

Comprehensive Annual Financial Statements

Delaware State University

(A Component Unit of the State of Delaware)

June 30, 2015

Dr. Harry Lee Williams
President

Teresa Hardee, EdD, CPA
Sr. VP and COO

Prepared by Division of Finance

DELAWARE STATE UNIVERSITY

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Trustees
Delaware State University

Report on the Financial Statements

We have audited the accompanying financial statements and the aggregate discretely presented component unit of Delaware State University (the University), a component unit of the State of Delaware, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The University's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its aggregate discretely presented component unit of the University, as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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Other Matters

Adoption of New Accounting Standard

As discussed in Notes 1 and 12 to the financial statements, during the year ended June 30, 2015, the University adopted new accounting guidance from Government Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplemental Schedule of Proportionate Share of Net Pension Liability be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hunt Valley, Maryland
October 8, 2015

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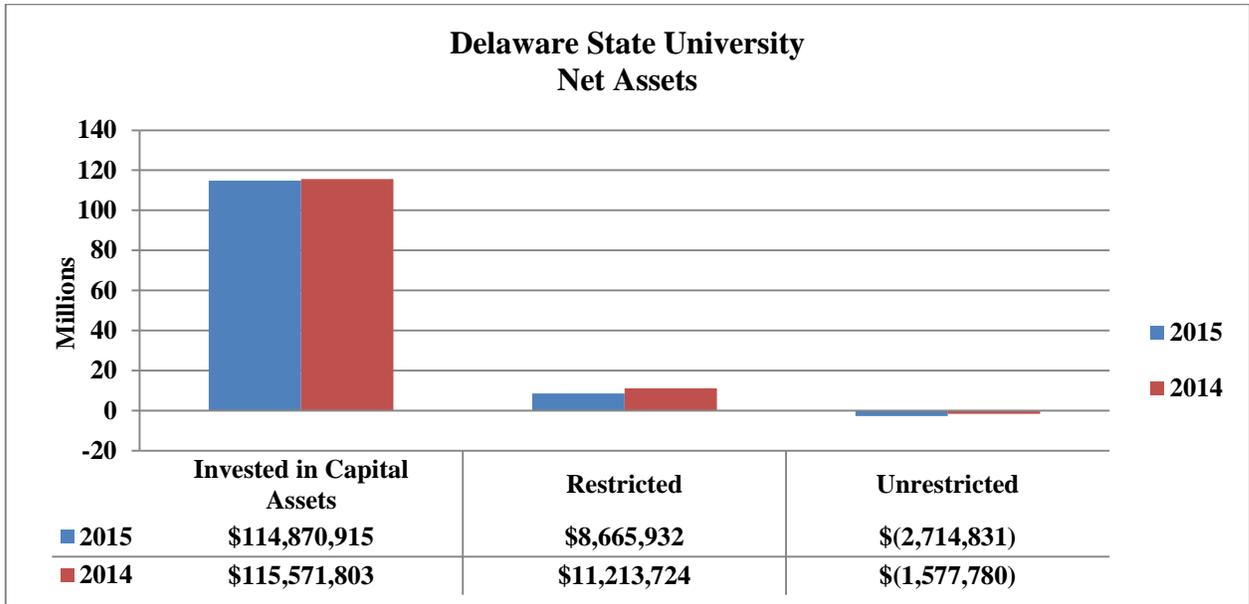
Management's discussion and analysis (MD&A) of Delaware State University's (the "University") financial statements provides an overview of the University's financial activities for the years ended June 30, 2015 and 2014. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparer. This discussion and analysis contains financial activities of Delaware State University only (exclusive of component units).

Financial highlights:

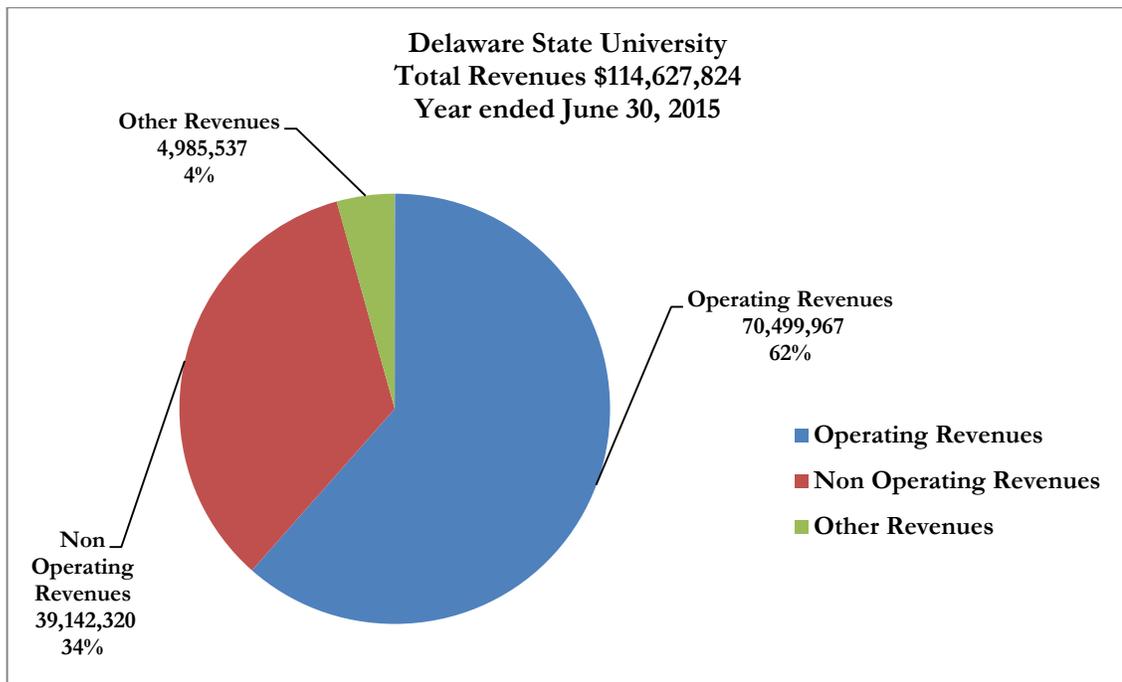
- The University's total net position decreased by \$4.4 million or 3.5% to \$120.8 million as of June 30, 2015 and decreased by \$3.8 million or 2.9% to \$125.2 million as of June 30, 2014. The increased reduction in net position between years was primarily due to an approximate \$1.0 million reduction in the change in investment income during the year.
- During fiscal year 2015, the University implemented GASB No. 68, which resulted in the University's net position as of June 30, 2014 being reduced by \$22,436,154.
- For fiscal year 2015, the University's operating expenses were \$48.5 million greater than the operating revenue and \$49.0 million greater than operating revenue for fiscal year 2014.
- In fiscal years 2015 and 2014, State appropriations were 29.1% and 29.2%, respectively of total operating expenses.
- As of June 30, 2015 and 2014, debt as a percentage of net capital assets was 54.7% and 49.1% respectively.
- Total net position as a ratio of total operating expenses was 1.02 times and 1.06 for the fiscal years ended June 30, 2015 and 2014 respectively.
- For fiscal years 2015 and 2014, debt as a percentage of net position was 105.0% and 84.7% respectively.
- For fiscal years 2015 and 2014, unrestricted net position as a percentage of total net position was (2.2%) and (1.3%) respectively.

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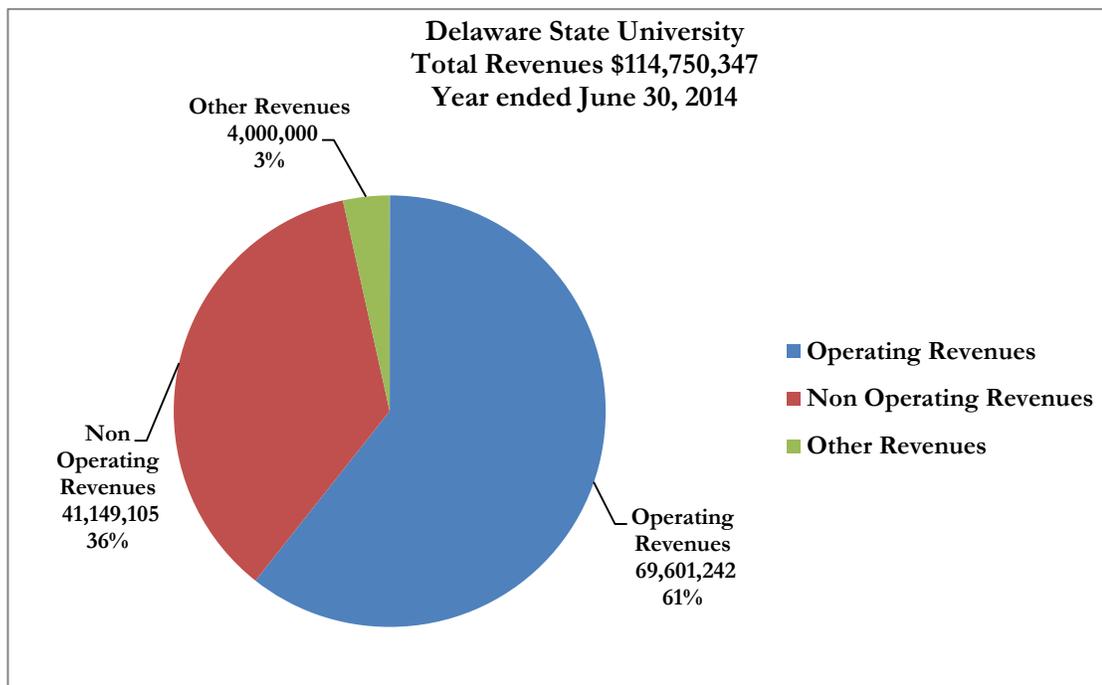
Graphically displayed, the comparative net position balances by category and fiscal year, follow:



The following chart provides a graphical breakdown of revenue by category for the fiscal years ended June 30,



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Although, the University's overall financial position decreased in 2015 by \$4.4 million, a slight decrease of \$.6 million compared to fiscal year 2014.

