b>	<b>(53,726)</b>	<b>3,848</b>	<b>(66,135)</b>	<b>200,428</b>
Effect of change in adoption of SFAS No. 158	-	-	-	-	(30,398)
Cumulative effect of change in accounting principle	(494,051)	494,051	-	-	-
Net assets at beginning of year	1,541,474	152,997	305,738	2,000,209	1,830,179
<b>Net assets at end of year</b>	<b>\$ 1,031,166</b>	<b>593,322</b>	<b>309,586</b>	<b>1,934,074</b>	<b>2,000,209</b>

See accompanying notes to consolidated financial statements.

UNIVERSITY OF DELAWARE

Consolidated Statement of Expenses by Natural Classification  
Year ended June 30, 2008 with Comparative Totals for 2007  
(Thousands of Dollars)

	2008								2007	
	Instruction and Departmental Research	Sponsored Research	Extension and Public Service	Academic Support	Student Services	General Institutional Support	Student Aid	Auxiliary Enterprises	Total	Total
Operating expenses:										
Expenses:										
Salaries and wages	\$ 162,138	45,576	21,459	24,113	11,084	29,611	2,949	7,438	304,368	288,400
Employee fringe benefits	44,105	11,273	6,684	8,487	3,076	10,763	-	2,355	86,743	84,509
Employee postretirement benefits	7,292	1,631	904	988	285	1,083	-	263	12,446	13,224
Supplies and general	34,970	26,370	9,550	7,615	6,009	21,314	705	53,877	160,410	152,375
Travel	14,555	2,664	1,427	733	280	664	82	94	20,499	17,248
Operation and maintenance of plant	23,910	8,289	2,972	6,300	1,265	5,272	-	-	48,008 (a)	46,044 (b)
Information processing	778	25	2	3	2,602	4,901	-	-	8,311	7,707
Interest expense	15	507	-	-	329	4	-	10,173	11,028	8,285
Scholarships, fellowships, and awards	-	-	-	-	-	-	69,163	-	69,163	62,737
Depreciation	9,880	8,964	1,897	8,514	379	4,380	-	10,185	44,199	46,652
Loss on disposals	204	465	25	17	2	263	-	84	1,060	1,277
Amortization of bond discount	-	23	-	-	5	-	-	1	29	29
Internal service credits	(2,045)	(19)	91	(1,206)	(924)	(17,804)	-	(1,471)	(23,378)	(26,007)
Expense before scholarship allowance	295,802	105,768	45,011	55,564	24,392	60,451	72,899	82,999	742,886	702,480
Reconciliation to statement of activities:										
Scholarship allowance	(629)	(71)	(17)	(1)	-	-	(67,177)	-	(67,895)	(61,830)
Total expenses	\$ 295,173	105,697	44,994	55,563	24,392	60,451	5,722	82,999	674,991	640,650
Reclassifications of funds									(1,402)	(1,013)
Total operating expenses								\$ 673,589	639,637	

Notes:

(a) Includes salaries and wages of \$21,689, fringe benefits of \$10,057, employee postretirement benefits of \$275, and depreciation expense for plant facilities of \$594 during 2008.

(b) Includes salaries and wages of \$20,751, fringe benefits of \$9,880, employee postretirement benefits of \$295, and depreciation expense for plant facilities of \$566 during 2007.

See accompanying notes to financial statements.

UNIVERSITY OF DELAWARE

Consolidated Statement of Cash Flows  
 Year ended June 30, 2008 with Comparative Amounts for 2007  
 (Thousands of Dollars)

	2008	2007
<b>Cash flows from program activities:</b>		
Change in net assets	\$ (66,135)	200,428
Adjustments to reconcile change in net assets to net cash provided by program activities:		
Depreciation	45,742	48,161
Loss on disposals	1,340	1,277
Amortization of discounts and premiums on notes and bonds payable and obligations under capital lease obligations	41	40
Net realized and unrealized investment losses (gains)	89,509	(174,645)
Gifts of land, building, and equipment	(252)	(847)
State capital appropriations	(3,500)	(4,600)
Contributions for endowment	(6,888)	(9,630)
Contributions for buildings	(2,097)	(4,804)
Contributions receivable	1,755	2,142
Endowment income restricted for reinvestment	(870)	(1,011)
Changes in assets and liabilities:		
Accounts and notes receivable	(44)	2,740
Prepaid expenses and inventories	(333)	(433)
Interest rate swap asset	1,078	(1,078)
Accounts payable, accrued liabilities, and annuity and life income funds payable	6,141	31
Deferred revenues and student deposits	223	457
Interest rate swap liability	12,758	(75)
Asset retirement obligation	2,972	3,093
Compensated absences payable and postretirement benefit obligation	13,275	44,256
Effect of adoption of SFAS No. 158 in 2007	-	(30,398)
<b>Net cash provided by program activities</b>	<b>94,715</b>	<b>75,104</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sales and maturities of investments	2,663,140	2,020,841
Purchases of investments	(2,654,002)	(2,074,588)
Acquisitions of property, plant, and equipment	(116,568)	(82,281)
Disbursements of loans to students	(3,085)	(2,751)
Repayments of loans	1,820	2,920
<b>Net cash used in investing activities</b>	<b>(108,695)</b>	<b>(135,859)</b>
<b>Cash flows from financing activities:</b>		
Repayments of principal of notes and bonds payable	(6,600)	(6,280)
Net proceeds from issuance of notes and bonds payable	-	73,009
Reduction of principal on capital leases	(460)	(440)
State capital appropriations	3,500	4,600
Endowment income restricted for reinvestment	870	1,011
Contributions for endowment	6,888	9,630
Contributions for buildings, gross	2,097	4,804
Advances from federal government for student loans	222	166
Increase (decrease) in restricted cash and cash equivalents	699	(2,553)
<b>Net cash provided by financing activities</b>	<b>7,216</b>	<b>83,947</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(6,764)</b>	<b>23,192</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>46,114</b>	<b>22,922</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 39,350</b>	<b>46,114</b>
<b>Supplemental data: Interest paid</b>	<b>\$ 11,503</b>	<b>8,308</b>

See accompanying notes to consolidated financial statements.

# UNIVERSITY OF DELAWARE

## Notes to Consolidated Financial Statements

June 30, 2008

(with Comparative Amounts for 2007)

### (1) Summary of Significant Accounting Policies

#### (a) Description of Operations

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 30,000, situated midway between Philadelphia and Baltimore. Also, courses are offered at the Wilmington campus and at other locations throughout the State, including Dover, Milford, Georgetown, and Lewes.

The significant accounting principles and practices followed by the University are presented below to assist the reader in analyzing the financial statements and accompanying notes.

#### (b) Basis of Presentation

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Restricted gifts, which may be expended only for the purpose indicated by the donor/grantor, are maintained in separate accounts in the University's system. Accordingly, net assets of the University and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all of, or part of, the total investment return on related investments for general or specific purposes.

There are three financial statements presented under generally accepted accounting principles for not-for-profit organizations:

*Statement of Financial Position* – is a listing of the total assets, total liabilities, and net assets as of the end of a fiscal year.

*Statement of Activities* – is a summary of the financial activity during a fiscal year and reports the amounts of the changes in unrestricted net assets, temporarily restricted net assets, permanently restricted net assets, and total net assets.

# UNIVERSITY OF DELAWARE

## Notes to Consolidated Financial Statements

June 30, 2008

(with Comparative Amounts for 2007)

*Statement of Cash Flows* – is a summary of the cash receipts and cash payments during a fiscal year.

As a supplement to the financial statements, the statement of expenses by natural classification presents expenses by natural classification within functional categories. Operation and maintenance of plant, depreciation expense, and disposals are allocated based on square footage. Postretirement benefit obligation expense and fringe benefit expense are allocated based on salaries and wages. Interest expense and amortization of bond discount are allocated to the functional classification that benefited from the use of the proceeds of the debt.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as released from restrictions between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate risk-free discount rate of 3.4% and 5.0% for the years ended June 30, 2008 and 2007, respectively.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class. Income and realized and unrealized net gains on investments of endowment and similar funds are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift or the University's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income or until appropriated by the University.

(c) ***Explanation of Reclassifications of Funds Between Operating and Nonoperating***

The reclassification of funds between operating and nonoperating includes transfers made in accordance with contractual agreements relative to federal loan programs, operating funds designated by the University for investment in endowment, and financial transactions between net asset classes.

**UNIVERSITY OF DELAWARE**

Notes to Consolidated Financial Statements

June 30, 2008

(with Comparative Amounts for 2007)

**(d) Auxiliary Operations**

The operation of auxiliaries is supplementary to the primary educational function of the University. Accordingly, the University annually provides from auxiliary enterprises revenues, provisions for debt service, and renewal and replacement of equipment. Auxiliary operations primarily include the residence and dining halls, the bookstore, and student health service.

**(e) Cash and Cash Equivalents**

Cash equivalents include all highly liquid interest-bearing deposits and short-term investments with maturities of three months or less at time of purchase, excluding amounts held for long-term investments as disclosed in note 5. Deposits in escrow accounts for future bond interest payments and principal reduction and bond proceeds restricted to use on specific projects account for approximately 87% and 85% of restricted cash and cash equivalents as of June 30, 2008 and 2007, respectively. Other restrictions on use are for state capital appropriations, funds held for federal loan programs, and funds held for the benefit of or under regulations promulgated by the federal government.

**(f) Investments**

Investments in stocks, bonds, and notes are stated at fair market value based on the markets in which they are traded. Investments in private equity, real estate and other alternative investments for which prices are not readily available are carried at estimated fair value as provided by the external investment managers or dealers. Certain of the University's investments use derivative instruments to hedge against market risk and seek to enhance investment returns. Because of the inherent uncertainty of valuation of the underlying investments, the estimated fair values may differ significantly from the values that would have been used had a ready market for the underlying funds existed, and those differences could be material.

**(g) Endowment Funds**

The endowment funds are subdivided into appropriate net asset classifications. The permanently restricted endowment funds, primarily consisting of funds whose return is unrestricted, represent gifts received under circumstances indicating a stipulation of the donor that principal is not to be expended. Temporarily restricted and unrestricted endowment funds represent funds where there is no requirement to maintain the principal and which the University has not appropriated for expenditure purpose. The University's endowment spending policy guidelines target an annual distribution in the range of 4.5% to 5.5% of the endowment pooled portfolio average market value over the 12 trailing quarters through December 31 of the year prior to the new fiscal year. The actual rate is set annually by the Board of Trustees.

**(h) Compensated Absences Payable**

Compensated absences payable represents vacation time earned by full-time professional and salaried staff employees, but not yet taken as of fiscal year-end. An employee is entitled to receive pay in lieu of vacation upon termination. Employees may accrue a maximum of 25 days to 40 days

# UNIVERSITY OF DELAWARE

## Notes to Consolidated Financial Statements

June 30, 2008

(with Comparative Amounts for 2007)

based upon years of service. Compensated absences payable amounted to \$11,969,000 and \$11,253,000 as of June 30, 2008 and 2007, respectively.

**(i) *Asset Retirement Obligation***

Required asset retirement obligations such as asbestos abatement have been identified in accordance with FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47). As of June 30, 2008, the University estimates the cost of removal for identified asbestos to be \$12,202,000 based on recent actual removal costs. The net present value of such costs is approximately \$10,505,000 using estimates of when such square footage is scheduled for or likely to be renovated, an inflation factor of 3%, and a discount rate of 4.25%. The change in the liability is recorded as \$2,972,000 expense on the statement of activities.

**(j) *Operating versus Nonoperating***

The nonoperating section of the statement of activities represents the activities of the University's endowment, gains/losses on other investments, capital contributions restricted for plant, hotel operations, and funds set aside for loans to faculty, staff, and students. All other University activities are accounted for in the operating section of the statement of activities.

**(k) *Taxes***

The Internal Revenue Service has ruled that the University is a tax-exempt institution under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for taxes has been made in the financial statements on activities related to its exempt function.

**(l) *Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**(m) *Impact of Recent Accounting Pronouncements***

**Income Taxes**

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 addresses the accounting for uncertainties in income taxes recognized in the University's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosure. The University adopted the provisions of FIN 48 in fiscal 2008; there was no material impact to the University's consolidated financial statements as a result of the adoption.

# UNIVERSITY OF DELAWARE

## Notes to Consolidated Financial Statements

June 30, 2008

(with Comparative Amounts for 2007)

### Postretirement Benefits

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 158, *Employers' Accounting for Defined Benefit Pension Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)*. SFAS No. 158 requires plan sponsors of defined benefit pension and other postretirement benefit plans to recognize the funded status of their postretirement benefit plans in their statements of financial position, measure fair value of plan assets and benefit obligations as of the date of the fiscal year-end statement of financial position, and provide additional disclosures. On June 30, 2007, the University adopted the provisions of SFAS No. 158. SFAS No. 158 required the University to recognize the funded status (i.e., the difference between the fair value of plan assets and the accumulated postretirement benefit obligation) of its postretirement benefit plan in the June 30, 2007 statement of financial position with a corresponding adjustment to unrestricted net assets. The adjustment to net assets at adoption represents the net unrecognized actuarial losses which were previously amortized as net periodic postretirement benefit cost in accordance with the University's accounting policy.

Actuarial gains and losses that arise in subsequent periods will be recognized as a component of net periodic pension cost on the same basis as the amounts recognized in net assets upon adoption of SFAS No. 158.

The incremental effects of adoption of the provision of SFAS No. 158 on the University's statement of financial position at June 30, 2007 are presented in the following table:

	<u>Prior to adoption of SFAS No. 158</u>	<u>Effect of adopting SFAS No. 158</u>	<u>As reported</u>
		(In thousands)	
Postretirement benefit obligation	\$ 141,034	30,398	171,432
Unrestricted net assets	1,571,872	(30,398)	1,541,474

### Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS No. 157 does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, with earlier application permitted. In February 2008, the FASB issued FASB Staff Position (FSP) No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which delays the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on at least an annual basis, until fiscal years beginning after November 15, 2008. The University is still evaluating its impact on the financial statements.