Revenue increased \$.9 million primarily due to acquiring the Courtyard. This increase was partially offset by an increase in scholarships for fiscal year 2015. Operating expenses reflects an increase of \$.5 million due to acquiring the Courtyard and increased expenses for the bad debt allowance. Non-operating revenues decreased \$1.6 million in 2015 due to recording bond and Sheraton closing costs as well as a net loss on investments. An increase in other revenue changes reflects the \$1.0 million transfer of net assets related to the Courtyard acquisition.

Using This Discussion and Analysis

This discussion and analysis is intended to serve as an introduction to the University's basic financial statements. This report consists of three basic financial statements: the Statement of Net Position; the Statement of Revenue, Expenses, and Change in Net Position; and the Statement of Cash Flows. These three statements provide information on the University as a whole. Consistent with the types of programs and services generally associated with higher education institutions, the University has classified its operating expenses into the following categories: instructional, organized research, public service, academic support, student services, institutional support, operation and maintenance of plant and auxiliary enterprises.

The Statement of Net Position and the Statement of Revenue, Expenses and Change in Net Position

One of the most important questions asked about the University's finances is, "is Delaware State University as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenue, Expenses and Change in Net Position report information on the University as a whole and on its activities in a way that helps answer this question. When revenue and other support exceed expenses, the result is

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an increase in Net Position. When the opposite occurs, the result is a decrease in net position. The relationship between operating revenue plus non-capital state appropriations and expenses may be thought of as Delaware State University's operating results taken as a whole.

Delaware State University's net position and related change in net position is one way to measure the University's financial health, or financial position. Over time, increases or decreases in the University's net position are one indicator of whether its financial health is improving. However, several non-financial factors are relevant as well, such as the trend and quality of student applicants, freshman class size, student retention, physical plant condition, and campus safety, to assess the overall health of the University.

The aforementioned statements include all assets and liabilities of the University using the accrual basis of accounting, which is the same accounting method used by private-sector institutions. Under this method of accounting, all of the current year's resources, obligations, revenue and expenses are taken into account regardless of when cash is received or paid.

Statements of Net Position

	As of June 30	
	2015	2014*
Net assets		
Current assets	\$ 30,434,105	\$ 39,485,581
Noncurrent assets	<u>253,438,242</u>	<u>234,052,531</u>
Total assets	<u>283,872,347</u>	<u>273,538,112</u>
Deferred outflows	<u>5,159,814</u>	<u>4,462,896</u>
Current liabilities	15,878,817	17,710,335
Noncurrent liabilities	<u>136,742,055</u>	<u>134,262,444</u>
Total liabilities	<u>152,620,872</u>	<u>151,972,779</u>
Deferred Inflows	<u>15,589,273</u>	<u>820,482</u>
Net position:		
Net investment in capital assets	114,870,915	115,571,803
Restricted	8,665,932	11,213,724
Unrestricted	<u>(2,714,831)</u>	<u>(1,577,780)</u>
Total net position	<u>\$ 120,822,016</u>	<u>\$ 125,207,747</u>
Decrease in net position	<u>\$ (4,385,731)</u>	<u>\$ (3,812,538)</u>

*Restated for implementation of GASB 68.

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Significant changes in the 2015 net position, compared to 2014, follow:

- Current assets decreased by \$9.1 million, principally due to additional payments for construction projects from funds available from the state treasurer.
- Noncurrent assets increased by \$19.4 million, primarily due to construction of the Optical Science Center for Applied Research building and the unspent proceeds from the debt issuance.
- Deferred outflows increased by \$.7 million as a result of implementing GASB No. 68.
- Current liabilities decreased by \$1.8 million, primarily due to the elimination of the due to affiliate liability as a result of the Courtyard acquisition.
- Long term liabilities increased by \$2.5 million, due primarily to issuing Series 2014 Bonds to finance the construction of the Optical Science Center for Applied Research building and acquisition of the Courtyard and Sheraton Hotel and Convention Center. The increase in debt was partially offset by a decrease in net pension liability as a result of implementing GASB No. 68.
- Deferred inflows increased by \$14.8 million due to recording the deferred financing inflows related to pension liability and the adoption of GASB No.68.

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Statements of Revenue, Expenses and Change in Net Position

	<u>Fiscal years ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Operating revenue		
Student tuition and fees (net of scholarship allowance of \$25.3 and \$23.7)	\$ 23,404,926	\$ 25,413,600
Government grants and contracts	19,188,624	19,810,970
Sales and services of educational departments	211,043	176,190
Auxiliary enterprises	23,419,803	20,180,706
Other revenue	<u>4,275,571</u>	<u>4,019,775</u>
Total operating revenue	<u>70,499,967</u>	<u>69,601,241</u>
Operating expenses		
Instructional	38,647,121	39,120,867
Organized research	10,845,817	10,708,094
Public service	1,917,383	1,896,983
Academic support	4,620,864	4,596,596
Student services	13,648,950	14,702,981
Institutional support	15,030,277	13,852,044
Operation and maintenance of plant	7,191,139	8,870,333
Depreciation	10,552,328	10,791,786
Auxiliary enterprises	<u>16,559,676</u>	<u>14,023,200</u>
Total operating expenses	<u>119,013,555</u>	<u>118,562,884</u>
Operating loss	<u>(48,513,588)</u>	<u>(48,961,643)</u>
Nonoperating revenue	39,142,320	41,149,105
Other revenue	<u>4,985,537</u>	<u>4,000,000</u>
Change in net position	(4,385,731)	(3,812,538)
Net position, beginning of year, as restated for GASB No. 68	<u>125,207,747</u>	129,020,285
Net position, end of year	<u>\$ 120,822,016</u>	<u>\$ 125,207,747</u>

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Significant changes in revenue for fiscal year 2015 are as follows:

- The University increased its scholarship program in 2015. Net student revenue includes scholarship allowances of \$25.3 million in fiscal year 2015 compared to \$23.7 million in fiscal year 2014, an increase of approximately \$1.6 million.
- Government grants and contracts decreased in fiscal 2015 by \$.6 million, principally from a decrease in federally funded grant awards.
- Auxiliary enterprise revenue increased in fiscal year 2015 by \$3.2 million as a result of the Courtyard acquisition.
- Other revenue increased \$.3 million primarily due to higher athletics.

Significant changes in revenue for fiscal year 2014 are as follows:

- The University increased its scholarship program in 2014. Net student revenue includes scholarship allowances of \$23.7 million in fiscal year 2014 and \$22.7 million in fiscal year 2013, an increase of approximately \$1.0 million.
- Government grants and contracts decreased in fiscal 2014 by \$1.5 million, principally from a decrease in federally funded grant awards.
- Auxiliary enterprise revenue increased in fiscal year 2014 by \$1.0 million as a result of increased student housing assignments and an increase in meal plan revenue.
- Other revenue decreased \$.6 million primarily due to equipment sales to prior food service vendor in fiscal year 2013.

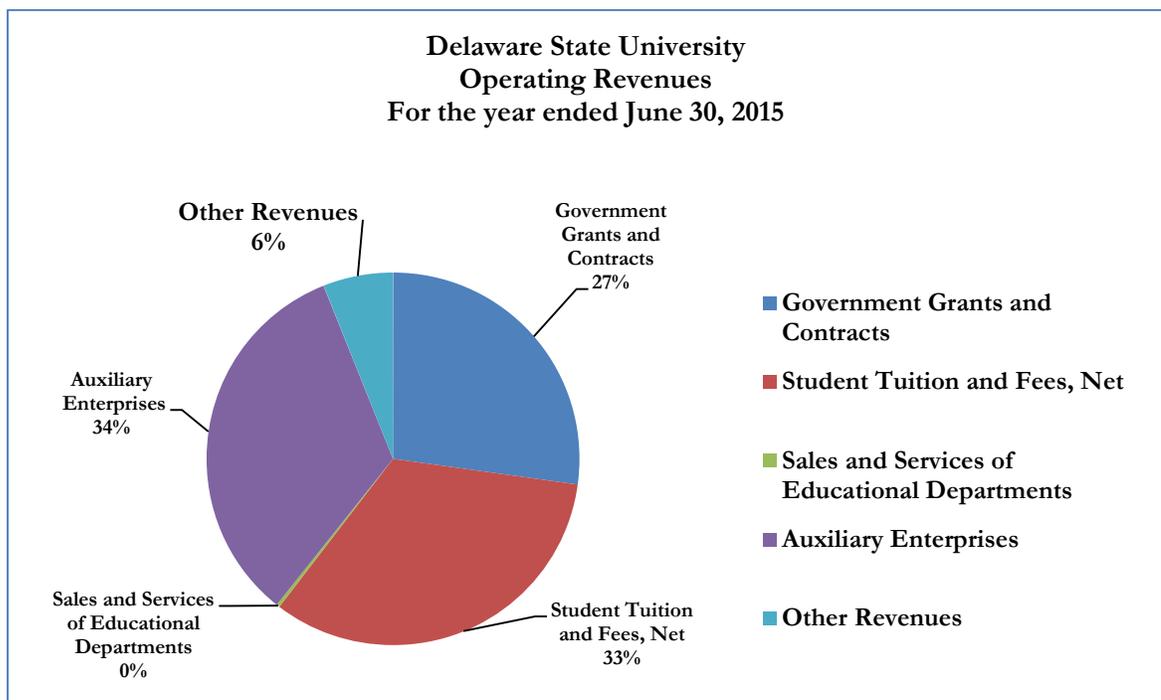
Significant changes in expenses for fiscal year 2015 are as follows:

- Instructional expenses decreased by \$.5 million primarily due to a reduction in pension expense as a result of implementing GASB No. 68.
- Student services expenses decreased by \$1.1 million during fiscal year 2015 as a result of a credit pension allocation due to implementing GASB No. 68. In addition, there was a decrease in student travel and full time staff salaries and student wages.
- Auxiliary enterprise expenses increased by \$2.5 million due to an increase in auxiliary indirect cost and operational expenses as a result of the Courtyard acquisition.
- Operational and maintenance expenses decreased by \$1.7 due to an increase in overhead expenses allocated to auxiliary related to the Courtyard acquisition and a decrease in general repair, maintenance, and professional service expenses.
- Institutional expenses increased \$1.1 million mainly due to increased reserves for bad debt.

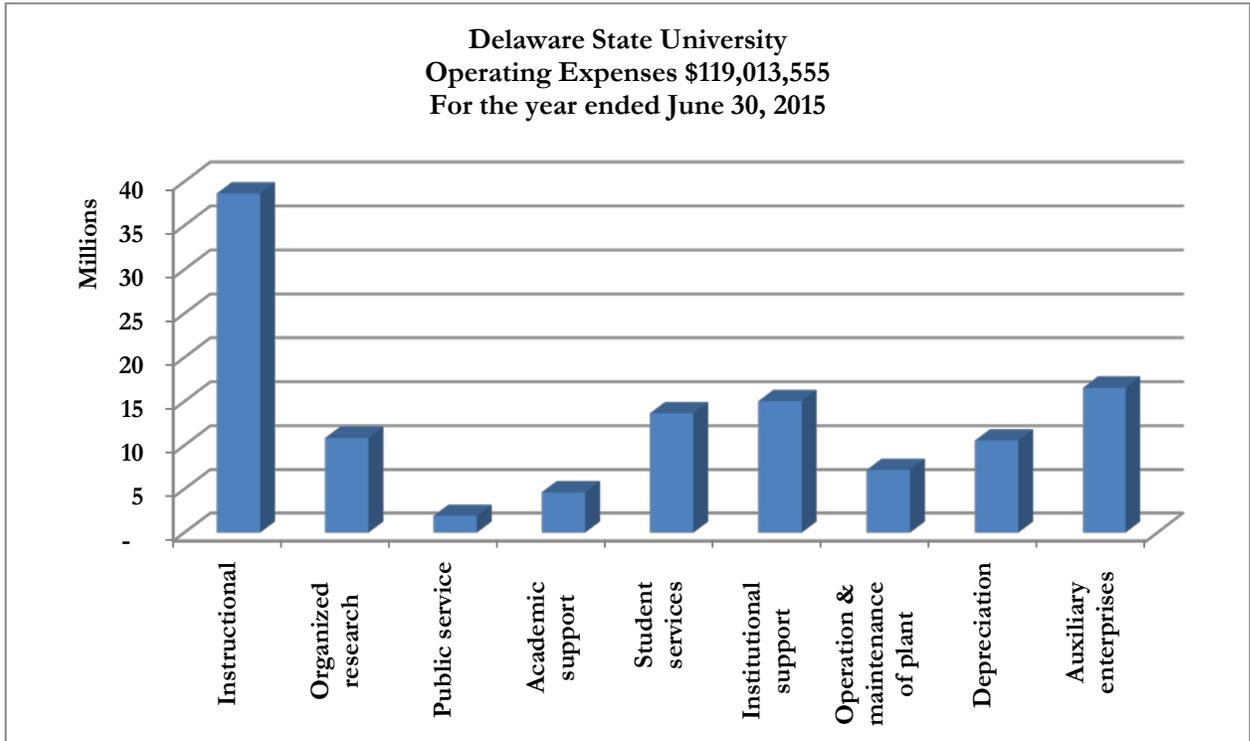
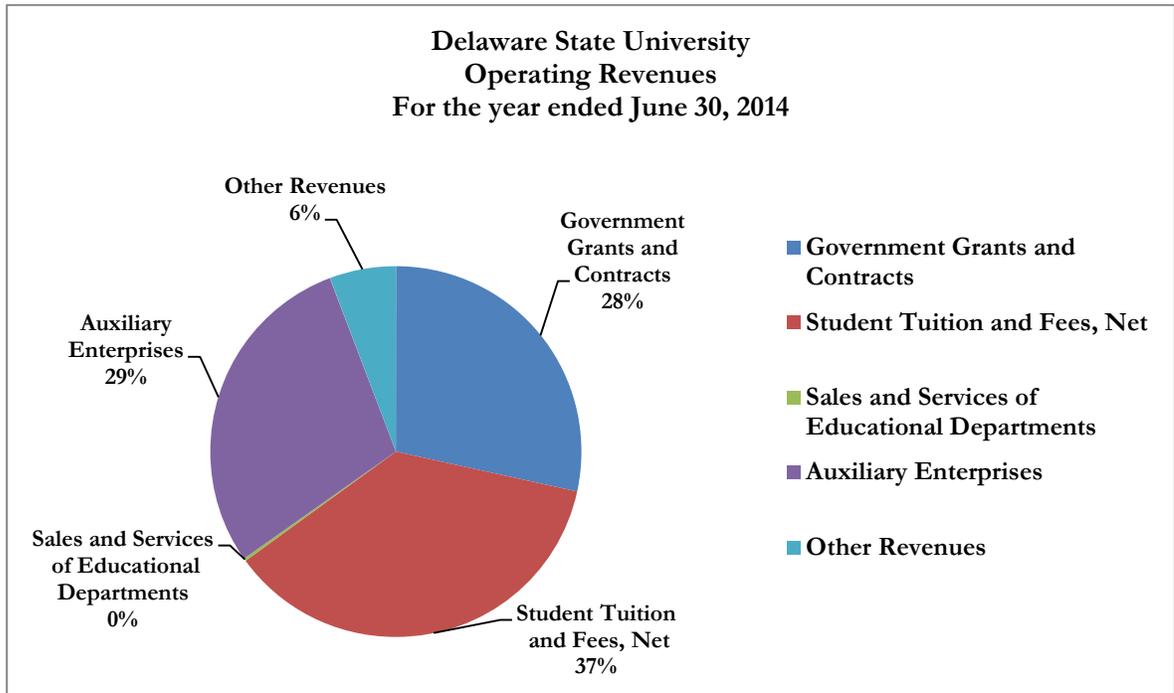
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Significant changes in expenses for fiscal year 2014 are as follows:

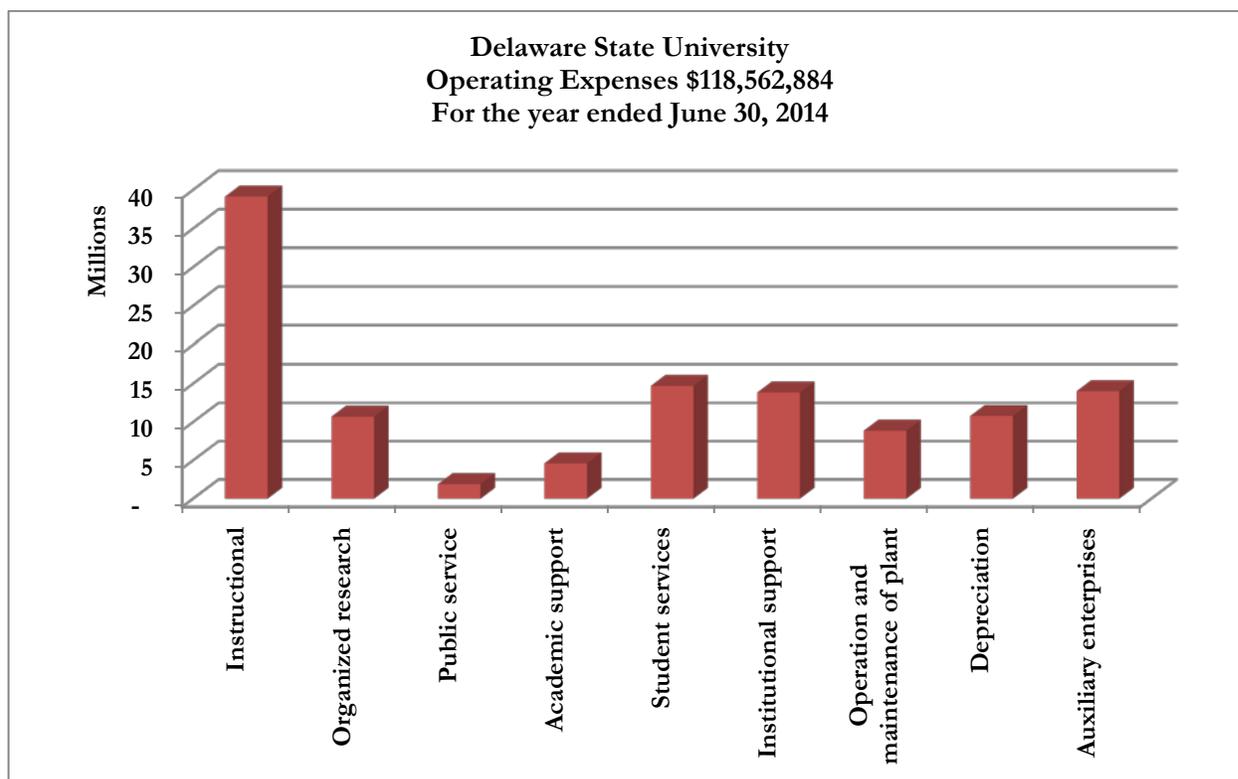
- Instructional expenses increased by \$1.4 million during fiscal year 2014 as a result of an increase in headcount, benefit costs, termination pay, and capital outlay expenses.
- Public service expenses decreased \$.7 million as a result of fewer federally funded grants.
- Institutional expenses decreased \$1.4 million mainly due to a reduction in the bad debt allowance reserve.
- Auxiliary enterprise expenses increased by \$.9 million due to an increase in auxiliary indirect cost allocated as a result of the Sheraton dorms being placed in service in fiscal year 2014.
- Depreciation expenses increased by \$1.3 million due to changes in estimates of useful lives used for calculating depreciation.



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Capital Asset and Debt Administration

As of June 30, 2015, the University had \$232.0 million invested in capital assets, net of accumulated depreciation of \$127.2 million (\$216.2 million at June 30, 2014, net of accumulated depreciation of \$111.2 million). Depreciation charges totaled \$10.6 million for the current fiscal year compared to \$10.8 million in the prior year. Assets related to the Courtyard acquisition are included as additions in 2015. Details of the capital assets, net at year end are shown below:

	Capital assets, net, as of June 30,	
	2015	2014
Land, land improvements and infrastructure	\$ 19,145,390	\$ 20,757,558
Buildings and improvements	186,854,416	179,019,518
Construction in progress	15,751,369	5,136,944
Equipment	10,039,005	11,187,192
Library materials	34,716	90,592
Total	<u>\$ 231,824,896</u>	<u>\$ 216,191,804</u>

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Major capital additions during fiscal year included (in millions):

Optical Science Center for Applied Research (OSCAR)	\$	10.7
Living and Learning renovations		0.6
Price Building renovation		0.7
Science Center project		0.5
Access points - wireless project		0.4
Various land improvements and infrastructure		0.4
Major capital equipment and software		1.9
Renovation of Wynder Tower		0.3
Renovation of Village		0.3
	\$	<u>15.8</u>

The University's planned capital expenses for the fiscal year ending June 30, 2016 are approximately \$11.5 million. Projects planned include completing the Optical Science Center for Applied Research (OSCAR), James Baker Annex addition, window replacement in several buildings, E&H roof renovation, Courtyard and Village improvements, Price Hall HVAC renovation and electrical upgrades. Other capital projects planned for fiscal 2016 include site improvements for Highway 13, campus lighting, and campus roadways. Detailed information about the University's capital assets is presented in Note 4 to the financial statements.

At June 30, 2015, the University had \$135.7 million in debt outstanding versus \$133.0 million at June 30, 2014. During fiscal year 2015, the University issued revenue refunding bonds in the amount of \$29,225,000 (par value) through the Delaware Economic Development Authority. The proceeds of the 2014 bonds, together with other available funds, were used to finance: (1) purchase the University Courtyard, a 416 bed student housing facility located on campus from the Delaware State University Housing Foundation; (2) construction, equipping and furnishing of an optical science center for applied research; (3) acquisition and capital improvement of the former Sheraton Hotel and Convention Center, now known as the Living and Learning Commons, a 264 bed student housing facility and space leased to Delaware State University Early College High School.

The University also entered into a loan agreement on May 28, 2015 with The Delaware Economic Development Authority (DEDA), for funding to purchase new equipment for phase one of the Optical Science Center for Applied Research (OSCAR) facility located on the Dover Campus, to conduct advanced optical research. In connection with this agreement, Delaware State University agreed to pay a twelve-year note in the amount of \$3,000,000. There is no interest on the loan. DEDA will make disbursements in the amount of \$1,000,000 on June 29, 2015, June 30, 2016, and June 30, 2017 to the University

In fiscal year 2014, the University entered into a \$12 million, 15-year lease agreement with K.W. Lands, L.L.C., owners of the former Sheraton Hotel and Convention Center located at 1570 North DuPont Highway in Dover, Delaware. The property currently houses a 264 bed student housing facility known as the Living and Learning Commons and is the location of the Delaware State University Early College High School. A capital lease was recorded on the University's financial statement as a result of this transaction. In fiscal year 2015, the Sheraton was acquired for \$11.2 million by the University with proceeds from the Series 2014 Revenue Bonds.

On March 1, 2012, the University issued revenue refunding bonds in the amount of \$32,145,000 (par value) through the Delaware Economic Development Authority. The proceeds of the 2012 bonds were used to finance: (1) the refunding of certain maturities of The Delaware Economic Development Authority Revenue Refunding Bonds (Delaware State University Project) Series 1999; (2) the purchase of University Village, a four building,

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628 bed student housing facility and dining hall located on the campus of the University, the construction of which was financed by the Kent County, Delaware Variable Rate Demand Student Housing Revenue Bonds (Delaware State University Student Housing Foundation Project) Series 2004B; (3) the funding of any required reserve funds relating to the 2012 Bonds; and (4) the costs of issuance and any credit enhancement of the 2012 Bonds.

On August 1, 2011, the University issued energy efficiency revenue bonds through the State of Delaware Sustainable Energy Utility, Inc. in the amount of \$11,265,000. Through a Guaranteed Energy Savings Agreement (GESA) with Johnson Controls, Inc., the company guarantees that there will sufficient savings from energy upgrades to various buildings and systems throughout the University to cover the financing cost associated with the bond. In the event that the savings are not realized to such level, Johnson Controls, Inc. will be responsible for any deficiency.

During fiscal year 2015, the University implemented GASB No. 68, resulting in a \$9.3 net pension liability as of June 30, 2015.

The table below summarizes the amount by type of debt instrument.

	Outstanding debt as of June 30,	
	2015	2014
Capital lease obligations	\$ -	\$ 11,426,852
Net pension liability	9,397,681	26,899,050
Notes payable	1,536,992	586,190
General obligation bonds	124,766,923	94,045,387
Totals	<u>\$ 135,701,596</u>	<u>\$ 132,957,479</u>

Detailed information about the University's long-term liabilities is presented in Note 5 to the financial statements.

Summary of Operations

Although, the economic condition of Delaware State University remains closely tied to the availability of state appropriations, the administration is optimistic and has taken positive action to decrease its dependency on state appropriation revenue which has been flat over the past two fiscal years (\$34.6 million and \$34.6 million in fiscal years 2015 and 2014 respectively). In 2015, the Board of Trustees approved a 3% increase in tuition and fees and no increase in the costs for room and board for the 2015-2016 academic year. This comes after two years in which there were no increases. The modest increase for FY16 is anticipated to have little impact on student enrollment which is expected to remain flat. Investment in the DSU@Wilmington campus is anticipated to have a positive impact on future enrollment with the offering of 5 graduate degrees and adult learning, through both face to face and distance education environments.