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In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB No.115*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The University is still evaluating its impact on the financial statements.

#### **Endowment Funds**

Prior to July 31, 2007, the University's management and investment of donor-restricted endowment funds was subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA), which serves as a guideline to states to use in enacting legislation. Among UPMIFA's most significant changes is its change in focus from the prudent spending of the net appreciation on donor-restricted endowment funds to the prudent spending of entire donor-restricted endowment funds. Effective July 31, 2007, the State enacted the provisions of the model act, which apply to funds existing on or established after that date. Based upon its interpretation of the provisions of UPMIFA, as of July 1, 2007, the University has reclassified the portion of donor-restricted endowment funds that is not classified as permanently restricted net assets as temporarily restricted net assets, unless it had previously been appropriated for use by the University. At the time of appropriation by the University, and providing there are no additional purpose restrictions in place, the temporarily restricted net assets will be reclassified to unrestricted net assets. The University continues to classify as permanently restricted net assets the historical cost value of the original donor-restricted endowment. The effect of the State's adoption of UPMIFA is a decrease to the University's unrestricted net assets and an increase to temporarily restricted net assets of \$494,051,000.

Of that amount, \$426,342,000 represents total return on endowment funds that carry no purpose restriction that were available for appropriation as of July 1, 2007, to the extent deemed prudent under UPMIFA and other relevant trust law. As of June 30, 2008, the amount of endowment funds having no purpose restriction was \$403,072,000.

In August 2008, FSP No. FAS 117-1, *Endowment of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds*, was issued, and its guidance is effective for fiscal years ending after December 15, 2008. Among other requirements, and similar to UPMIFA, FSP No. FAS 117-1 requires the portion of a donor-related endowment fund that is not classified as permanently restricted net assets to be classified as temporarily restricted net assets until appropriated for expenditure. The FSP also requires expanded disclosures for all endowment funds. The University will adopt the disclosure provisions of FSP for the year ended June 30, 2009.

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**(2) Blue Hen Hotel LLC**

Effective May 4, 2001, the University entered into a Limited Liability Company Agreement (the Agreement) with the Shaner Hotel Group Limited Partnership (Shaner) to form the Blue Hen Hotel LLC (the Company). The Company was established to develop, finance, construct, manage, and operate a hotel on the main campus of the University. In connection with the Agreement, the University contributed land and guaranteed \$11,500,000 of variable rate Demand Bonds (Demand Bonds) issued by the Company in September 2001. As a result of their respective capital contributions, the Company was owned 75% by the University and 25% by Shaner. The Company began operations in November 2004.

Effective July 1, 2006, the University purchased Shaner's 25% interest in the Company for \$3,222,000. Shaner retained the management contract with the hotel, which provides for a management fee of 3% of gross operating revenues of the Company.

The operations of Blue Hen LLC are consolidated into the University's financial statements. Operations for the years ended June 30, 2008 and 2007 resulted in total revenues of \$5,054,000 and \$4,693,000, respectively, and operating losses of \$918,000 and \$17,000, respectively.

See note 9 for the impact of a related interest rate swap.

**(3) Contributions Receivable and Conditional Promises**

Contributions receivable, net, at June 30, 2008 and 2007 are summarized as follows:

	<u>2008</u>	<u>2007</u>
	(In thousands)	
Unconditional promises expected to be collected in:		
Less than one year	\$ 1,649	2,066
One year to five years	<u>2,701</u>	<u>4,039</u>
	<u>\$ 4,350</u>	<u>6,105</u>

The unamortized discount for contributions to be received after one year amounted to \$194,000 and \$286,000 in 2008 and 2007, respectively.

**(4) Student Loan Programs**

The student loan programs consist primarily of the National Direct Student Loan/Perkins and Nursing Student Loan Programs. The U.S. government provides 75% of the funds for the Perkins loans and 90% for Nursing Student loans. The University provides 25% and 10% of the funds, respectively, to support these programs.

An estimate of the fair value of loans receivable from students under government loan programs cannot be made because the notes are not marketable and can only be assigned to the U.S. government or its designees.

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**(5) Investments**

Investments in stocks, bonds, and notes are recorded at fair market value based on the last sale price on the primary exchange in which the securities are traded. Investments in limited partnerships, which includes private equity, real estate, and other alternative investments, are not readily marketable and do not have readily available market prices and, therefore, are carried at estimated fair value. Included in investments are endowment funds and other investments, annuity and life income funds, and funds held in trust by others. The cost and market value at June 30, 2008 and 2007 were as follows:

	<b>2008</b>		<b>2007</b>	
	<b>Cost</b>	<b>Market</b>	<b>Cost</b>	<b>Market</b>
	(In thousands)		(In thousands)	
U.S. government obligations	\$ 113,274	114,300	141,288	139,383
Corporate obligations	159,657	156,180	171,564	172,316
Stock and convertible securities	276,001	286,550	284,916	352,127
International investments	227,281	275,813	161,890	291,215
Money market and other				
liquid funds	50,652	50,660	46,014	46,124
Limited partnerships	311,887	442,333	273,376	373,112
Stock futures fund	62,973	54,594	96,678	102,567
Other	74,851	79,991	70,844	82,224
Total	\$ 1,276,576	1,460,421	1,246,570	1,559,068

Included in the investments table above are \$11,394,000 and \$13,617,000 of annuity and life income funds and \$71,222,000 and \$75,497,000 of funds held in trust by others, which are shown separately on the statement of financial position at June 30, 2008 and 2007, respectively.

Included in investments are \$14,395,000 and \$45,984,000 of securities pledged to creditors, which represent the University's participation in securities lending transactions as of June 30, 2008 and 2007, respectively. The University's policy is to require collateral of 102% of the then-current market value of transferred securities as of the close of trading of the preceding business day. Acceptable collateral includes cash or money market securities. The collateral held at June 30, 2008 and 2007 amounted to \$14,689,000 and \$47,471,000, respectively. The University has recognized the market value of the collateral and related payable for such transactions on the statement of financial position.

Included in investments are unexpended bonds proceeds of approximately \$24,799,000 and \$71,853,000 as of June 30, 2008 and 2007, respectively. These amounts are restricted and will be used for the renovation, construction, and capital improvement of University facilities. These investments relate to the 2007 Bonds (note 9).

The stock futures fund is a pooled fund that uses stock index futures and options in combination with short-term and other liquid debt instruments to approximate the total return of the Standard & Poor's 500 Index. The derivatives are not used to leverage the underlying cash position of this investment, but rather to meet the endowment asset allocation and spending policy targets. The futures contracts and options are stated at fair market value based on their quoted daily settlement prices.

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The limited partnerships are primarily invested in private equity funds, real estate, and other alternative investments in various industries. The University is obligated, under certain limited partnership agreements, to make additional capital contributions up to contractual levels. The timing and amounts of the contributions will be determined by the general partner of the respective limited partnership. As of June 30, 2008, the University has unfunded capital commitments of \$165,400,000.

The asset allocation of the University's investments involves exposure to a diverse set of markets. The investments within these markets involve various risks such as interest rate, market, sovereign, and credit risks. The University anticipates that the value of its investments may, from time to time, fluctuate substantially as a result of these risks.

Dividends and interest from investments during the periods were as follows:

	<u>2008</u>	<u>2007</u>
	(In thousands)	
Operating (a)	\$ 14,158	12,357
Endowment (b)	46,533	42,032
	<u>\$ 60,691</u>	<u>54,389</u>

(a) Includes interest from Auxiliary Operations of \$483,000 in 2008 and interest from Auxiliary Operations, Activities of Educational Departments, and Continuing Education of \$472,000 in 2007.

(b) Includes earnings of funds held in trust by others distributed to the University of \$2,785,000 and \$2,661,000 in 2008 and 2007, respectively.

### (6) Annuity and Life-Income Funds

The University held \$11,394,000 and \$13,617,000 in investments related to annuity and life-income funds as of June 30, 2008 and 2007, respectively. A related liability of \$5,819,000 and \$5,954,000 as of June 30, 2008 and 2007, respectively, represents the present value of future annuity payments due under these agreements, and was calculated for each annuity using discount rates and actuarial assumptions consistent with American Council of Gift Annuities standards.

The University's annuity and life income funds include charitable gift annuities, charitable remainder annuity trusts, and charitable remainder unitrusts.

The University is required by the laws of certain states to maintain reserves against charitable gift annuities. Such reserves amounted to \$394,000 and \$354,000 as of June 30, 2008 and 2007, respectively. During 2008, the University has determined that only one state where gift annuities were issued requires a segregated reserve account and the reserve was reduced to meet that requirement only. The funds released from the reserve continue to be invested to support future annuity payments.

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**(7) Property, Plant, and Equipment**

Land is recorded at cost or appraised value at time of receipt if contributed, including land deeded by the Board of Trustees of Delaware College to the State in the early 1900s and thereafter used by the University, as successor, for the purposes of the University.

Buildings are recorded at cost of initial construction, including buildings on land deeded to the State and thereafter used for the purposes of the University. Costs of major renovations to buildings are capitalized. Costs of equipment in excess of \$5,000 with a useful life expectancy of two or more years are also capitalized.

The University uses the straight-line method of depreciation for its plant assets based on the following estimated useful lives:

	<b>Estimated lives (years)</b>
Land improvements	15
Buildings	40
Equipment and furnishings	5 to 20

Property, plant, and equipment as of June 30, 2008 and 2007 consisted of the following:

	<b>2008</b>	<b>2007</b>
	(In thousands)	
Land and improvements	\$ 45,590	46,566
Buildings	1,014,107	973,207
Equipment and furnishings	341,488	317,294
Collections and works of art	8,762	8,763
Capital leasehold	14,719	14,715
Construction in progress	94,799	45,678
Total property, plant, and equipment	1,519,465	1,406,223
Less accumulated depreciation	(594,107)	(550,603)
Total property, plant, and equipment, net	\$ 925,358	855,620

The University has three major building and renovation projects as of June 30, 2008 budgeted to cost \$85,000,000. At year-end, \$60,000,000 has been disbursed with \$25,000,000 committed to complete these projects.

**(8) Obligations Under Capital Leases**

The University has obligations under capital leases that amounted to \$8,565,000 and \$9,002,000 as of June 30, 2008 and 2007, respectively. The University's obligation at June 30, 2008 includes a building lease with Delaware Technology Park for the Delaware Biotechnology Institute, a unit of the University.

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The lease consists of annual lease payments ranging from \$345,000 to \$900,000 to be paid over a 20-year term.

The aggregate amount of principal and interest payments on the University's obligation under capital leases are due as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
		(In thousands)	
2009	\$ 462	409	871
2010	487	391	878
2011	517	366	883
2012	542	346	888
2013	572	320	892
Thereafter	5,985	1,224	7,209
	\$ 8,565	3,056	11,621

**(9) Notes and Bonds Payable**

Indebtedness at June 30, 2008 and 2007 consisted of the following:

	<b>2008</b>	<b>2007</b>
	(In thousands)	
Series 1997 Revenue Bonds (a)	\$ 1,280	1,860
Series 1998 Revenue Bonds (b)	28,200	29,000
Series 2001A Revenue Bonds (c)	19,950	21,350
Series 2001B Revenue Bonds (d)	18,285	18,900
Series 2004A Revenue Bonds (e)	6,350	8,410
Series 2004B Revenue Bonds (f)	40,835	40,835
Series 2005 Revenue Bonds (g)	48,375	49,110
Series 2007 Revenue Bonds (h)	73,600	73,600
Blue Hen Hotel LLC Bonds (i)	10,295	10,565
University Learning Center Line of Credit (j)	4,026	4,136
Note payable (k)	414	444
	251,610	258,210
Less discounts on notes and bonds payable	(1,079)	(1,097)
Notes and bonds payable	\$ 250,531	257,113

**(a) Series 1997 Revenue Bonds**

In May 1997, the University issued \$15,500,000 of Series 1997 Revenue Bonds to fund a portion of the costs to renovate and equip certain housing facilities for students. The 1997 Bonds bear interest rates ranging from 5% to 5.125%, mature at various dates through November 1, 2010 and are secured by a pledge of gross revenues received by the University for operation of its existing facilities located on the University's main campus which provide housing, dining, or health care

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services for students; the Student Center fees; and certain parking and bookstore revenues. \$1,280,000 Series 1997 Bonds remain outstanding as of June 30, 2008.

The Series 2005 Bond issue refunded \$12,065,000 of the 1997 Bonds with maturities ranging from 2010 to 2022 (note 9(g) below). Funds to retire the refunded Series 1997 Bonds at their call date in 2008 are in escrow with a Bond Trustee and are not included in the June 30, 2008 statement of financial position.

**(b) Series 1998 Revenue Bonds**

In July 1998, the University issued \$31,300,000 of Series 1998 Variable Rate Demand Revenue Bonds. A portion of the 1998 Revenue Bonds was placed in an irrevocable trust and used to purchase government securities to provide for principal and interest on a portion of the remaining unrefunded 1989 Revenue Bonds.

The purpose of the remaining portion of the Series 1998 Bonds was to fund a portion of the costs to renovate, construct, and equip certain housing facilities for students. The 1998 Bonds bear interest at flexible rates for interest periods determined by the remarketing agent. A 5% interest cost through 2008 is anticipated based on an existing interest rate exchange agreement.

The 1998 Bonds mature at various dates through November 1, 2023 and are secured by a pledge of gross revenues received by all project facilities as noted in (a) above.

**(c) Series 2001A Revenue Bonds**

In June 2001, the University issued \$25,610,000 of Series 2001A Variable Rate Demand Revenue Bonds. The proceeds of these Series 2001A Bonds were placed in an irrevocable trust and used to purchase government securities to provide for the principal and interest on a portion of the Series 1993 Revenue Bonds.