To further reduce the likelihood of operating deficits and gaps in state funding, University administration is committed to reducing spending and has reduced operating budgets for fiscal year 2016. In addition, a strategic plan has been developed to enhance the fund balance of the institution. The University will continue to closely monitor operational revenue and expenses and maintain strong financial controls throughout the current fiscal year.

University Highlights

Early College High School

The Early College High School (ECHS) at Delaware State University is the first state's first public charter early high school. Classes began on August 24, 2015 with 211 students in its second year. Students enrolled could earn 30-60 college credits before they graduate. The ECHS's curriculum has a strong emphasis in STEM (science, technology, engineering, and mathematics). This year the school accepted a new 9th grade class and had students returning from last year for their 10th grade year. Each subsequent year, a grade level of instruction will be added. Within the next four years, the ECHS will be a 9th through 12th grade charter high school. Students attending the ECHS are expected to enroll and graduate from Delaware State University, thus having a positive effect on enrollment.

Bill and Melinda Gates foundation

Delaware State University has been considered one of the Institutional Partnership (IP) Sites for the Gates Foundation. All potential IP Sites are committed to transforming their organizations to ensure that more students- especially low-income and first generation students and students of color-graduate at higher rates, with high-quality degrees or certificates at an affordable price. We believe that transformation will be accelerated if Sites have the opportunity to learn about each other's strengths and growth areas in a community of peers. We've found that learning from each other works best when everyone speaks a common language. An important part of speaking the same language is using a common set of metrics to demonstrate what works with IP Sites and external audiences.

Optical Science Center for Applied Research

The construction of the new state-of-the-art Optical Science Center for Applied Research (OSCAR) is completed. The building is the new home for DSU's prolific Optics Program, which since 2006 has been the recipient of \$23 million in research grants, produced the University's first two intellectual properties, and was involved with NASA in its Mars Curiosity Rover mission. The building was made possible initially by the support of Governor Markell, who earmarked \$10 million in the fiscal 2012 budget for the project. OSCAR will be built in three phases and will be consistent with the University's environmental stewardship efforts and its commitment to be a part of the Obama Administration's Better Building initiative. Towards those goals, OSCAR will be designed to be economical in its long-term energy usage through the installation of radiant cooling and heating systems. Once complete, the building will house eight (8) research laboratories, a shared nanotechnology facility, a shared wet lab, instrument room, testing and imaging room, office spaces, conference rooms, incubator space dedicated to research and development projects to be conducted in partnerships with high technology companies. The first of two buildings will be a total of 28,090 square feet and three floors. Gov. Jack Markell joined DSU administrators, board members and scientists on Sept. 25 to formally dedicate the Delaware Institute for Science and Technology's Optical Science Center for Applied Research (OSCAR) Building on campus.

First in the World Grant

The U.S. Department of Education announced that Delaware State University has been selected among 17 colleges and universities to be awarded funding under the First in the World grant program. As part of that program, DSU will receive \$2,647,764 that will be used in support of its Access to Success initiative, which seeks to increase the applications, enrollment and retention in postsecondary education of at-risk and underrepresented students who are from low-income families and would be first-generation college students. "A major part of the land-grant legacy of Delaware State University is to provide access to underrepresented students," said DSU

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President Harry L. Williams. "This grant demonstrates that DSU and the Obama Administration are on the same page when it comes to better preparing first-generation and at-risk students for higher education, as well as helping them to stay in school and graduate."

DSU was one of 17 recipients of the First in the World grants; and those grant awardees were selected out of more than 300 applicant institutions.

SAP: Center for Excellence

Delaware State University (DSU) is working together with SAP SE, a market leader in enterprise application software, as well as the Americas' SAP Users' Group (ASUG) to become a Center of Excellence in critical enterprise technological advancements, to be shared with students from DSU and other Historically Black Colleges and Universities (HBCUs) around the country.

DSU Fully Approved for Distance Learning Programs

Delaware State University recently received full approval from the Middle State Commission on Higher Education to provide Distance Education Programs within the scope of the institution's accreditation. Full approval was granted to the University for Certificate Programs as well as Degrees on the Bachelors, Masters, and Doctoral levels.

Request for Information

The financial report is intended to provide a general overview of the University's finances. Questions concerning any of the information provided in the report, or requests for additional information should be addressed to the Division of Finance, 1200 North Dupont Highway, Dover, Delaware 19901.

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Statement of Net Position

June 30, 2015

	Delaware State University	University Foundation, Inc.
CURRENT ASSETS		
Cash	\$ 7,008,668	\$ 3,713,818
Expendable investments	13,314	-
Funds available from state treasurer	7,164,567	-
Students receivables, net	3,136,705	-
Government grants receivable, net	9,385,018	-
Other receivables	3,691,199	1,717,006
Due from affiliate	34,634	-
Total current assets	<u>30,434,105</u>	<u>5,430,824</u>
NONCURRENT ASSETS		
Investments	13,255,737	14,420,750
Assets held in trust	8,349,935	-
Other assets	7,674	1,111,164
Deferred charges	-	73,810
Capital assets, net	<u>231,824,896</u>	<u>-</u>
Total noncurrent assets	<u>253,438,242</u>	<u>15,605,724</u>
Total assets	<u>283,872,347</u>	<u>21,036,548</u>
Deferred outflows - pension	<u>5,159,814</u>	<u>-</u>
CURRENT LIABILITIES		
Accounts payable	5,726,142	141,078
Due to affiliate	-	34,634
Accrued employee compensation	2,640,246	-
Accrued interest	1,264,131	-
Unearned revenue	1,841,330	415,865
Compensated absences	1,512,153	-
Long-term debt -current portion	<u>2,894,815</u>	<u>-</u>
Total current liabilities	<u>15,878,817</u>	<u>591,577</u>
NONCURRENT LIABILITIES		
Accrued liability	346,504	-
Compensated absences	3,588,769	-
Net pension liability	9,397,681	-
Long-term debt	<u>123,409,101</u>	<u>-</u>
Total noncurrent liabilities	<u>136,742,055</u>	<u>-</u>
Total liabilities	<u>152,620,872</u>	<u>591,577</u>
Deferred inflows - grants	654,666	-
Deferred inflows - pension	14,934,607	-
NET POSITION		
Net investment in capital assets	114,870,915	-
Restricted for:		
Capital projects	7,411,856	-
Loans	-	-
Grants and contracts	1,254,076	-
Quasi endowment	-	11,001,574
Restricted nonexpendable:		
Endowment	-	8,038,220
Unrestricted	<u>(2,714,831)</u>	<u>1,405,177</u>
Total net position	<u>\$ 120,822,016</u>	<u>\$ 20,444,971</u>

The accompanying notes are an integral part of this financial statement.

DELAWARE STATE UNIVERSITY
Statement of Revenue, Expenses and Changes in Net Position
June 30, 2015

	University	Foundation, Inc.
REVENUE		
Operating revenue:		
Unpledged revenue:		
Government grants and contracts	\$ 19,188,624	\$ -
Revenue of University pledged as security for bonds:		
Student tuition and fees (net of scholarship allowances of \$25,339,059)	23,404,926	-
Auxiliary enterprises	23,419,803	-
Sales and services of educational departments	211,043	-
Athletics	1,885,405	-
Other revenue	<u>2,390,166</u>	<u>236,638</u>
Total operating revenue	<u>70,499,967</u>	<u>236,638</u>
EXPENSES		
Operating expenses:		
Educational and general:		
Instructional	38,647,121	-
Organized research	10,845,817	-
Public service	1,917,383	-
Academic support	4,620,864	-
Student services	13,648,950	-
Institutional support	15,030,277	1,250,091
Operation and maintenance of plant	7,191,139	-
Depreciation	10,552,328	-
Student aid	-	676,168
Auxiliary enterprises	<u>16,559,676</u>	<u>-</u>
Total operating expenses	<u>119,013,555</u>	<u>1,926,259</u>
Operating loss	<u>(48,513,588)</u>	<u>(1,689,621)</u>
Nonoperating revenue (expenses):		
State appropriations	34,620,600	-
Private gifts	27,346	3,874,478
Pell grants	9,061,975	-
Investment income	1,648,583	298,156
Net loss on investments	(993,697)	(14,117)
Interest expense	<u>(5,222,487)</u>	<u>-</u>
Net nonoperating revenue (expenses)	<u>39,142,320</u>	<u>4,158,517</u>
(Loss) income before other revenue (expenses), gains and (losses)	<u>(9,371,268)</u>	<u>2,468,896</u>
Other revenue:		
Capital appropriations - State	4,300,000	-
Transfer of Courtyard net assets	<u>685,537</u>	<u>-</u>
Total other revenue	<u>4,985,537</u>	<u>-</u>
Change in net position	(4,385,731)	2,468,896
Net position:		
Net position, beginning of year, as restated (see footnote 12)	<u>125,207,747</u>	<u>17,976,075</u>
Net position, end of year	<u>\$ 120,822,016</u>	<u>\$ 20,444,971</u>

The accompanying notes are an integral part of this financial statement.

DELAWARE STATE UNIVERSITY

Statement of Cash Flows

June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts of tuition and fees	\$ 24,756,565
Receipts from grants and contracts	17,582,784
Payments to vendors	(37,605,881)
Payments for utilities	(4,129,038)
Payments to employees	(53,601,068)
Payments for benefits	(15,896,591)
Loan repayments received from students	177,281
Receipts from auxiliary services	24,296,878
Receipts from sales and service of educational departments	211,043
Other receipts	<u>1,048,366</u>
Net cash from operating activities	<u>(43,159,661)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State appropriations	34,620,600
Receipts from private gifts for non-capital purposes:	
Pell Grants	9,061,975
Private gifts for non-capital purposes	<u>27,346</u>
Net cash from non-capital financing activities	<u>43,709,921</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

State capital appropriations	4,300,000
Proceeds from Bonds Sale	32,953,403
Payment for bond issuance and Sheraton closing costs	(869,492)
Purchases of capital assets	(16,275,473)
Retirement of Courtyard 2004A Bonds	(14,873,074)
Purchases of Sheraton	(11,221,878)
Principal paid on capital debt and leases	(2,486,040)
Interest paid on capital debt and leases	(4,485,514)
Proceeds from DEDA loan	<u>1,000,000</u>
Net cash from capital financing activities	<u>(11,958,068)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	1,648,583
Sale of Investments	(31,600,269)
Purchase of investments	<u>27,979,273</u>
Net cash from investing activities	<u>(1,972,413)</u>

Net change in cash and cash equivalents	(13,380,221)
Cash and funds available from state treasurer, beginning of the year	<u>27,553,456</u>
Cash and funds available from state treasurer, end of the year	<u>\$ 14,173,235</u>

The accompanying notes are an integral part of this financial statement.

DELAWARE STATE UNIVERSITY

Statement of Cash Flows

June 30, 2015

RECONCILIATION OF OPERATING LOSS	
TO NET CASH FROM OPERATING ACTIVITIES	
Operating loss	\$ (47,535,439)
Adjustments to reconcile operating loss to net cash	
from operating activities	
Depreciation	10,552,328
Effect of changes in operating non-cash assets and liabilities	
Student receivables, net	1,351,639
Other receivable	(3,227,205)
Due from affiliate	67,845
Government grants receivable, net	(1,605,840)
Student notes	177,281
Other assets	(374,176)
Accounts payable	(139,092)
Net pension liability and deferred outflows	(3,263,681)
Unearned revenue	877,075
Accrued settlement liability	(186,953)
Accrued employee compensation and compensated absences	146,557
Net cash from operating activities	<u>\$ (43,159,661)</u>

The accompanying notes are an integral part of this financial statement.

DELAWARE STATE UNIVERSITY

Notes to Financial Statements

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying financial statements present the financial position, results of operations, change in net position, and cash flows of Delaware State University (the "University"), a federal land grant institution. The financial statements of the University include the activity of its main campus in Dover, Delaware and its associated campuses in Wilmington and Georgetown, Delaware.

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with generally accepted governmental accounting standards as established by the Governmental Accounting Standards Board (GASB). These standards require the University to evaluate potential component units for which the University is financially accountable and other organizations for which the nature and significance of their relationship with the University is such that exclusion would cause the University's financial statements to be misleading or incomplete.

On December 11, 2014 the University issued revenue refunding bonds in part to purchase the University Courtyard, a 416 bed student housing facility located on campus from the Delaware State University Housing Foundation, which was approved by the University's Board of Trustees. As a result of the purchase, operations and net assets were transferred to the University and are included the accompanying financial statements.

Based on the application of the criteria for determining a component unit, an affiliated organization is included within the University's reporting entity as a discretely presented component unit if the affiliated organization is considered to: 1) receive or hold economic resources that are to be used for the benefit of the University, 2) receive or hold economic resources which the University is entitled to or otherwise have the ability to access, and 3) are significant to the financial statements of the University with which the organization is affiliated.

Accordingly, the Delaware State University Foundation, Inc. (the "Advancement Foundation") is considered a component unit due to the significance of the financial statement amounts to the University's financial statements. The Advancement Foundation is organized as non-profit corporations under the laws of Delaware and is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code and similar State provisions.

The Advancement Foundation component unit is a non-governmental entity that prepares their financial statements using accounting principles generally accepted as promulgated by the Financial Accounting Standards Board (FASB).

The University is the sole member of the Early College High School (ECHS), which is a governmental entity that prepares its financial statements using accounting principles generally accepted as promulgated by the Governmental Accounting Standards Board. ECHS is a primary government and is considered a component unit of the State of Delaware due to the significance of funding provided by the State to ECHS. The University pays certain expenses on their behalf. As of June 30, 2015, ECHS owes the University \$593,778, and has been recorded as other receivables on the Statement of Net Position. ECHS operates in a building owned by the University. The University does not charge ECHS for this and estimates the value of the space to be \$327,000 for the year ended June 30, 2015.

Additional information on the University's discretely presented component unit and the ECHS, including copies of the audit reports, are available by contacting the Finance and Administration Office, Delaware State University, 1200 N. DuPont Highway, Dover, DE 19901.

DELAWARE STATE UNIVERSITY

Notes to Financial Statements

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The University is a discretely presented component unit of the State of Delaware (the “State”). The financial balances and activities included in these financial statements are, therefore, also included in the State’s comprehensive annual financial report.

Basis of Presentation

The University’s accounting policies conform to accounting principles generally accepted in the United States of America as promulgated by the Government Accounting Standards Board (“GASB”). For financial reporting purposes, the University is considered to be a special-purpose government engaged only in business-type activities. GASB defines business-type activities as activities financed, in whole or in part, by user charges for goods or services. Accordingly, the accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB. Revenue is recognized when earned and expenses are recognized when incurred.

Adoption of New Accounting Standards

During the fiscal year ended June 30, 2015, the University implemented GASB Statement No. 68, “Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27” and Statement No. 71, entitled “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” This statement requires entities that participate in a multi-employer cost sharing defined benefit retirement plan to record its proportionate share of the net unfunded pension liability of the entire plan. The entity’s share of the plan’s total unfunded pension liability is calculated by multiplying its percentage of the total contributions to the plan for the year by the total unfunded liability of the entire plan as of yearend. The adoption of this statement resulted in a restatement of the net position at July 1, 2014 to reflect the adoption of the standard. Net position of the University was restated and reduced by \$22,436,154 as of June 30, 2014 due to recording the University’s share of unfunded pension liability.

As of the year ended June 30, 2015, GASB issued Statement No. 72, entitled *Fair Value Measurement and Application*; Statement No. 73, entitled *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68*, and *Amendments to certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 74 entitled, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75 entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 76 entitled, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. These statements may have a material effect on the University’s financial statements once implemented. The University will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

Cash and Cash Equivalents

The University defines cash and cash equivalents as those investments with an original maturity date of three months or less at time of purchase.

Tuition Revenue and Student Receivables

The University’s tuition and fees revenue is reported net of any scholarship allowance. The scholarship allowance represents monies received as tuition from outside resources such as Title IV Federal Grant Program, restricted grants and scholarships, as well as tuition waivers. Tuition also includes pledged revenue as security for the 2007 bonds in the amounts of \$1,525,300 as of June 30, 2015.

DELAWARE STATE UNIVERSITY

Notes to Financial Statements

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Student receivables are obligations of students resulting from course registrations. In the normal course of business, the University extends credit to students. These students are predominately from the Middle Atlantic region.

Realization of receivables is somewhat dependent upon the collection efforts of the University as well as the general economic climate. An allowance for doubtful accounts is provided based upon management's judgments including such factors as previous collection history and characteristics of the respective receivables. Tuition receivables are due before the end of the semester for which they were incurred. Amounts that remain uncollected three weeks after the end of the semester are considered delinquent and are usually referred to the collection manager. Student receivables are recorded net of estimated uncollectible amounts. As of June 30, 2015, the allowance for uncollectible accounts in student receivables was \$6,595,235. Third party receivables included in net student receivables for the fiscal years ended June 30, 2015 was \$1,199,885.

Federal Financial Assistance Programs

The University participates in certain federally funded student financial aid programs including: Federal Direct Loan Program, Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, and SMART Grants. The University is also the recipient of awards for research and development activities as well as other federal awards to support University activities. Major federal programs are audited in accordance with the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Revised Circular A-133, Audit of States, Local Governments and Non-Profit Organizations.

Assets Held in Trust

Assets held in trust are under the control of outside bond trustees and represent reserves for payment of principal and interest due on the bonds, the maintenance of debt service reserve funds and construction funds.

Investments

Investments in debt and equity securities are recorded at fair value based upon quoted market prices. All gains and losses arising from sales or other disposition of investments are recorded on a specific identification basis calculated as of the trade date.