The Series 2001A Bonds will initially bear interest at a Weekly Rate and will continue to bear interest at a Weekly Rate until converted to bear interest at a Daily, Flexible, Term or Fixed Rate to maturity. The interest rate to be in effect for a particular period of time will be set by the Remarketing Agent and will never exceed 12% per annum. Interest cost is approximately 4.15% based on an existing interest rate exchange agreement. The agreement counterparty has the right to terminate the agreement under certain market conditions. The Series 2001A Bonds mature on November 1, 2018, but are subject to redemption and mandatory tender for purchase prior to maturity.

**(d) Series 2001B Revenue Bonds**

In September 2001, the University issued \$21,200,000 of Series 2001B Variable Rate Demand Revenue Bonds. A portion of these Series 2001B Bonds were used to retire the Series 2000 Revenue Notes. The remaining portion of the Series 2001B Bonds were used to renovate, construct, and equip sprinkler systems, a parking deck, and office building and other capital improvements.

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The Series 2001B Bonds will initially bear interest at a Daily Rate and will continue to bear interest at a Daily Rate until converted to bear interest at a Weekly, Flexible, Term, or Fixed Rate to maturity. The interest rate to be in effect for a particular period of time will be reset by the Remarketing Agent and will never exceed 12% per annum. A 4.05% interest cost is expected through October 31, 2026 based on an existing interest rate exchange agreement. The counterparty has the right to terminate the agreement at its option on any day in which the Municipal Swap Index has had a weighted daily average of 7.00% or greater for the immediately preceding 180 days. Such termination could result in higher or lower interest rate costs during the remaining term of the bonds. The Bonds are secured by a pledge of gross revenues received by the University from the operations of all project facilities including housing, dining, parking, and other revenue-producing facilities. The Series 2001B Bonds mature on November 1, 2026, but are subject to redemption and mandatory tender for purchase prior to maturity.

**(e) Series 2004A Revenue Bonds**

In April 2004, the University issued \$12,070,000 of Series 2004A Revenue Bonds. Approximately \$8,041,000 of these Series 2004A Bonds were used to retire the Series 1993 Revenue Notes. The remaining portion of the Series 2004A Revenue Bonds were used to construct a parking garage, to demolish existing University dormitories, to construct three new dormitory buildings, and for other capital improvements.

The Series 2004A Bonds will bear interest rates ranging from 2.0% to 5.0%, maturing over various dates through November 2010, and are secured by a pledge of gross revenues received by the University from the operations of all project facilities including housing, dining, parking, and other revenue-producing facilities.

**(f) Series 2004B Revenue Bonds**

In April 2004, the University issued \$40,835,000 of Series 2004B Variable Rate Demand Revenue Bonds. The Series 2004B Bonds were used to construct a parking garage, to demolish existing University dormitories, to construct three new dormitory buildings, and for other capital improvements.

The Series 2004B Bonds will initially bear interest at a Daily Rate and will continue to bear interest at a Daily Rate until converted to bear interest at a Weekly, Flexible, Term, or Fixed Rate to maturity. The interest rate to be in effect for a particular period of time will be reset by the Remarketing Agent and will never exceed 12% per annum. A 3.25% interest cost through fiscal year 2035 is anticipated based on an existing interest rate exchange agreement. The Bonds are secured by a pledge of gross revenues received by the University from the operations of all project facilities including housing, dining, parking, and other revenue-producing facilities. The Series 2004B Bonds mature on November 1, 2034, but are subject to redemption and mandatory tender for purchase prior to maturity.

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**(g) *Series 2005 Revenue Bonds***

In July 2005, the University issued \$49,945,000 of Series 2005 Variable Rate Demand Revenue Bonds. \$37,880,000 of the Series 2005 Bonds were used to complete the construction of three new dormitory buildings, the demolition of some existing University dormitories, and other capital improvements started with proceeds of the Series 2004B Revenue Bonds. Also, \$12,065,000 was used to Advance Refund a portion of the Series 1997 Bonds.

The Series 2005 Bonds will initially bear interest at a Daily Rate and will continue to bear interest at a Daily Rate until converted to bear interest at a Weekly, Flexible, Term, or Fixed Rate to maturity. The interest rate to be in effect for a particular period of time will be reset by the Remarketing Agent and will never exceed 12% per annum. A 3.87% interest cost through fiscal year 2036 is anticipated on the \$37,880,000 project funds and 3.75% interest cost through fiscal year 2022 on the \$12,065,000, both based on existing interest rate exchange agreements. The Bonds are secured by a pledge of gross revenues received by the University from the operations of all project facilities including housing, dining, parking, and other revenue-producing facilities. The Series 2005 Bonds mature on November 1, 2035, but are subject to redemption and mandatory tender for purchase prior to maturity.

**(h) *Series 2007 Revenue Bonds***

In May 2007, the University issued \$73,600,000 of Series 2007 Auction Rate Revenue Bonds. The Series 2007 Bonds are being used to pay for a portion of the costs of renovation, construction, and equipping of certain University Project Facilities.

The Series 2007 Bonds will initially bear interest in the Auction Rate, but may be converted in whole or in part at the direction of the University, subject to certain restrictions, to bonds that bear interest at any of a Daily, Flexible, Weekly, Term, or a Fixed Rate. A 3.764% interest cost through fiscal year 2037 is anticipated based on an existing interest rate exchange agreement. The Bonds are secured by a pledge of and lien on (i) Pledge Revenues (which includes substantially all of the gross revenues received by the University from the operation of all Project Facilities and any other revenues pledged by the University in its sole discretion) and (ii) income received on and income received on the principal amount of the Revenue, Debt Service, and Capital Funds. The Series 2007 Bonds mature on November 1, 2037, but are subject to redemption prior to maturity (note 14).

**(i) *Blue Hen Hotel LLC Bonds***

In September 2001, the Blue Hen Hotel LLC, a Company initially owned 75% (note 2) by the University and consolidated into the University's financial statements, issued \$11,500,000 of Blue Hen Hotel LLC Variable Rate Demand Bonds, Series 2001 (Series 2001 Bonds), which were also guaranteed by the University. The Series 2001 Bonds will fund the design, construction, and start-up operating costs of a hotel.

The Series 2001 Bonds will initially bear interest at a Weekly Rate and will continue to bear interest at a Weekly Rate until converted to bear interest at a Daily, Flexible, Term, or Fixed Rate to maturity. The interest rate to be in effect for a particular period of time will be reset by the

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Remarketing Agent and will never exceed 18% per annum. A 5.70% interest cost through at least fiscal year 2007 is anticipated based on an existing interest rate exchange agreement. The Series 2001 Bonds mature on September 1, 2027, but are subject to redemption and mandatory tender for purchase prior to maturity.

On October 1, 2006 the Blue Hen Hotel LLC issued a call on \$935,000 of its outstanding bonds, which are guaranteed by the University. The University provided \$935,000 additional capital contribution to the Blue Hen Hotel LLC in conjunction with the redemption of the bonds.

**(j) *Early Learning Center Line of Credit***

On December 1, 2003, the University obtained a \$5,000,000 line of credit to renovate the University Early Learning Center facility. The interest rate is a variable rate of 65% of the Bank's National Commercial Rate (3.25% at June 30, 2008) and there is an outstanding balance of \$4,026,000 at June 30, 2008. The line of credit expires in December 2008.

**(k) *Note Payable***

The University's note payable bears an interest rate of 3.0%. The note payable at June 30, 2008 and 2007 consisted of \$414,000 and \$444,000 respectively, for the U.S. Department of Housing and Urban Development Loan.

The carrying amount of variable rate long-term debt approximates fair value because these financial instruments bear interest at rates which approximate current market rates for loans with similar maturities and credit quality. The fair value of fixed and variable rate Revenue Bonds (par amount of \$237,130,000) approximates \$237,326,000. Such amount has been estimated by discounting the future cash outflows associated with such debt by current market rates for loans with similar maturities and credit quality.

Certain long-term debt obligations expose the University to cash flow risk related to changes in interest rates. Management believes it is prudent and cost effective to hedge some of its exposure to interest rate risk. To achieve this objective, management has interest rate swap agreements for approximately \$251,135,000 (including \$10,320,000 related to the Blue Hen Hotel LLC, note 2) of long-term debt obligations as of June 30, 2008. In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, not-for-profit organizations shall recognize the gain or loss on a hedging instrument as a change in net assets in the period of change. Accordingly, for the year ended June 30, 2008, the University has recognized an unrealized loss of \$13,836,000 (including a loss of \$755,000 related to the Blue Hen Hotel LLC) in the statement of activities for the decrease in fair value of its interest rate swaps and a corresponding increase in the fair value of its interest rate swap liability in the statement of financial position.

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The aggregate amount of principal payments on the University's note and bonds payable are due as follows (in thousands):

2009	\$	8,084
2010		8,384
2011		8,644
2012		9,553
2013		10,003
Thereafter		205,863
	\$	250,531

**(10) Employee Benefit Plans**

Substantially all faculty and professional employees are provided pension benefits under the University's Retirement Annuity Program administered principally by the Teachers Insurance and Annuity Association and Fidelity Investments. The policy of the University is to pay its share of the annual premium accrued in connection with the University Retirement Annuity Program; there are no unfunded benefits. Pension plan expense for the University Retirement Annuity Program was \$22,117,000 in 2008 and \$20,693,000 in 2007. Expenses under the State of Delaware Pension Plan, which covers all other employees, were \$8,510,000 and \$7,796,000 in 2008 and 2007, respectively.

In addition to retirement benefits, the University also provides postretirement benefits primarily for medical insurance to retired employees who are not eligible under the State of Delaware Pension Plan. As of June 30, 2008, the University has not funded these benefits.

Net periodic postretirement benefit cost for 2008 and 2007 includes the following components:

		<b>2008</b>	<b>2007</b>
(In thousands)			
Service cost	\$	5,755	5,739
Interest cost		9,999	9,854
Amortization of unrecognized loss		324	1,088
Net periodic postretirement benefit cost	\$	16,078	16,681

The accumulated postretirement benefit obligation at June 30, 2008 and 2007 is as follows:

		<b>2008</b>	<b>2007</b>
(In thousands)			
Accrued postretirement liability	\$	153,755	141,034
Unrecognized net loss		30,236	30,398
Accumulated postretirement benefit obligation	\$	183,991	171,432

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Change in plan assets for 2008 and 2007 includes the following (in thousands):

	<b>2008</b>	<b>2007</b>
Employer contributions	\$ 3,357	3,162
Benefits paid	(3,357)	(3,162)

The accumulated postretirement benefit obligation was determined using a discount rate of 6.90% and 6.25% in 2008 and 2007, respectively, and a health care cost trend rate of 7.25% and 8.00% in 2008 and 2007, respectively. This rate gradually decreases to 5% by the year 2011 and remains constant thereafter. Increasing the assumed health care cost trend rate by 1% in each year and holding all other assumptions constant would increase the accumulated postretirement benefit obligation by approximately \$30,556,000 and \$32,080,000 at June 30, 2008 and 2007, respectively, and increase the aggregate of the service and interest cost components of the net periodic postretirement benefit cost by approximately \$3,410,000 and \$3,418,000 for the years ended June 30, 2008 and 2007, respectively.

The University's expected contributions to the plan are as follows for the year ended June 30, 2009 (in thousands):

Expected employer contributions	\$ 4,622	
Expected employee contributions	—	
	\$ 4,622	

At June 30, 2008, the University's expected future benefit payments for future service are as follows (in thousands):

Year ended June 30:	
2009	4,622
2010	5,276
2011	5,968
2012	6,637
2013	7,336
2014 through 2018	48,551
	\$ 78,390

The effect of federal subsidies enacted by the Medicare Prescription Drug Improvement and Modernization Act of 2003 has been reflected in the measurement of the accumulated postretirement benefit obligation or net periodic postretirement benefit cost.

**(11) Scholarship Allowance**

The University provides financial assistance to eligible students to partially offset the direct costs of tuition, on-campus housing, and meal contracts. These scholarship allowances are presented as a reduction of tuition and sales of auxiliary enterprises.

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(with Comparative Amounts for 2007)

Scholarships are funded from unrestricted resources, as well as funds from donors, federal and state governments, and endowment income restricted to use for student financial assistance.

The table below identifies this financial assistance by source and by student classification for the year ended June 30, 2008.

	<u>Undergraduate</u>	<u>Graduate</u>	<u>Total</u>
		(In thousands)	
Unrestricted	\$ 20,395	31,481	51,876
Federal	712	323	1,035
State	9,932	95	10,027
Private gifts	1,570	70	1,640
Endowment	3,299	19	3,318
Total	<u>\$ 35,908</u>	<u>31,988</u>	<u>67,896</u>

An additional \$5,722,000 of University-provided financial assistance was utilized by students for books, supplies, and off-campus living expenses.

#### (12) Fund-Raising Costs

Fund-raising costs were \$5,531,000 and \$4,696,000 for the years ended June 30, 2008 and 2007, respectively.

#### (13) Contingencies

The University is party to certain claims and litigation arising in the ordinary course of business. In the opinion of management, the resolution of such claims and litigation will not materially affect the University's financial position, statement of activities, or cash flows.

#### (14) Subsequent Events

On July 9, 2008, the University refinanced the Series 2007 Bonds with a \$73,600,000 30-day bank demand note at a variable interest rate based on one-month LIBOR. The Series 2007 Bonds were redeemed on July 10, 2008. The purpose of this refinancing was to remove the 2007 auction rate bonds from the auction market, which had become dysfunctional in Spring 2008. The University refinanced the bank demand note with \$71,310,000 in variable rate revenue bonds in March 2009, which carry a term rate of 2.00%. The bonds are subject to mandatory tender on June 1, 2011.