Capital Assets

Capital assets are defined by the University as a purchase with a value of greater than \$5,000 and a useful life of more than one year. Capital assets are stated at cost or, if received by gift, at estimated fair market value on the date of contribution. Capital assets, with the exception of land, are depreciated on a straight-line basis over the estimated useful lives of 50 years for buildings and building improvements, 25 years for land improvements and infrastructure, seven years for equipment and vehicles, 5 years for software, and five years for library books. The cost of ordinary maintenance and repairs that do not materially extend the useful life of assets are expensed as incurred.

Unearned Revenue

The University reports unearned revenue on its statements of net position. Unearned revenue primarily consists of funds that are received prior to the respective service being provided by the University. As such, it is the University's policy to recognize these balances over the course of the period that the service is rendered.

DELAWARE STATE UNIVERSITY

Notes to Financial Statements

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

Certain employees of the University are members of the Delaware State Employees' Pension Plan which is part of the Delaware Public Employees' Retirement System. The Retirement Pension System is considered a cost sharing multiple employer plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the retirement system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for element, deferred outflows of resources. This separate financial statement element, deferred outflows of resource, represents a consumption of net position that applies to a further period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

It is the University's policy to allow employees to carry over unused annual leave up to a maximum of 32 days. As of June 30, 2015, the liability for unused compensated absences was \$2,838,852.

It is the University's policy, upon retirement, to pay out sick leave balances that have been accrued up to a maximum of 60 days and for the collective bargaining unit members (1007, 1267 & 2888) to pay out yearly balances that exceed 60 days at the rate of one half day for every day accrued. Therefore, the University has recorded a liability of \$2,262,070 related to earned, unused sick leave as of June 30, 2015.

Net Position

Net position is classified as restricted, unrestricted or net investment in capital assets. Restricted net position is those assets for which there are externally imposed constraints, which have not yet been met. When both restricted and unrestricted resources are available for use, it is the University's policy to use restricted resources first and the unrestricted resources as they are needed. The net investment in capital assets represents the net book value of capital assets less the outstanding portion of the related debt financing of capital assets.

Operating and Nonoperating Components

Operating revenue of the University are generally associated with those activities that directly relate to the core activities of instruction and research and consist of tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprise revenue. Transactions related to capital and financing activities, noncapital financing activities, investing activities and State appropriations are reported as components of nonoperating activities. Restricted and unrestricted resources are spent and tracked by the departments of the University within the guidelines of donor restrictions.

DELAWARE STATE UNIVERSITY

Notes to Financial Statements

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of 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 judgments that affect reported amounts of assets and liabilities and disclosures about contingent assets and liabilities at the date of the statements of

net position and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Income Taxes

The University is exempt from Federal income taxes under Section 501(c) (3) of the Internal Revenue Code and is recognized as such by the Internal Revenue Service. The provisions included in accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The University performed an evaluation of uncertain tax positions as of June 30, 2015, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. As of June 30, 2015, the statute of limitations for tax years 2010 through 2014 remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which the University files tax returns.

Delaware State University has established a policy "Statement of Investment Objectives and Guidelines for Investment Managers" as amended on September 12, 2011. The primary objective of the guidelines is the safety of principal by minimizing credit risk and interest rate risk. According to University policy, risk tolerance can be characterized as medium to medium low.

2. CASH AND INVESTMENTS

University policy specifies the types of investments the managers can make; the maximum percentage of assets that may be invested in particular instruments; the minimum credit quality of these investments; and the maximum length of time the assets can be invested.

Custodial Credit Risk - Custodial Credit Risk is the risk that, in the event of a failure of the counterparty, the University would not be able to recover the value of its deposits, investments or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the University and are held by either the counterparty or the counterparty's trust department or agent but not in the University's name. As of June 30, 2015, all cash and investment accounts were held on behalf of the University by the Trustees, in the Trustee's name.

Concentration of Credit Risk - Concentration of credit risk is assumed to arise when the amount of investments that the University has with one issuer exceeds 5% or more of the total value of the University's investments. The University does have a formal policy for concentration of credit risk. According to this policy "holdings in any one company may generally not exceed 5% of the market value of each equity portfolio." In addition, the policy also spells out that "Portfolios should be well diversified in order to mitigate risk of loss." As of June 30, 2015, there was no portion of the University portfolio, excluding U. S. Government guaranteed obligations, which exceed 5% of the portfolio.

Credit Risk - Credit risk is the risk that the University will lose money because of the default of the security issuer or investment counterparty. University policy has not clearly defined ratings for each type of

DELAWARE STATE UNIVERSITY

Notes to Financial Statements

June 30, 2015

2. CASH AND INVESTMENTS (continued)

investments; however, it states that “Investments should focus on high quality companies with an established and profitable operating record, be in sound financial condition, and have competent management.” As of June 30, 2015, there was no portion of the University portfolio that was invested in below investment grade securities.

The University’s \$8,421,445 in fixed income investments were not rated as of June 30, 2015 using the Standard and Poor’s rating scale or any other major rating agency’s system.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The University policy does not specifically address interest rate risk. However, it is the University’s intent to hold securities to maturity in order to mitigate interest rate risk.

As of June 30, 2015, cash on hand for petty cash and change fund was \$18,580, bank balances of the University’s deposits were \$8,428,593. The University has a contractual agreement with both M&T Bank and PNC Bank for funds to be transferred daily from its operating accounts, included in cash on the statement of net position, in a repurchase/sweep agreement to cover checks as presented.

An additional \$7,164,567 as of June 30, 2015, of funds available from the state treasurer are included on the statements of net position. Personnel of the State Treasurer’s Office in Dover, Delaware control these funds and any investment decisions are made by the State Treasurer’s Office. The deposits held by the State of Delaware investment pool, an internal investment pool, are specifically identified for the University, but the credit risk cannot be categorized for these deposits. Credit risk for such deposits depends on the investment decisions made by the State Treasurer’s Office and the risk of loss resides with the State.

DELAWARE STATE UNIVERSITY

Notes to Financial Statements

June 30, 2015

2. CASH AND INVESTMENTS (continued)

The University's investments totaled \$21,618,986 as of June 30, 2015. These investments were stated at quoted market value and are owned by the University.

The University's cash, cash equivalents and investments were as follows as of June 30, 2015:

June 30, 2015	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	5 to 10	>10
Federal agencies	\$ 4,589,471	\$ -	\$ 1,004,980	\$ 2,607,770	\$ 976,721
Corporate bonds	<u>3,831,974</u>	<u>-</u>	<u>3,831,974</u>	<u>-</u>	<u>-</u>
Total fixed income	<u>8,421,445</u>	<u>\$ -</u>	<u>\$ 4,836,954</u>	<u>\$ 2,607,770</u>	<u>\$ 976,721</u>
Other investments	3,793,615				
Money market	709,860				
Equities	<u>8,694,066</u>				
Total investments	<u>21,618,986</u>				
Cash on hand	18,580				
Cash deposits	6,990,088				
Funds available from state treasurer	<u>7,164,567</u>				
Total cash	<u>14,173,235</u>				
Total cash and investments	<u>\$ 35,792,221</u>				
Reconciliation to Statement of Net Position:					
Cash	\$ 7,008,668				
Expendable investments	13,314				
Funds available from state treasurer	7,164,567				
Investments	13,255,737				
Assets held in trust	<u>8,349,935</u>				
Total cash and investments	<u>\$ 35,792,221</u>				

Assets Held in Trust

As of June 30, 2015, assets held in trust consisted of:

Debt service reserve fund	\$ 8,321,910
GESA – Sustainable Energy Utility account	<u>28,025</u>
Total assets held in trust	<u>\$ 8,349,935</u>

DELAWARE STATE UNIVERSITY
Notes to Financial Statements
June 30, 2015

2. CASH AND INVESTMENTS (continued)

Delaware State University Foundation

The Delaware State University Foundation's investments as of June 30, 2015 consisted of the following:

	As of June 30, 2015			
	Amortized	Gross	Gross	Fair Value
	Cost	Unrealized	Unrealized	
		Gains	Losses	
Money market funds	\$ 19,702	\$ -	\$ -	\$ 19,702
Fixed income funds	3,796,592	7,742	34,864	3,769,470
US Equity	5,837,361	72,133	83,690	5,825,804
Non-US equity	3,497,698	86,323	40,007	3,544,014
Mutual fund	1,102,327	59,433	-	1,161,760
Leading Edge Ventures I, L.P.	100,000	-	-	100,000
Total	\$ 14,353,680	\$ 225,631	\$ 158,561	\$ 14,420,750

The following is a description of the valuation methodology used for assets measured at fair value as of June 30, 2015:

Money Market Fund: Valued at amortized cost.

Fixed Income Fund, US Equity, Non-US Equity, Mutual funds: Valued at the closing price reported on the active market by which the fund is traded.

Leading Edge Ventures I, L.P.: Valued based on management estimate using unobservable data.