**UNIVERSITY OF DELAWARE**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008

Program title	Pass-through entity name	CFDA number	Pass-through number	Direct (D) or pass-through (I)	Program expenditures
Research and Development Cluster:					
U.S. Department of Agriculture Programs:					
United States Department of Agriculture		10.000		D	\$ 401,464
United States Department of Agriculture	Pennsylvania State University	10.000	08001262	I	622
United States Department of Agriculture	Tennessee, University of	10.000	102485	I	59,365
United States Department of Agriculture	Cornell University	10.000	48841-8544	I	12,416
United States Department of Agriculture	Cornell University	10.000	53945-8502	I	12,592
United States Department of Agriculture	West Georgia, State University of	10.000	CK# 156675	I	—
Agricultural Research_Basic and Applied Research		10.001		D	233,116
Plant and Animal Disease, Pest Control, and Animal Care		10.025		D	31,209
Grants for Agricultural Research, Special Research Grants		10.200		D	161,618
Grants for Agricultural Research, Special Research Grants	Cornell University	10.200	50344-8293	I	(1,795)
Grants for Agricultural Research, Special Research Grants	Maryland, University of	10.200	Q252701	I	(5,966)
Cooperative Forestry Research		10.202		D	94,827
Payments to Agricultural Experiment Stations Under the Hatch Act		10.203		D	1,622,200
Grants for Agricultural Research_Competitive Research Grants		10.206		D	1,717,307
Grants for Agricultural Research_Competitive Research Grants	Pennsylvania State University	10.206	2398-UD-USDA-2638	I	125
Grants for Agricultural Research_Competitive Research Grants	Pennsylvania State University	10.206	2954-UD-USDA-5389	I	25,217
Grants for Agricultural Research_Competitive Research Grants	Iowa State University	10.206	416-41-34	I	43,435
Grants for Agricultural Research_Competitive Research Grants	Kansas State University	10.206	S06012	I	40,441
Grants for Agricultural Research_Competitive Research Grants	Maryland, University of	10.206	SC035-25244A	I	5,948
Grants for Agricultural Research_Competitive Research Grants	The University of Texas at Austin	10.206	UTA07-524	I	18,618
Grants for Agricultural Research_Competitive Research Grants	Maryland, University of	10.206	Z507211	I	33,374
Grants for Agricultural Research_Competitive Research Grants	Maryland, University of	10.206	Z507212	I	52,232
Grants for Agricultural Research_Competitive Research Grants	Maryland, University of	10.206	Z507213	I	3,523
Grants for Agricultural Research_Competitive Research Grants	Maryland, University of	10.206	Z521912	I	1,911
Grants for Agricultural Research_Competitive Research Grants	Iowa State University	10.206	416-41-34	I	—
Animal Health and Disease Research		10.207		D	28,685
Small Business Innovation Research	SURVICE Engineering	10.212	PO# 07349-45	I	15,000
Higher Education Challenge Grants		10.217		D	62,389
		10.302		D	(34)
Integrated Programs		10.303		D	108,138
Integrated Programs	Pennsylvania State University	10.303	2708-USDA-UD-2103	I	29,449
Integrated Programs	Maryland, University of	10.303	Z506005	I	32,574
Homeland Security_Agricultural	Cornell University	10.304	54039-8573	I	9,699
Cooperative Extension Service	Bou-Matic	10.500	05000752	I	(12,212)
Cooperative Forestry Assistance		10.664		D	53,585
Rural Business Enterprise Grants		10.769		D	15,000
Environmental Quality Incentives Program		10.912		D	81,557
					4,987,629
Department of Commerce Programs:					
Department of Commerce		11.000		D	72,781
Department of Commerce	California-Davis, University of	11.000	007557-02	I	554
Department of Commerce	New Hampshire, University of	11.000	06-086	I	36,103
Department of Commerce	OAK Management, Inc.	11.000	4300-002-15	I	50,464
Department of Commerce	Maryland, University of	11.000	CA 08-10	I	4,133
Department of Commerce	Delaware Department of Natural Resources	11.000	PO# 40 07010106284	I	—
Department of Commerce	National Oceanic/Atmospheric Admin.	11.000	PO# 40 07010106481	I	2,717
Department of Commerce	Delaware Department of Natural Resources	11.000	PO# 40 07020106423	I	16,862
Sea Grant Support		11.417		D	1,144,138
Coastal Zone Management Administration Awards	New Hampshire, University of	11.419	07-006	I	7,832
Coastal Zone Management Administration Awards	New Hampshire, University of	11.419	08-025	I	90,506
Undersea Research	University of North Carolina	11.430	FLK-2006-13	I	845
Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	Delaware Department of Natural Resources	11.432	PO# 40 07010106642	I	3,961
Chesapeake Bay Studies		11.457		D	90,189
Special Oceanic and Atmospheric Projects	Virginia Institute of Marine Science	11.460	712773	I	99,795
Special Oceanic and Atmospheric Projects	The Institute for Exploration	11.460	PO000943	I	52,826
Special Oceanic and Atmospheric Projects	Virginia Institute of Marine Science	11.460	712773	I	3
Unallied Science Program		11.472		D	21,826

**UNIVERSITY OF DELAWARE**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008

Program title	Pass-through entity name	CFDA number	Pass-through number	Direct (D) or pass-through (I)	Program expenditures
Coastal Services Center		11.473		D	\$ 6,097
Center for Sponsored Coastal Ocean Research_Coastal Ocean Program		11.478		D	155,357
Measurement and Engineering Research and Standards		11.609		D	414,415
					2,271,404
Department of Defense Programs:					
Department of Defense		12.000		D	14,486,864
Department of Defense	Unidentified	12.000	05000323	I	7,246
Department of Defense	2Phase Technologies	12.000	05001104	I	(10)
Department of Defense	Carbon Solutions, Inc.	12.000	05001110	I	34,528
Department of Defense	Duke University	12.000	05-SC-DARPA-1002	I	60,950
Department of Defense	Carbon Solutions, Inc.	12.000	06000924	I	4,534
Department of Defense	Advanced Ceramics Research	12.000	06000966	I	(16)
Department of Defense	MilSys Technologies LLC	12.000	06-7502	I	(1)
Department of Defense	Spectrum Magnetics LLC	12.000	08000630	I	30,105
Department of Defense	V System Composites, Inc.	12.000	08000648	I	18,677
Department of Defense	Kubota Research Associates, Inc.	12.000	08001191	I	3,573
Department of Defense	Global Info Tek, Inc.	12.000	080105	I	3,139
Department of Defense	Irvine Sensor Corp	12.000	23723	I	44,275
Department of Defense	Irvine Sensor Corp	12.000	25061	I	51,392
Department of Defense	Louisiana State University	12.000	27099	I	4,952
Department of Defense	Intelligent Automation, Inc.	12.000	551-1	I	7,000
Department of Defense	EM Photonics, Inc.	12.000	6604-SC-0175	I	589,458
Department of Defense	SRI International	12.000	68-000020	I	19,801
Department of Defense	2Phase Technologies	12.000	AGR 20040604-03144	I	13,052
Department of Defense	YBM Magnex, Inc.	12.000	AGR19990330	I	(58,201)
Department of Defense	3TEX, Inc.	12.000	D000001-1	I	746,429
Department of Defense	Telcordia Technologies, Inc.	12.000	DAAD19-01-2-0011	I	526,805
Department of Defense	Electron Energy Corporation	12.000	FA9550-07-C-0029	I	46,033
Department of Defense	Southern Methodist University	12.000	G000790	I	2,356
Department of Defense	Material Sciences Corp	12.000	PO 2319-AH19	I	219,561
Department of Defense	Sandia National Labs	12.000	PO 678286	I	151,389
Department of Defense	ArmorWorks	12.000	PO# 011240-00	I	14,224
Department of Defense	Material Sciences Corp	12.000	PO# 2029-AH17	I	10,123
Department of Defense	CACI Technologies, Inc.	12.000	PO# C06-061284	I	17
Department of Defense	NVE Corporation	12.000	PO-10788	I	168,231
Department of Defense	Northrop Grumman Ship Systems	12.000	Q3-19018-011	I	(24)
Department of Defense	3TEX, Inc.	12.000	R000058	I	184,548
Department of Defense	BAE Systems Lews, Inc.	12.000	RS9048	I	6,401
Department of Defense	JEM Engineering	12.000	S06-UDEL04	I	148,147
Department of Defense	Scalable Networking Technologies	12.000	SNT121707	I	11,666
Department of Defense	Triton Systems, Inc.	12.000	TSI-2276-06-75063	I	114,872
Department of Defense	EM Photonics, Inc.	12.000	W31P4Q-05-C-0177	I	31,343
Department of Defense	3TEX, Inc.	12.000	D000001-1	I	—
Department of Defense	BAE Systems Lews, Inc.	12.000	RS9048	I	(1,185)
Department of Defense	Irvine Sensor Corp	12.000	25061	I	57
Collaborative Research and Development	Research Foundation of SUNY, The	12.114	38156	I	62,469
Collaborative Research and Development	Florida Atlantic University	12.114	DRE24	I	(173)
Basic and Applied Scientific Research		12.300		D	3,168,888
Basic and Applied Scientific Research	New Hampshire, University of	12.300	07-011	I	35,222
Basic and Applied Scientific Research	Scripps Institute of Oceanography	12.300	10276959	I	117,852
Basic and Applied Scientific Research	California-San Diego University of	12.300	10285749	I	5,844
Basic and Applied Scientific Research	Intelligent Automation, Inc.	12.300	618-1	I	7,368
Basic and Applied Scientific Research	Woods Hole Oceanographic Institute	12.300	A100494	I	14,078
Basic and Applied Scientific Research	Epitaxial Technologies, LLC	12.300	ETLSC-653	I	6,888
Basic and Applied Scientific Research	California-Santa Barbara, University of	12.300	KK8117	I	20,719
Military Construction, National Guard	University of Iowa	12.400	1000617707	I	43,460
Military Medical Research and Development		12.420		D	137,040
Military Medical Research and Development	Thomas Jefferson University	12.420	080-30000-X08901	I	(1)
Basic Scientific Research		12.431		D	605,744

**UNIVERSITY OF DELAWARE**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008

Program title	Pass-through entity name	CFDA number	Pass-through number	Direct (D) or pass-through (I)	Program expenditures
Basic Scientific Research	Delaware State University	12.431	07000241	I	\$ 97,555
Basic Scientific Research	Tuskegee University	12.431	W911NF-05-2-0006	I	182,616
Basic, Applied, and Advanced Research in Science and Engineering		12.630		D	32,717
Air Force Defense Research Sciences Program		12.800		D	753,493
Air Force Defense Research Sciences Program	Blue Road Research	12.800	05001021	I	(9,773)
Air Force Defense Research Sciences Program	Massachusetts Institute of Technology	12.800	5710002024	I	96,449
Air Force Defense Research Sciences Program	Wisconsin-Madison, University of	12.800	A865303	I	256,622
Air Force Defense Research Sciences Program	Blue Road Research	12.800	AGR 20001030	I	(52,417)
Air Force Defense Research Sciences Program	EM Photonics, Inc.	12.800	AGR 20040410	I	—
Air Force Defense Research Sciences Program	NanoLabs, Inc.	12.800	AGR 20040901-3144	I	(84)
Air Force Defense Research Sciences Program	3TEX, Inc.	12.800	R000054	I	56,914
Air Force Defense Research Sciences Program	3TEX, Inc.	12.800	R00046	I	(57)
Mathematical Sciences Grants Program		12.901		D	52,350
Research and Technology Development		12.910		D	91,999
Research and Technology Development	Konarka Technologies, Inc.	12.910	AGR 20041203-03106	I	(21,080)
					<u>23,465,013</u>
Central Intelligence Agency:					
Central Intelligence Agency		13.000		D	93,982
					<u>93,982</u>
Department of the Interior Programs:					
Department of Interior		15.000		D	73,732
Department of Interior	Woolpert, Inc.	15.000	06000868	I	(45,842)
Department of Interior	Ducks Unlimited, Inc.	15.000	07000518	I	9,563
Department of Interior	Ducks Unlimited, Inc.	15.000	RS-6-1	I	53,787
State Wildlife Grants	Kent Conservation District	15.634	08000571	I	8,428
Assistance to State Water Resources Research Institutes		15.805		D	82,469
U.S. Geological Survey_ Research and Data Collection		15.808		D	69,204
					<u>251,341</u>
National Institute of Justice Research, Evaluation and Development Project Grants:					
National Institute of Justice Research, Evaluation, and Development Project Grants		16.560		D	7,473
					<u>7,473</u>
Department of Transportation Programs:					
Department of Transportation		20.000		D	704,952
Department of Transportation	Delaware Department of Transportation	20.000	06000222	I	10,666
Department of Transportation	Delaware Department of Transportation	20.000	06000237	I	175
Department of Transportation	Delaware Department of Transportation	20.000	06000241	I	601
Department of Transportation	Delaware Department of Transportation	20.000	06000245	I	635
Department of Transportation	Delaware Department of Transportation	20.000	06001011	I	48,493
Department of Transportation	Delaware Department of Transportation	20.000	07000086	I	76,907
Department of Transportation	Delaware Department of Transportation	20.000	07000308	I	20,911
Department of Transportation	Wilm Metro Ar Plan County Council	20.000	07000315	I	9,033
Department of Transportation	Delaware Department of Transportation	20.000	08000168	I	4,224
Department of Transportation	Delaware Department of Transportation	20.000	08000170	I	13,925
Department of Transportation	Delaware Department of Transportation	20.000	08000232	I	105,422
Department of Transportation	Delaware Department of Transportation	20.000	08000482	I	34,449
Department of Transportation	Delaware Department of Transportation	20.000	08000752	I	58,672
Department of Transportation	Wilm Metro Ar Plan County Council	20.000	08001117	I	7,420
Department of Transportation	Delaware Department of Transportation	20.000	AGR 1267-4	I	(1)
Department of Transportation	Delaware Department of Transportation	20.000	AGR DCTR05	I	(479)
Department of Transportation	Delaware Department of Natural Resources	20.000	PO# 01010000485	I	54,081
Department of Transportation	Wilm Metro Ar Plan County Council	20.000	TASK# MPO 8.04.01	I	2,433
Department of Transportation	Triton Systems, Inc.	20.000	TSI-2285-06-75784	I	7,446
Public Transportation Research		20.514		D	389,800
State Planning and Research	Delaware Department of Transportation	20.515	08000045	I	162,131
State Planning and Research	Delaware Department of Transportation	20.515	08000058	I	111,637
State Planning and Research	Delaware Department of Transportation	20.515	AGR 1229-1	I	(4)
University Transportation Centers Program	Delaware Department of Transportation	20.603	07000945	I	24,113
		20.701		D	202,780
					<u>2,050,422</u>

**UNIVERSITY OF DELAWARE**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008

Program title	Pass-through entity name	CFDA number	Pass-through number	Direct (D) or pass-through (I)	Program expenditures
National Aeronautics and Space Administration Programs:					
National Aeronautics and Space Administration		43.000		D	\$ 1,541,014
National Aeronautics and Space Administration	Jet Propulsion Laboratory	43.000	1277584	I	1,428
National Aeronautics and Space Administration	Jet Propulsion Laboratory	43.000	1279647	I	233
National Aeronautics and Space Administration	Jet Propulsion Laboratory	43.000	1287615	I	43,360
National Aeronautics and Space Administration	Jet Propulsion Laboratory	43.000	1323020	I	14,764
National Aeronautics and Space Administration	Smithsonian Astrophysical Observatory	43.000	G05-6013B	I	(1)
National Aeronautics and Space Administration	Smithsonian Astrophysical Observatory	43.000	G07-8014E	I	7,782
National Aeronautics and Space Administration	Smithsonian Astrophysical Observatory	43.000	G08-9011X	I	81
National Aeronautics and Space Administration	National Space Biomedical Research Insti	43.000	NCC 9-58-333	I	225,000
National Aeronautics and Space Administration	Accudyne Systems, Inc.	43.000	PO# 262K08300	I	10,504
National Aeronautics and Space Administration	California-Berkeley, University of	43.000	SA4222-24190	I	114,780
National Aeronautics and Space Administration	California-Berkeley, University of	43.000	SA5690-11665	I	16,513
National Aeronautics and Space Administration	Smithsonian Astrophysical Observatory	43.000	TM7-8002X	I	74,410
National Aeronautics and Space Administration	National Space Biomedical Research Institute	43.000	NCC 9-58-333	I	—
Aerospace Education Services Program	Missouri-Columbia, University of	43.001	C00015849-2	I	18,740
					<u>2,068,608</u>
Promotion of the Humanities Federal/State Partnership:					
Promotion of the Humanities_Federal/State Partnership	Delaware Humanities Forum	45.129	071107	I	4,799
					<u>4,799</u>
National Science Foundation Programs:					
National Science Foundation		47.000		D	546,711
National Science Foundation	CCL Biomedical, Inc.	47.000	05000088	I	13,302
National Science Foundation	Cold Springs Harbor Laboratory	47.000	CISC432141	I	(202)
National Science Foundation	Advanced Fuel Research, Inc.	47.000	07000435	I	21,303
National Science Foundation	Kubota Research Associates, Inc.	47.000	07000471	I	15,000
National Science Foundation	PAIR Technologies, LLC	47.000	07000475	I	79,124
National Science Foundation	Illinois, University of	47.000	2003-01053-11	I	3,360
National Science Foundation	Cornell University	47.000	48789-8603	I	62,189
Engineering Grants		47.041		D	2,227,632
Engineering Grants	Massachusetts, University of	47.041	04-002341 F 00	I	176,266
Engineering Grants	Electron Energy Corporation	47.041	07001203	I	25,814
Engineering Grants	Rhode Island, University of	47.041	103103/0000154	I	(3)
Engineering Grants	Illinois, University of	47.041	2003-10153-15	I	29,330
Engineering Grants	Rensselaer Polytechnic Institute	47.041	A11765	I	65,552
Engineering Grants	Chesapeake Bay Research Consortium	47.041	CBEO-2	I	109,591
Engineering Grants	Colorado State University	47.041	G-3373-4	I	34,740
Mathematical and Physical Sciences		47.049		D	3,005,254
Geosciences		47.050		D	3,451,472
Geosciences	College of William & Mary	47.050	519206/1248	I	51,627
Computer and Information Science and Engineering		47.070		D	2,072,056
Computer and Information Science and Engineering	California-Los Angeles, University of	47.070	0145 G EB775	I	(1)
Computer and Information Science and Engineering	Arkansas, University of	47.070	SA021171	I	(16,940)
Computer and Information Science and Engineering	Arkansas, University of	47.070	SA0607174	I	63,992
Biological Sciences		47.074		D	2,649,377
Biological Sciences	Cold Spring Harbor Laboratory	47.074	22770112	I	160,587
Biological Sciences	Cold Spring Harbor Laboratory	47.074	22770113	I	85,547
Biological Sciences	State University of New York – Albany	47.074	AGR 20040810	I	8,035
Biological Sciences	Pennsylvania, University of	47.074	IOS-0725968	I	6,913
Biological Sciences	J. Craig Venter Institute	47.074	JCVI-06-004	I	79,061
Social, Behavioral, and Economic Sciences		47.075		D	584,675
Social, Behavioral, and Economic Sciences	Civilian Research/Development Foundation	47.075	GEP1-3339-TB-06	I	3,068
Social, Behavioral, and Economic Sciences	Civilian Research/Development Foundation	47.075	UKG2-2645-SE-05	I	—
Education and Human Resources		47.076		D	3,646,848
Education and Human Resources	American Assoc. Advancement of Science	47.076	SUBAGR 20020315	I	59,714
Polar Programs		47.078		D	957,838
Polar Programs	The University of Texas at Austin	47.078	2610008461	I	72,985
Polar Programs	Wisconsin-Madison, University of	47.078	G067830	I	1,199,509

**UNIVERSITY OF DELAWARE**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008

Program title	Pass-through entity name	CFDA number	Pass-through number	Direct (D) or pass-through (I)	Program expenditures
Polar Programs	Ohio State University	47.078	RF00962319	I	\$ 3,208
Polar Programs	Wisconsin-Madison, University of	47.078	X440742	I	138,216
					<u>21,692,750</u>
Environmental Protection Agency Programs:					
Environmental Protection Agency		66.000		D	10,031
Environmental Protection Agency	Center For The Inland Bays	66.000	05000907	I	1,218
Environmental Protection Agency	Center For The Inland Bays	66.000	05000947	I	131
Environmental Protection Agency	Delaware Department of Natural Resources	66.000	07001017	I	5,602
Environmental Protection Agency	Delaware Department of Natural Resources	66.000	PO# 1245272	I	(86)
Environmental Protection Agency	Delaware Department of Natural Resources	66.000	PO# 40 08060800488	I	—
Environmental Protection Agency	Maryland Department of Environment	66.000	PO# U00P4200850	I	41,023
National Estuary Program	Center For The Inland Bays	66.456	06000834	I	3,160
National Estuary Program	Center For The Inland Bays	66.456	06000840	I	6,619
National Estuary Program	Center For The Inland Bays	66.456	06000841	I	6,407
		66.500		D	12,025
Science To Achieve Results (STAR) Research Program		66.509		D	567,012
Science To Achieve Results (STAR) Research Program	Stony Brook University	66.509	1063039-2-43026	I	7,121
					<u>660,263</u>
Department of Energy Programs:					
Department of Energy		81.000		D	1,560,168
Department of Energy	Nuvera Fuel Cells, Inc.	81.000	06000895	I	116,511
Department of Energy	Konarka Technologies, Inc.	81.000	07000274	I	88,138
Department of Energy	Electron Energy Corporation	81.000	07000465	I	50,000
Department of Energy	Physical Optics Corporation	81.000	08001181	I	921
Department of Energy	Los Alamos Scientific Laboratory	81.000	11748-001-05	I	8,861
Department of Energy	Sandia National Labs	81.000	251761	I	(935)
Department of Energy	Pittsburgh, University of	81.000	401424-2	I	13,801
Department of Energy	Pacific Northwest National Laboratory	81.000	40329	I	171,856
Department of Energy	Elsicon, Inc.	81.000	AGR 20040812EE	I	65,422
Department of Energy	Rohm & Haas Company	81.000	RANDH 11232004	I	48,367
Department of Energy	Nuvera Fuel Cells, Inc.	81.000	6000895	I	64
Office of Science Financial Assistance Program		81.049		D	2,410,730
Office of Science Financial Assistance Program	Johns Hopkins University	81.049	8503-86889	I	101,754
Office of Science Financial Assistance Program	Georgia Institute of Technology	81.049	E-21-6PL-S1	I	56,664
Office of Science Financial Assistance Program	Wisconsin-Madison, University of	81.049	P556695	I	—
Office of Science Financial Assistance Program	University of Maryland-College Park	81.049	Z700003	I	46,901
Renewable Energy Research and Development		81.087		D	1,452,611
Renewable Energy Research and Development	GE Global Research	81.087	PO# 700176075	I	66,599
					<u>6,258,433</u>
Department of Education Programs:					
Department of Education	Northwestern University	84.000	06000936	I	56,541
National Institute on Disability and Rehabilitation Research		84.133		D	106,507
Special Education_Technology and Media Services for Individuals with Disabilities		84.327		D	67,566
	National Writing Project Corporation	84.928	99-DE01	I	45,893
					<u>276,507</u>
Department of Health and Human Services Programs:					
Department of Health and Human Services		93.000		D	1,076,801
Department of Health and Human Services	Colorado, University of	93.000	0000058842	I	133,261
Department of Health and Human Services	Children's Hospital of Philadelphia	93.000	07001003	I	76,119
Department of Health and Human Services	New Castle Conservation District	93.000	06000893	I	12,937
Department of Health and Human Services	Bioassessments, LLC	93.000	06000983	I	12,131
Department of Health and Human Services	Northwestern University	93.000	06001034	I	44,440
Department of Health and Human Services	Compact Membrane Systems, Inc.	93.000	08000141	I	16,065
Department of Health and Human Services	Children's Hospital of Philadelphia	93.000	20059-01-01	I	(1,018)
Department of Health and Human Services	Yeshiva University	93.000	9-526-5963	I	23,092
Department of Health and Human Services	VITALTECH	93.000	AGR 20040802-03144	I	(10,111)

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Program title	Pass-through entity name	CFDA number	Pass-through number	Direct (D) or pass-through (I)	Program expenditures
Department of Health and Human Services	State University of New York – Buffalo	93.000	R425745	I	\$ 3,036
Department of Health and Human Services	Maryland, University of	93.000	SR00000149	I	8,528
Department of Health and Human Services	Vanderbilt University	93.000	VUMC2247-R2	I	127,801
Environmental Health		93.113		D	321,445
Oral Diseases and Disorders Research		93.121		D	376,721
Research Related to Deafness and Communication Disorders		93.173		D	245,345
Research Related to Deafness and Communication Disorders	Western Michigan University	93.173	25 2283130	I	—
Research Related to Deafness and Communication Disorders	Western Michigan University	93.173	25 7007260	I	49,358
Mental Health Research Grants		93.242		D	1,117,137
Mental Health Research Grants	Brigham and Womens Hospital	93.242	BWH# 775565	I	16,932
Alcohol Research Career Development Awards for Scientists and Clinicians		93.271		D	131,783
Alcohol Research Programs		93.273		D	162,581
Alcohol Research Programs	Illinois, University of	93.273	2003-02230-1-00	I	38,287
Drug Abuse and Addiction Research Programs		93.279		D	2,341,622
Drug Abuse and Addiction Research Programs	Rhode Island Hospital	93.279	08000120	I	40,211
National Institutes of Health Loan Repayment Program for Clinical Researchers		93.280		D	64,663
Mental Health Research Career/Scientist Development Awards		93.281		D	180,620
Discovery and Applied Research for Technological Innovations to Improve Human Health		93.286		D	638,139
National Center for Research Resources		93.389		D	7,685,979
National Center for Research Resources	Johns Hopkins University	93.389	8601-53694	I	36,875
		93.390		D	97,393
	Stanford University	93.390	18082170-30501-B	I	3,962
Cancer Cause and Prevention Research		93.393		D	262,637
Cancer Treatment Research		93.395		D	369,908
Cancer Biology Research	Emory University	93.396	AGR# 20031209	I	178,072
	Wisconsin, University of	93.821	180B106	I	28,260
Heart and Vascular Diseases Research	Yale University	93.837	08001039	I	5,226
Heart and Vascular Diseases Research	Thomas Jefferson University	93.837	080-04000-R83401	I	103,061
Heart and Vascular Diseases Research	Thomas Jefferson University	93.837	080-30000-R84301	I	31,005
Blood Diseases and Resources Research		93.839		D	826,272
Arthritis, Musculoskeletal and Skin Diseases Research		93.846		D	1,009,591
Arthritis, Musculoskeletal and Skin Diseases Research	Lincoln University	93.846	AGR 20020924	I	39,962
Diabetes, Endocrinology and Metabolism Research		93.847		D	591,129
Kidney Diseases, Urology and Hematology Research		93.849		D	82,846
Extramural Research Programs in the Neurosciences and Neurological Disorders		93.853		D	356,791
Extramural Research Programs in the Neurosciences and Neurological Disorders	Pennsylvania State University	93.853	2286-UD-DHHS-5032	I	29,472
Extramural Research Programs in the Neurosciences and Neurological Disorders	Johns Hopkins University	93.853	8508-53692	I	79,355
Biomedical Research and Research Training		93.859		D	1,327,417
Biomedical Research and Research Training	Georgia, University of	93.859	RR549-258/3500818	I	101,529
		93.864		D	20,939
		93.865		D	1,746,424
Child Health and Human Development Extramural Research	Kennedy Krieger Institute	93.865	07000432	I	29,907
Child Health and Human Development Extramural Research	customKynamics, Inc.	93.865	3008-001	I	12,183
Child Health and Human Development Extramural Research	Rochester, University of	93.865	413933-G	I	245,701
Child Health and Human Development Extramural Research	Pennsylvania, University of	93.865	5-47208	I	30,291
Child Health and Human Development Extramural Research	California-San Diego University of	93.865	PO# 10237634	I	54,098
Child Health and Human Development Extramural Research	Kentucky, University of	93.865	UKRF 4-66623-03-385	I	59,160
Aging Research		93.866		D	167,301
Aging Research	Maryland, University of	93.866	SR00000138	I	17,321
Vision Research		93.867		D	438,537
		93.929		D	354,623
	Washington University, St Louis	93.929	WU-08-58	I	59,631
National Institutes of Health Acquired Immunodeficiency Syndrome Research Loan Repayment Program	Illinois, University of	93.936	2007-00228-01-00	I	13,419
		93.960		D	(1,781)
					23,742,422
Department of Homeland Security:					
Department of Homeland Security		97.000		D	12,804
					12,804

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Program title	Pass-through entity name	CFDA number	Pass-through number	Direct (D) or pass-through (I)	Program expenditures
United States Agency for International Development: United States Agency for International Development	Internat'l Ctr for Agric Rsch Dry Areas	98.000	MOU 20030521	I	\$ 15,413
					<u>15,413</u>
Total Research and Developmental Cluster					<u>\$ 87,859,263</u>
Other Non-Cluster groups:					
U.S. Department of Agriculture Programs:					
United States Department of Agriculture		10.000		D	\$ 121,640
United States Department of Agriculture	New Jersey Department of Agriculture	10.000	05000826	I	416
United States Department of Agriculture	Delaware Department of Agriculture	10.000	08000549	I	42
United States Department of Agriculture	Delaware Dept of Health and Social Service	10.000	889572	I	48,282
United States Department of Agriculture	Delaware Department of Natural Resources	10.000	PO# 05020002175	I	19,880
United States Department of Agriculture	Delaware Department of Agriculture	10.000	PO# 092107	I	143,625
United States Department of Agriculture	Delaware Department of Agriculture	10.000	PO# 9070101	I	40,227
United States Department of Agriculture	Delaware Department of Agriculture	10.000	PO# 921071	I	132,192
Agricultural Research_Basic and Applied Research	Delaware Dept of Health and Social Service	10.001	9055-0000-0002	I	79,221
Agricultural Research_Basic and Applied Research	University of Maine	10.001	UM-S653	I	5,167
Plant and Animal Disease, Pest Control, and Animal Care		10.025		D	116,500
Plant and Animal Disease, Pest Control, and Animal Care	Maryland Department of Agriculture	10.025	08000710	I	14,343
Grants for Agricultural Research, Special Research Grants	University of Connecticut	10.200	5949	I	8,254
Grants for Agricultural Research, Special Research Grants	University of Connecticut	10.200	6247	I	1,059
Grants for Agricultural Research, Special Research Grants	Maryland, University of	10.200	Z515201	I	1,713
Food and Agricultural Sciences National Needs Graduate Fellowship Grants		10.210		D	536
Higher Education Challenge Grants		10.217		D	13,401
Integrated Programs	Oregon State University	10.303	C0358A-B	I	17,771
Homeland Security_Agricultural	Cornell University	10.304	42681-7235	I	623
	Iowa State University	10.353	412-30-42	I	26,755
Commodity Partnerships for Risk Management Education		10.457		D	10,000
Cooperative Extension Service		10.500		D	1,055,395
Cooperative Extension Service	National 4-H Council	10.500	06000422	I	3,601
Cooperative Extension Service	Vermont, University of	10.500	06001091	I	2,653
Cooperative Extension Service	National 4-H Council	10.500	07000646	I	24,015
Cooperative Extension Service	National 4-H Council	10.500	08000672	I	1,734
Cooperative Extension Service	North Carolina State University	10.500	2006-0457-02	I	4,693
Cooperative Extension Service	North Carolina State University	10.500	2007-0376-19	I	2,613
Cooperative Extension Service		10.500		D	1,972,417
Cooperative Extension Service	Vermont, University of	10.500	PDP07-003	I	9,581
Cooperative Extension Service	Vermont, University of	10.500	PO# P671894	I	—
Cooperative Extension Service	Kansas State University	10.500	S05044	I	5,653
Cooperative Extension Service	Kansas State University	10.500	S07050	I	23,148
Cooperative Extension Service	Kansas State University	10.500	S07069	I	28,703
Cooperative Extension Service	Kansas State University	10.500	S08026	I	25,076
Cooperative Extension Service	Kansas State University	10.500	S08108	I	13,353
Cooperative Extension Service	Minnesota, University of	10.500	S4079036301	I	9,429
Cooperative Forestry Assistance		10.664		D	4,386
Technical Agricultural Assistance		10.960		D	368,270
					<u>4,356,367</u>
Department of Commerce Programs:					
Department of Commerce		11.000		D	35,650
Department of Commerce	Earth Resource Technology	11.000	8405-UDEL1	I	5,607
Department of Commerce	Southeastern University Research Assoc	11.000	SURA-2005-205	I	(1,107)
Sea Grant Support		11.417		D	274,663
Coastal Zone Management Estuarine Research Reserves		11.420		D	37,968

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Program title	Pass-through entity name	CFDA number	Pass-through number	Direct (D) or pass-through (I)	Program expenditures
Coastal Services Center		11.473		D	\$ 469,074
Measurement and Engineering Research and Standards		11.609		D	2,388
					<u>824,243</u>
Department of Defense Programs:					
Department of Defense		12.000		D	279,707
Department of Defense	Jr Engineering Technology Society	12.000	07000833	I	30,000
Department of Defense	U.S. Army Research Office	12.000	W911NF-05-9-0005	I	5,943
Procurement Technical Assistance For Business Firms		12.002		D	179,156
Military Medical Research and Development		12.420		D	52,692
					<u>547,498</u>
Department of Housing and Urban Development Programs:					
HUD	U.S. Dept of Housing and Urban Development	14.000	07000404	I	1,705
					<u>1,705</u>
Department of the Interior Programs:					
Department of Interior		15.000		D	76
Fish and Wildlife Management Assistance	National Fish & Wildlife Foundation	15.608	2006-0101-014	I	16,356
U.S. Geological Survey_ Research and Data Collection		15.808		D	5,000
National Cooperative Geologic Mapping Program		15.810		D	65,424
					<u>86,856</u>
Department of Justice Programs:					
Department of Justice		16.000		D	50,232
Department of Justice	DE Office of Management and Budget	16.000	JF05-56	I	21,348
Department of Justice	DE Office of Management and Budget	16.000	JF05-57	I	23,337
					<u>94,917</u>
Department of State Programs:					
Department of State		19.000		D	1,189,681
Department of State	World Learning for International Develop	19.000	07000120	I	—
Department of State	Fulbright Commission Argentina	19.000	07000922	I	29,150
Educational Exchange_Teachers from Secondary and Postsecondary Levels and School Administrators		19.408		D	17,949
Middle East Partnership Initiative (MEPI)		19.500		D	42,814
					<u>1,279,594</u>
Department of Transportation Programs:					
Department of Transportation		20.000		D	17,467
Department of Transportation	Delaware Office of Highway Safety	20.000	06000930	I	22,330
Department of Transportation	Delaware Office of Highway Safety	20.000	06000932	I	33,000
Department of Transportation	Delaware Department of Transportation	20.000	06001164	I	594
Department of Transportation	Delaware Department of Transportation	20.000	08000813	I	41,077
Department of Transportation	Delaware Department of Transportation	20.000	AGR 1268	I	1,377
Department of Transportation	Delaware Office of Highway Safety	20.000	LTR 20041108-02210B	I	(101)
State Planning and Research	Delaware Department of Transportation	20.515	06000255	I	(1,673)
State Planning and Research	Delaware Department of Transportation	20.515	06000259	I	234
State Planning and Research	Delaware Department of Transportation	20.515	07000322	I	879
State Planning and Research	Delaware Department of Transportation	20.515	07000324	I	7,646
State Planning and Research	Delaware Department of Transportation	20.515	AGR DCTA05	I	(221)
					<u>122,609</u>
National Aeronautics and Space Administration:					
National Aeronautics and Space Administration		43.000		D	499,889
National Aeronautics and Space Administration	United Negro College Funds Special Progm	43.000	07000206	I	37,729
					<u>537,618</u>

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Program title	Pass-through entity name	CFDA number	Pass-through number	Direct (D) or pass-through (I)	Program expenditures
Promotionof the Humanities Federal/State Partnership:					
	Delaware Division of The Arts	45.000	07.4629	I	\$ 2,500
	Delaware Humanities Forum	45.000	071100	I	6,459
	Delaware Humanities Forum	45.000	071104	I	115
	Delaware Division of The Arts	45.000	08.5171	I	1,500
Promotion of the Arts_Partnership Agreements	Delaware Division of The Arts	45.025	08.4877	I	15,000
Promotion of the Arts_Partnership Agreements	Mid-Atlantic Arts Foundation	45.025	16461	I	7,500
Promotion of the Arts_Partnership Agreements	Mid-Atlantic Arts Foundation	45.025	16506	I	2,500
Promotion of the Humanities_Division of Preservation and Access		45.149		D	131,469
Promotion of the Humanities_Professional Development		45.163		D	143,400
Museum Assessment Program		45.302		D	400
					310,843
National Science Foundation Programs:					
National Science Foundation		47.000		D	10,476
Mathematical and Physical Sciences		47.049		D	17,728
Geosciences		47.050		D	129,274
Geosciences	Maryland, University of	47.050	08-07	I	13,384
Computer and Information Science and Engineering		47.070		D	1,968
Education and Human Resources		47.076		D	1,359,780
Education and Human Resources	National Science Foundation	47.076	0221651	I	30
Education and Human Resources	Drexel University	47.076	235302	I	27,708
Education and Human Resources	Maryland, University of	47.076	Z376902	I	2,238
Education and Human Resources	Maryland, University of	47.076	Z457902	I	522,384
Polar Programs		47.078		D	40
					2,085,010
Small Business Development Administration:					
Small Business Development Center		59.000		D	(10,710)
		59.037		D	520,907
					510,197
Environmental Protection Agency:					
Environmental Protection Agency		66.000		D	(629)
Environmental Protection Agency	Delaware Department of Natural Resources	66.000	PO# 1335995	I	209
Environmental Protection Agency	Delaware Department of Natural Resources	66.000	PO# 40 07010106287	I	6,758
Environmental Protection Agency	Delaware Department of Natural Resources	66.000	PO# 40 08060800549	I	242,463
Environmental Protection Agency	Delaware Department of Natural Resources	66.000	PO# 40 08060800660	I	30,181
Environmental Protection Agency	Delaware Department of Natural Resources	66.000	PO# 40 08060800753	I	110,674
Environmental Protection Agency	Delaware Department of Natural Resources	66.000	PO# 40 08070800679	I	67,500
Environmental Protection Agency	Delaware Department of Natural Resources	66.000	PO# 40 08070800773	I	17,695
Targeted Watersheds Grants	Delaware River Basin Commission	66.439	05001019	I	3,980
National Estuary Program	Center For The Inland Bays	66.456	06000793	I	7,162
National Estuary Program	Center For The Inland Bays	66.456	AGR 20031020	I	—
National Estuary Program	Center For The Inland Bays	66.456	AGR 20031027	I	(77)
National Estuary Program	Center For The Inland Bays	66.456	AGR 20031103	I	(4)
Regional Wetland Program Development Grants	Unidentified	66.461	05000888	I	(1)
Science To Achieve Results (STAR) Fellowship Program		66.514		D	8,748
Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach		66.716		D	5,987
					500,646
Department of Energy Programs:					
Department of Energy	Lawrence Livermore National Laboratory	81.000	B529269	I	—
Department of Energy	Lawrence Livermore National Laboratory	81.000	B573256	I	13,790
Department of Energy	Nat'l Assoc of State Univ & Land-Grant C	81.000	CK# 0051292	I	(239)
Conservation Research and Development		81.086		D	146,377
					159,928

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Program title	Pass-through entity name	CFDA number	Pass-through number	Direct (D) or pass-through (I)	Program expenditures
Federal Emergency Management Agency:					
	Delaware Department of Natural Resources	83.000	07010106243	I	\$ (78)
	Delaware Emergency Management Agency	83.000	PO# 1262625	I	(10,772)
	Delaware Department of Natural Resources	83.000	PO# 40 07010106417	I	238
					(10,612)
Department of Education Programs:					
Department of Education					
	Delaware Department of Education	84.000	01010003447	I	71,340
	Delaware Department of Education	84.000	DOC-C08-17	I	12,000
	Big Brothers Big Sisters of Delaware	84.000	05000025	I	5,991
	Big Brothers Big Sisters of Delaware	84.000	05000866	I	9,360
	Boys & Girls Club of Delaware	84.000	06000784	I	(10,295)
	Boys & Girls Club of Delaware	84.000	07000032	I	—
	Boys & Girls Club of Delaware	84.000	07000176	I	30,319
	Boys & Girls Club of Delaware	84.000	08000397	I	30,812
	Boys & Girls Club of Delaware	84.000	08000637	I	7,476
	Delaware Department of Education	84.000	12-08	I	68,935
	Delaware Department of Education	84.000	21ST CCLC 18-08	I	83,706
	Delaware Department of Education	84.000	DOE-C06-55	I	—
	Delaware Department of Education	84.000	DOE-C07-07	I	2,426
	Delaware Department of Education	84.000	DOE-C07-19	I	11,647
	Delaware Department of Education	84.000	DOE-C07-23	I	89,973
	Delaware Department of Education	84.000	DSMP-02-07	I	70,812
	TransCen Inc.	84.000	H133A060085	I	30
	Delaware Department of Education	84.000	PO# 01010002641	I	22,825
	Delaware Department of Education	84.000	PO# 01010002674	I	144,098
	Red Clay Consolidated School District	84.000	PO# 1389462	I	95,170
	Delaware Dept of Health and Social Service	84.000	PO# 889821	I	3,554
	Lake Forest School District	84.000	PO# 95-15004001556	I	24
	Delaware Department of Education	84.000	12-80	I	67
	Undergraduate International Studies and Foreign Language Programs	84.016		D	15,997
	Special Education_Grants to States	84.027	IDEA B SSA 04-07	I	3,088
	Special Education_Grants to States	84.027	IDEA B SSA SUBG 12-06	I	308
	TRIO_Student Support Services	84.042		D	264,580
	TRIO_Upward Bound	84.047		D	521,372
	Fund for the Improvement of Postsecondary Education	84.116		D	(517)
	National Institute on Disability and Rehabilitation Research	84.133	Temple University	I	111
	Business and International Education Projects	84.153		D	47,337
	Special Education_Grants for Infants and Families with Disabilities	84.181	Delaware Dept of Health and Social Service	I	1,240
	Fund for the Improvement of Education	84.215	Indian River School District	I	84
	Fund for the Improvement of Education	84.215	Colonial School District	I	288,598
	TRIO_McNair Post-Baccalaureate Achievement	84.217		D	257,833
	Assistive Technology	84.224		D	568,074
	Assistive Technology	84.224	Delaware Department of Labor	I	10,891
	Assistive Technology	84.224	Delaware Department of Labor	I	16,273
	Rehabilitation Services Demonstration and Training Programs	84.235		D	23,855
	Rehabilitation Services Demonstration and Training Programs	84.235	Delaware Department of Labor	I	10,906
	Rehabilitation Services Demonstration and Training Programs	84.235	Delaware Department of Labor	I	16,450
	Twenty-First Century Community Learning Centers	84.287	Delaware Department of Education	I	68
	Twenty-First Century Community Learning Centers	84.287	Delaware Department of Education	I	82,590
	Twenty-First Century Community Learning Centers	84.287	Delaware Department of Education	I	100,191
	Twenty-First Century Community Learning Centers	84.287	Delaware Department of Education	I	6,956
	Twenty-First Century Community Learning Centers	84.287	Delaware Department of Education	I	97,726
	Twenty-First Century Community Learning Centers	84.287	Delaware Department of Education	I	(397)
	Twenty-First Century Community Learning Centers	84.287	Delaware Department of Education	I	1,949
	Twenty-First Century Community Learning Centers	84.287	Delaware Department of Education	I	(968)
	Twenty-First Century Community Learning Centers	84.287	Delaware Department of Education	I	108,544
	Twenty-First Century Community Learning Centers	84.287	Delaware Department of Education	I	90,891
	Twenty-First Century Community Learning Centers	84.287	Delaware Department of Education	I	141,673

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Program title	Pass-through entity name	CFDA number	Pass-through number	Direct (D) or pass-through (I)	Program expenditures
Twenty-First Century Community Learning Centers	Delaware Department of Education	84.287	PO# 01010002931	I	\$ 126,269
Twenty-First Century Community Learning Centers	Lake Forest School District	84.287	PO# 95-15005001270	I	(1,466)
Twenty-First Century Community Learning Centers	Delaware Department of Education	84.287	PO# 1464820	I	(63)
Twenty-First Century Community Learning Centers	Delaware Department of Education	84.287	PO# 01010002651	I	(183)
Twenty-First Century Community Learning Centers	Delaware Department of Education	84.287	PO# 01010002931	I	5,138
Twenty-First Century Community Learning Centers	Delaware Department of Education	84.287	PO# 01010002915	I	—
Gaining Early Awareness and Readiness for Undergraduate Programs		84.334		D	137,470
Teacher Quality Enhancement Grants		84.336		D	139,792
Early Reading First		84.359		D	1,356,374
Mathematics and Science Partnerships	Delaware Department of Education	84.366	DSMP-01-06	I	111,223
Mathematics and Science Partnerships	Delaware Department of Education	84.366	DSMP-02-06	I	192,101
Mathematics and Science Partnerships	Delaware Department of Education	84.366	DSMP-03-06	I	223,497
Mathematics and Science Partnerships	Delaware Department of Education	84.366	DSMP-03-07	I	219,610
Improving Teacher Quality State Grants	Delaware Department of Education	84.367	01010002804	I	57,814
					<u>5,993,549</u>
Department of Health and Human Services Programs:					
Department of Health and Human Services		93.000		D	23,952
Department of Health and Human Services	Delaware Dept of Health and Social Service	93.000	040611	I	(48,061)
Department of Health and Human Services	Delaware Dept of Health and Social Service	93.000	8000869	I	71,138
Department of Health and Human Services	Delaware Dept of Health and Social Service	93.000	040711	I	196,277
Department of Health and Human Services	Easter Seals Delaware & MD's Eastern Shr	93.000	06000696	I	—
Department of Health and Human Services	Delaware Department of Natural Resources	93.000	07000214	I	(699)
Department of Health and Human Services	National Association State for Aging	93.000	07000882	I	28,165
Department of Health and Human Services	Delaware Dept of Health and Social Service	93.000	07-096	I	(458)
Department of Health and Human Services	Nemours/A. I. duPont Hosp for Children	93.000	08000666	I	19,677
Department of Health and Human Services	Developmental Disabilities Plan Co	93.000	DD-0428	I	(273)
Department of Health and Human Services	Delaware Dept of Health and Social Service	93.000	40711	I	75
Special Programs for the Aging Title IV and Title II Discretionary Projects		93.048		D	213,226
Maternal and Child Health Federal Consolidated Programs		93.110		D	5,518
Oral Diseases and Disorders Research		93.121		D	(3,708)
Disabilities Prevention		93.184		D	193,597
Traumatic Brain Injury State Demonstration Grant Program	Delaware Dept of Health and Social Service	93.234	08-277	I	7,054
Mental Health Research Grants		93.242		D	25,387
Substance Abuse and Mental Health Services Projects of Regional and National Significance		93.243		D	336,877
Alcohol National Research Service Awards for Research Training		93.272		D	22,428
Drug-Free Communities Support Program Grants		93.276		D	73,269
National Institutes of Health Loan Repayment Program for Clinical Researchers		93.280		D	37,727
Mental Health National Research Service Awards for Research Training		93.282		D	25,511
Centers for Disease Control and Prevention Investigations and Technical Assistance	Delaware Dept of Health and Social Service	93.283	06-246	I	—
Centers for Disease Control and Prevention Investigations and Technical Assistance	Delaware Dept of Health and Social Service	93.283	08-303	I	19,800
Centers for Disease Control and Prevention Investigations and Technical Assistance	Delaware Dept of Health and Social Service	93.283	PO# 05200026862	I	6,871
Advanced Education Nursing Traineeships		93.358		D	35,152
Head Start		93.600		D	1,653,738
University Centers for Excellence in Developmental Disabilities Education, Research, and Service		93.632		D	491,204
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations		93.779		D	(804)
Biomedical Research and Research Training		93.859		D	272,179
Child Health and Human Development Extramural Research		93.865		D	84,170
					<u>3,788,989</u>
Corporation for National and Community Service:					
AmeriCorps	Public Allies	94.006	06NDHWI0010003	I	31,210
AmeriCorps	Public Allies	94.006	08000269	I	295,083
Volunteers in Service to America		94.013		D	660
					<u>326,953</u>
United States Agency for International Development:					
United States Agency for International Development		98.000		D	1,274,998
					<u>1,274,998</u>
Total other Non-Cluster groups					<u>\$ 22,791,908</u>

**UNIVERSITY OF DELAWARE**  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2008

<u>Program title</u>	<u>Pass-through entity name</u>	<u>CFDA number</u>	<u>Pass-through number</u>	<u>Direct (D) or pass-through (I)</u>	<u>Program expenditures</u>
Student Financial Aid Cluster:					
U.S. Department of Education:					
Federal Work Study Program		84.033		D	\$ 659,891
Federal Pell Grant Program		84.007		D	3,591,352
Federal Supplemental Educational Opportunity Grants		84.063		D	582,375
Total student Financial Aid Cluster					<u>4,833,618</u>
Total Expenditures of Federal Awards					<u>\$ 115,484,789</u>

See accompanying notes to schedule of expenditures of federal awards.

**UNIVERSITY OF DELAWARE**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the SEFA) summarizes the expenditures of the University of Delaware (the University) under programs of the federal government for the year ended June 30, 2008. Because the SEFA presents only a selected portion of the operations of the University, it is not intended to, and does not, present the financial position, changes in net assets, and cash flows.

For the purposes of the SEFA, federal awards include all grants, contracts, and similar agreements entered into directly between the University and agencies and departments of the federal government and all subawards to the University by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. Federal awards are included in contracts and other exchange transactions on the accompanying statement of activities.

**(2) Basis of Accounting**

The accompanying SEFA is presented using the accrual basis of accounting.

**(3) Federal Student Loan Programs**

Loans made by the University to eligible students under federal student loan programs and federally guaranteed loans issued to students of the University by financial institutions during the year ended June 30, 2008 are summarized as follows:

Direct loan programs:		
Perkins	\$	3,130,914
Nursing		<u>143,406</u>
		3,274,320
Guaranteed loan programs:		
Direct loans		51,344,330
FFEL		<u>3,439,243</u>
	\$	<u><u>54,783,573</u></u>

The Perkins and Nursing Student Loan programs are administered directly by the University, and balances and transactions relating to these programs are included in the University's financial statements. The balance of loans outstanding under the Perkins Loan program was \$14,515,226 and the balance of loans outstanding under the Nursing Student Loan program was \$710,055 at June 30, 2008.

The University is responsible only for the performance of certain administrative duties with respect to the guaranteed student loan programs, and accordingly, these loans are not included in its financial statements and it is not practical to determine the balance of loans outstanding to students and former students of the University under these programs.

**(4) Subrecipient Pass-Through**

The total amount of federal awards passing through to subrecipients was \$13,239,531 for the year ended June 30, 2008.



KPMG LLP  
1601 Market Street  
Philadelphia, PA 19103-2499

**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 the financial statements of the University of Delaware (the University) as of and for the year ended June 30, 2008, and have issued our report thereon, which included an explanatory paragraph regarding the University's adoption of the *Uniform Prudent Management of Institutional Funds Act (UPMIFA)*, dated October 20, 2008. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2008-01 and 2008-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free of 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*

We noted certain matters that we reported to management of the University in a separate letter dated October 20, 2008.

The University's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of trustees, others within the University, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

October 20, 2008



KPMG LLP  
1601 Market Street  
Philadelphia, PA 19103-2499

## **Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133**

The Board of Trustees  
University of Delaware:

### ***Compliance***

We have audited the compliance of the University of Delaware (the University) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 (Compliance Supplement)* that are applicable to each of its major federal programs for the year ended June 30, 2008, except those requirements discussed in the second paragraph of this report. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We did not audit the University's compliance with requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments for the Student Financial Assistance Cluster: Federal Perkins Loan and Nursing Student Loan Programs as described in the compliance supplement. Those requirements govern functions that are performed by University Accounting Services, Inc. (UAS). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. UAS's compliance with the requirements governing the functions that it performs for the University for the year ended June 30, 2008 was examined by other accountants in accordance with the Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' examination of UAS's compliance with such requirements.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.



In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-03 and 2008-04.

### ***Internal Control Over Compliance***

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Requirements governing making contact with and billing borrowers and processing deferment and cancellation requests and payments for the Perkins Loan and Nursing Student Loan Programs as described in the Compliance Supplement are performed by UAS. Internal control over compliance relating to such functions for the year ended June 30, 2008 was examined by other accountants in accordance with the Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' testing of the University's control over compliance related to such functions.

Our consideration of internal control over compliance was for the limited purpose described in the second preceding paragraph and would not necessarily identify all deficiencies in the University's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2008-03 and 2008-04 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the University's internal control. We did not identify any deficiencies in internal controls over compliance that we consider to be material weaknesses, as defined above.

### ***Schedule of Expenditures of Federal Awards***

We have audited the basic consolidated financial statements of the University of Delaware as of and for the year ended June 30, 2008, and have issued our report thereon dated October 20, 2008. Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of



additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's response, and accordingly, we express no opinion on it.

This report is intended for the information and use of the audit committee, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 27, 2009

**UNIVERSITY OF DELAWARE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**(1) Summary of Auditors' Results**

- (a) The type of report issued on the basic financial statements: **Unqualified**
- (b) Significant Deficiencies in internal controls were disclosed by the audit of the financial statements: **Yes; - findings 2008-01 and 2008-02** Material weaknesses: **None reported**
- (c) Noncompliance that is material to the financial statements: **None reported.**
- (d) Significant Deficiencies in internal controls over major programs: **Yes – findings 2008- 03 and 2008-04.** Material weaknesses: **None reported**
- (e) The type of report issued on compliance for major programs: **Unqualified**
- (f) Any audit findings that are required to be reported under Section 510(a) of OMB Circular A-133: **Yes**
- (g) Major programs:
  - Research and Development – Various Agencies and Departments**
  - Student Financial Assistance – U.S. Department of Education and U.S. Department of Health and Human Services**
  - 10.500 Cooperative Extension Service – U.S. Department of Agriculture**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$2,655,575**
- (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **Yes**

**(2) Findings Related to the Financial Statements Reported in Accordance with *Government Auditing Standards***

See findings 2008-01 and 2008-02

**(3) Findings and Questioned Costs Related to Federal Awards**

See findings 2008-03 and 2008-04

**UNIVERSITY OF DELAWARE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Reference Number: 2008-01 PeopleSoft Configuration**

**Type of Findings: Significant Deficiency in Internal Control Over Financial Reporting**

*Correction Mode Access*

We noted users in both Human Resources (HR) and Finance who had Correction Mode access. Correction mode access allows a user to view, modify, insert and delete rows of data regardless of the effective date. This is one of the most powerful levels of access that can be assigned in the PeopleSoft application and can be used to alter historic, current or future effective-dated data, without the creation of an audit trail. This condition was also noted in the 2007 audit, and was not planned by the University to be remediated until June 30, 2008.

*ALLPAGES Access*

Three PeopleSoft users were granted ALLPAGES access for the financial module of PeopleSoft which grants access to the entire system including activities that supersede segregation of duties controls. Four PeopleSoft users were granted ALLPAGES access for the HR module of PeopleSoft which grants access to the entire system including activities that supersede segregation of duties controls. This condition was also noted in the 2007 audit for one user who had "SUPER\_ALL\_USER" privileges, who was deemed to have appropriate access rights based on job responsibilities by the University upon review.

*Segregation of Duties*

Multiple segregation of duties conflicts are noted in the Financial and the HR modules of PeopleSoft, including:

*HR*

- 8 users who can both maintain payroll data and process payroll, which results in a risk of processing payroll fraudulently
- 4 users who can both hire employees and set up compensation, which results in a risk of setting up a fraudulent compensation plan and hiring an employee into it
- 4 users who can both hire employees and set up HRMS, which results in a risk of creating fictitious organizations and hiring fictitious employees into them
- 5 users who can both hire employees and manage positions, which results in a risk of creating fictitious positions and hiring employees into them

*Financial*

- 29 segregation of duties conflicts affecting 17 users among Accounts Payable roles including making changes to the vendor master file, entering and managing purchase orders, receiving goods, releasing requisitions, approving vendors, entering vouchers, accounts payable payments, releasing blocked invoices, modifying purchasing agreements, AP voucher entry, and performing bank reconciliations.
- 59 segregation of duties conflicts affecting 28 users among General Ledger roles, such as entering journal entries, approving journal entries, posting journal entries, purchase order entry, voucher entry, voucher approval, and receiving goods.
- Various other segregation of duties conflicts related to Accounts Receivable, Asset Management, and Purchasing roles.

## UNIVERSITY OF DELAWARE

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

#### ***Recommendation***

We recommend that the University review the appropriateness of current ALLPAGES and correction mode access, and develop procedures for periodically reviewing such access going forward.

We further recommend the elimination of the segregation of duties conflicts as noted above, and consideration of the use of a segregation of duties tool to monitor and correct segregation of duties conflicts.

#### ***Management's Response***

Individuals identified with correction mode access during the FY 2007 audit were reviewed during the current fiscal year and access was either approved or amended, as appropriate. During Fiscal 2008, the University upgraded PeopleSoft v.8.9. The upgrade had the unanticipated effect of changing some pages' (screens') permissible actions, including correction mode access. A significant majority of the instances of correction mode access related to a handful of pages that all users had, but did not allow users access to production data. These instances of correction mode access have been removed. Correction mode access of IT personnel has been reviewed, and has been removed for all but a few specific instances where authorization has been given. For the remaining instances of correction mode access a review of such access by data owners of the affected areas will be performed on a user/roles/pages level. Correction mode is necessary for some users as the only alternative to update or correct certain data in the systems. Such cases will be documented and access limited to those tables and fields necessary. The review will be coordinated by the Office of the Assistant VP for Finance for PeopleSoft Financials and by the Office of Human Resources for PeopleSoft HR.

One permission list within PeopleSoft, "allpages," was granted to seven users. The access is being reviewed and has been removed from two users to date. Two of the identified users were accounts used to run nightly production. The University has created custom permission lists, limited to the pages production needs to access in order to run the nightly series. These are currently being tested, and once they have been verified, the "allpages" access will be removed from these accounts. Two additional users were "users IDs" delivered by PeopleSoft with "allpages" access and have been deemed necessary by the University. These are password protected with access only by the data base administrators. The "allpages" access of the final user have been removed and replaced with a custom, more restrictive permission list. The contents of the customer permission list will be further refined with the segregation of duties review described below. The "super\_all\_user" access for the one individual noted during fiscal 2007 was removed in January 2008.

Segregation of duties conflicts can occur for various reasons, including limited resources in a department. However, there are many times when compensating controls or reviews are in place. The Office of the Assistant VP for Finance, with the assistance of the Director of Procurement and the Office of Human Resources, is coordinating a review of all identified conflicts to determine whether the combination access rights is required by the individual's job responsibilities, and if so, identify compensating controls in place. Any additional compensating controls deemed necessary will be implemented and any unnecessary conflicts will be eliminated.

**UNIVERSITY OF DELAWARE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Reference Number: 2008-02 Access to Programs and Data**

**Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting**

*Monitoring and Approval of Access Rights*

Controlling access to systems ensures that only authorized individuals have access to appropriate information for authorized purposes. We noted the following exceptions related to the monitoring and approval of access rights:

- For the procurement card system, credit card maintenance access rights, which include the ability to set purchase limits for cards, were not restricted to appropriate personnel. One of the three users does not require access as part of their job responsibilities. This was also noted in the 2007 audit. Although the University reviewed credit card maintenance access in the current year and reduced users from six to three, we believe one of the remaining three users does not require access based on job responsibilities.
- One user maintained access to approve proposals after retirement.

*Use of Generic User IDs*

Use of generic user IDs dilutes system security because actions taken with such IDs cannot be traced back to specific individuals. We noted seven generic user IDs with access to migrate changes into production. Access to migrate changes from development and/or quality assurance environments into production should be strictly controlled and tied to an individual. The use of generic user IDs was also noted in the 2007 audit year, although the University did appropriately delete the generic user ID identified in the prior year, seven additional generic user IDs were identified in the current year audit.

*Migration of Changes into Production*

One user has access to migrate changes into production who does not require this access based on job responsibilities. Access to migrate changes from development and/or quality assurance environments into production should be strictly controlled.

*Duplicate IDs*

Four users within PeopleSoft were found to have multiple user IDs. Access to the system should be secured by assigning one user id per person. Multiple IDs increase the risk of inappropriate access and potential segregation of duties conflicts.

*System Configuration*

The complexity function for passwords within Oracle is not active, which is in conflict with the University's stated policies.

**Recommendation**

We recommend that the University:

- Review generic user IDs to ensure that there is a need for their continued existence and that, if there is a need for their continued use, the access rights granted to generic user IDs are appropriate and monitored for appropriate activity.

**UNIVERSITY OF DELAWARE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

- Validate the employees who have access to migrate changes into production are appropriate and the access is still required. This review should be performed on a periodic basis.
- Review users with multiple IDs, determine which ID has appropriate access, and lock the other ID so it can no longer be used.
- Follow existing policies and procedures related to:
  - o Setting password requirements for systems.
  - o Removal of terminated employees' access in a timely manner.
- Determine whether the user identified who does not appear to have a business reason for retained credit card maintenance access rights for the procurement card system should continue to have such access.

***Management's Response***

The credit card maintenance access rights for the identified individual have been eliminated.

As of April 2008, IT System Security and Access receives a daily report that captures retirees, transfers and terminations. The noted exception occurred prior to the implementation of the report.

The ability for generic IDs to migrate changes into production results from "allpages" access. As noted above, "allpages" access is being reviewed and addressed.

The ability to mitigate changes into production by the one identified user stems from her "allpages" access, which has been removed, as noted above. Additionally, the IT group is running a report which indicates any changes made to production and who initiated the changes. The report will be reviewed to ensure that only authorized projects are migrated to production.

The four duplicate IDs identified have been removed.

The mechanism for the implementation of complex passwords within Oracle is being reviewed.

**UNIVERSITY OF DELAWARE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Reference Number:** 2008-03  
**Program:** Student Financial Assistance Cluster: FFEL  
**Federal Agency:** U.S. Department of Education  
**Federal Award Number:** N/A  
**Type of Finding:** Noncompliance, Significant Deficiency  
**Compliance Requirement:** Special Tests and Provisions: Student Status Changes

***Criteria***

Under the Federal Family Education Loan Program (FFEL) and in accordance with 34 CFR Section 682.610, schools must complete and return within 30 days of receipt the Roster File sent by the National Student Loan Data System (NSLDS). The Roster File is transmitted electronically. The institution determines how often it receives the Roster File, but the minimum is twice a year. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the National Student Loan Clearinghouse (NSLC) Web site. Unless the school expects to complete its next Roster File within 60 days, the school must notify NSLDS within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis.

***Condition***

Although the University has developed procedures to review data submitted to NSLC and NSLDS, for 2 out of 40 students selected, status changes were not reported to the NSLDS within the required timeframe. Elapsed time between the status change date and the date reported by the University was greater than 60 days in both cases.

***Cause***

The computer program which the University used to feed the NSLC contained programming errors.

***Effect***

Withdrawn students who are not reported timely to the NSLC (and through the NSLC to the NSLDS) may not enter repayment status appropriately.

***Recommendation***

We recommend that the University continue to refine the review of data submitted to NSLC and NSLDS on a test basis to ensure that the information is appropriately reported.

***Questioned Cost***

Questioned costs cannot be determined.

***Views of Responsible Officials***

See corrective action plan.

**UNIVERSITY OF DELAWARE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Reference Number:** 2008-04  
**Program:** 10.500 – Cooperative Extension Program  
**Federal Agency:** U.S. Department of Agriculture  
**Federal Award Numbers:** 41100-00800, 41300-00800, 41531-00800, 48024-00800, and 46000-00800  
**Type of Finding:** Noncompliance, Significant Deficiency  
**Compliance Requirement:** Program Income, Reporting

**Criteria**

- Program income earned during the project period shall be retained by the recipient and, in accordance with Federal awarding agency regulations or the terms and conditions of the award, shall be used in one or more of the ways listed in the following. ( A-110 \_\_.24(b))
  - (1) Added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives. (A-110 \_\_.24(b)(1))
  - (2) Used to finance the non-Federal share of the project or program. (A-110 \_\_.24(b)(2))
  - (3) Deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based. (A-110 \_\_.24(b)(3))
- The SF-269, *Financial Status Report* is required to be reported for cooperative extension grants (7 USC 3221(d)). The report includes a program income section which should be used by awardees to report total program income received and expended.

**Condition**

Program administrators were not aware of federal program income maintenance and reporting requirements. September 30, 2008 SF-269 submissions did not include expenditure and receipts detail as required. We were also unable to determine the amount of program income that should have been reported for each of the six SF-269 reports that we tested, as we were unable to obtain sufficient supporting documentation of program income by award. Additionally, the University does not adequately monitor program income to ensure that income earned is committed only to eligible projects and program objectives.

**Cause**

The University of Delaware receives Smith-Lever funds from the USDA which carries with it the responsibility to generate program income through charging modest fees for course offerings and certain other activities. The program does receive program income which is used in turn to augment the USDA funding. The award face page does not indicate an amount of expected program income and this created the misunderstanding on the part of the program administrators that program income was not an item for which it was necessary to report back to the sponsor.

**Effect**

Controls for monitoring program income need to be strengthened to reasonably ensure that program income is expended and reported in accordance with program requirements.

**UNIVERSITY OF DELAWARE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

***Recommendation***

We recommend that the University develop policies and procedures to better monitor program income in order to ensure that funds are only spent on eligible programs. We also recommend that the University report program income in accordance with federal requirements.

***Questioned Cost***

Questioned costs are not determinable.

***Views of Responsible Officials***

See corrective action plan.



VICE PRESIDENT FOR FINANCE

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**UNIVERSITY OF DELAWARE**  
Management Responses and Corrective Action Plan  
Schedule of Findings and Questioned Costs  
A-133 Single Audit  
Year Ended June 30, 2008

**Finding 2008-03: Special Tests and Provisions: Student Status Changes**

***Recommendation:***

We recommend that the University continue to refine the review of data submitted to the National Student Loan Clearinghouse (NSLC) and National Student Loan Data System (NSLDS) on a test basis to ensure the information is appropriately reported.

***University of Delaware Corrective Action Plan:***

The University continues to review data submitted to NSLC and NSLDS on a test basis to ensure the information is appropriately reported. In addition to implementing KPMG's recommendation, the University has fixed a computer programming error that prevented the enrollment status of some students from being reported accurately to NSLC. The University also implemented a new business process that compares withdrawal reports to the file generated for transmission to the NSLC.

***Expected Completion Date:***

Implemented.

**Contact Person:** Johnie A. Burton, Director, Financial Aid, 302-831-1208

**Finding 2008-04: Program Income, Reporting**

***Recommendation:***

We recommend that the University develop policies and procedures to better monitor program income in order to ensure that funds are only spent on eligible programs. We also recommend that the University report program income in accordance with federal requirements.

***University of Delaware Corrective Action Plan:***

The University concurs that the program income was not reported on the SF-269, but the income was in fact brought into the University's general ledger and used for program support. Program administrators did not segregate income by course offering in the general ledger, but did maintain detail records in the unit which were not easily gathered for reporting. The program administrators now understand that even though the award face page does not indicate an amount for program income, the obligation to track and report remains for the award. Procedures are being implemented to ensure future recording of income is detailed by course offering in the general ledger and that reporting is in accordance with federal requirements. Monitoring compliance will be done by both the unit and the University's grants management office.

***Expected Completion Date:***

To be implemented by May 31, 2009.

**Contact Person:** Christine Cook, Assistant Provost, Research Management & Operations, 302-831-2828

Reporting Contact:  
Evelyn Zerenner  
Assistant Vice President for Finance  
University of Delaware  
302-831-2107  
March 27, 2009

Chief Institutional Officer:  
Patrick T. Harker  
President  
University of Delaware  
March 27, 2009