The methods described above may produce a fair value calculation that may not be indicative of NRV or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2015:

	At June 30, 2015			Fair Value
	Level 1	Level 2	Level 3	
Money market funds	\$ 19,702	\$ -	\$ -	\$ 19,702
Fixed income funds	3,769,470	-	-	3,769,470
US Equity	5,825,804	-	-	5,825,804
Non-US equity	3,544,014	-	-	3,544,014
Mutual fund	1,161,760	-	-	1,161,760
Leading Edge Ventures I, L.P.	-	-	100,000	100,000
Total	\$ 14,320,750	\$ -	\$ 100,000	\$ 14,420,750

DELAWARE STATE UNIVERSITY

Notes to Financial Statements

June 30, 2015

3. OTHER RECEIVABLES AND OTHER ASSETS

The University's other receivables as of June 30, consisted of the following:

	<u>2015</u>
Prepaid vendors	\$ 2,634,093
Early College High School	593,778
Childcare lab	105,654
Other miscellaneous	<u>365,348</u>
	3,698,873
Less: non-current other assets	<u>7,674</u>
Total other receivables	<u>\$ 3,691,199</u>

Other Assets - Delaware State University Foundation, Inc.

	<u>2015</u>
Amounts due in less than one year	\$ 831,962
Amounts due in two to five years	<u>982,356</u>
Total	1,814,318
Less: present value discount of 2.0%	65,243
allowance for uncollectable receivable	<u>32,069</u>
Pledges Receivable, net	<u>\$ 1,717,006</u>

DELAWARE STATE UNIVERSITY
Notes to Financial Statements
June 30, 2015

3. OTHER RECEIVABLES AND OTHER ASSETS (continued)

Other Assets Non Current Asset

The Foundation invested \$1,500,000, for a one-third membership interest in the Friends of the Capitol Theater, Inc., a non-stock corporation, which was established to acquire and maintain the Schwartz Center for the Arts (Schwartz Center). The Foundation has recorded its interest in the Theater at its initial investment of \$1,500,000 (cost) adjusted by its one-third share of the annual operating income or loss of the Theater. Dividends, if received, will reduce the Foundation's carrying amount of the investment. The table below sets forth a summary of changes in the Foundation's, interest in the Theater for the years ended June 30, 2015:

	<u>Schwartz Center</u>
	<u>2015</u>
Beginning balance	<u>\$ 1,186,508</u>
Decline in net book value	<u>(75,344)</u>
Ending balance	<u>\$ 1,111,164</u>

4. PROPERTY, PLANT AND EQUIPMENT

Assets as a result of the Courtyard acquisition are included in additions for the year ended June 30, 2015. Capital asset activity of the University for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u> <u>and transfers</u>	<u>Retirements</u> <u>and transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
Assets not being depreciated:				
Land	\$ 4,322,297	\$ -	\$ -	\$ 4,322,297
Construction in progress	5,136,944	10,909,875	295,450	15,751,369
Total assets not being depreciated	<u>9,459,241</u>	<u>10,909,875</u>	<u>295,450</u>	<u>20,073,666</u>
Assets being depreciated:				
Land improvements and infrastructure	20,988,388	389,353	-	21,377,741
Buildings and improvements	249,819,440	17,186,211	-	267,005,651
Equipment	40,591,409	3,441,094	95,141	43,937,362
Library books	6,617,926	-	-	6,617,926
Total assets being depreciated	<u>318,017,163</u>	<u>21,016,658</u>	<u>95,141</u>	<u>338,938,680</u>
Total	<u>327,476,404</u>	<u>31,926,533</u>	<u>390,591</u>	<u>359,012,346</u>
Less accumulated depreciation:				
Land improvements and infrastructure	4,553,127	2,001,521	-	6,554,648
Buildings and improvements	70,799,922	9,351,313	-	80,151,235
Equipment	29,404,217	4,575,162	81,022	33,898,357
Library books	6,527,334	55,876	-	6,583,210
Total accumulated depreciation	<u>111,284,600</u>	<u>15,983,872</u>	<u>81,022</u>	<u>127,187,450</u>
Total capital assets, net	<u>\$ 216,191,804</u>	<u>\$ 15,942,661</u>	<u>\$ 309,569</u>	<u>\$ 231,824,896</u>

DELAWARE STATE UNIVERSITY

Notes to Financial Statements

June 30, 2015

5. LONG-TERM OBLIGATIONS

Details of the University's non-current liabilities as of June 30, 2015 were as follows:

	As of June 30, 2015				
	June 30, 2014	Additions	Reductions	June 30, 2015	Current portion
Accrued liability	\$ 720,410	\$ -	\$ 186,953	\$ 533,457	\$ 186,953
Compensated absences	5,155,592	-	54,670	5,100,922	1,512,153
Notes payable	586,190	1,000,000	49,198	1,536,992	144,815
Capital lease payable	11,426,852	-	11,426,852	-	-
Net pension liability	26,899,050	-	17,501,369	9,397,681	-
Revenue bond premium	2,745,387	3,728,404	201,868	6,271,923	-
Revenue bonds	91,300,000	29,225,000	2,030,000	118,495,000	2,750,000
Total	<u>\$ 138,833,481</u>	<u>\$ 33,953,404</u>	<u>\$ 31,450,910</u>	<u>\$ 141,335,975</u>	<u>\$ 4,593,921</u>

Accrued Liability

On September 20, 2012, the University entered into an agreement with the Department of Education to settle a program review by agreeing to pay \$1,007,363 over a five year period. At June 30, 2015, the balance was \$533,457. The future annual payments are \$186,953, \$186,953 and \$159,551, for the fiscal years ending June 30, 2016, 2017 and 2018, respectively.

Notes Payable

On December 15, 2005, the University entered into an agreement with the Delaware River and Bay Authority (DRBA) to demolish the existing terminal building located at the Cheswold Airport and construct a new building containing approximately 14,375 rentable square feet of space and to submit the building and land together with any improvements to the Delaware Air Park Condominium. The University agreed to pay the DRBA the Special Assessment in consideration for the creation of the DSU Unit and the conveyance of the DSU Unit to the University in accordance with the terms of the Project Development Agreement. In connection with this agreement, Delaware State University entered into a twenty-year mortgage in the amount of \$1,011,545. Principal is payable in 240 monthly installments of \$5,509 which began on January 1, 2007. The interest rate for the first 60 payments is 1.5%, 3% for payments 61-120 and 5.32% for all remaining payments.

On May 28, 2015, the University entered into an agreement with The Delaware Economic Development Authority (DEDA), also a discretely presented component unit of the State of Delaware, for funding to purchase new equipment for phase one of the Optical Science Center for Applied Research (OSCAR) facility located on the Dover Campus, to conduct advanced optical research. In connection with this agreement, Delaware State University agreed to pay a twelve-year note in the amount of \$3,000,000. There was no interest on the loan. DEDA made a disbursement in the amount of \$1,000,000 on June 29, 2015, and will make disbursements in the amount of \$1,000,000 on June 30, 2016, and June 30, 2017 to the University. On July 1, 2015 the first principal payment of \$100,000 was made. On the July 1, 2016, a principal payment of \$200,000 will be made. On July 1, 2017, and on the 1st day of the next 84 months (7 years), a principal payment of \$300,000 will be made annually. On July 1, 2025, payment of \$200,000 will be made. On July 1, 2026, a final principal payment of \$100,000 will be made.

Following is a summary of remaining payment schedule for Delaware River and Bay Authority and Delaware Economic Development Authority notes payable:

DELAWARE STATE UNIVERSITY

Notes to Financial Statements

June 30, 2015

5. LONG-TERM OBLIGATIONS (continued)

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 144,815	\$ 21,296	\$ 166,111
2017	140,916	25,196	166,112
2018	143,146	22,965	166,111
2019	145,498	20,613	166,111
2020	147,979	18,133	166,112
2021-2025	782,098	48,458	830,556
2026-2027	32,540	507	33,047
Totals	<u>\$ 1,536,992</u>	<u>\$ 157,168</u>	<u>\$ 1,694,160</u>

Capital Lease

In July 2013, the University entered into a \$12 million, 15-year lease agreement with K.W. Lands, L.L.C., owners of the former Sheraton Hotel and Convention Center located at 1570 North DuPont Highway in Dover, Delaware. The property currently houses a 264 bed student housing facility known as the Living and Learning Commons and is also the location of the Delaware State University Early College High School.

The economic substance of the lease is that the University was to finance the acquisition of the asset through the lease and accordingly, it was recorded in the University's statement of net position. On March 5, 2015, the University exercised its option to purchase this property using proceeds from the issuance of Series 2014 bonds. Thus, the capital lease was removed from University's statement of net position and replaced with debt associated with the 2014 revenue bonds.

Revenue Bonds

Series 1999 Bonds:

On May 6, 1999, the University issued revenue refunding bonds in the amount of \$15,865,000 (par value) through the Delaware Economic Development Authority (the "Authority"). The bonds are due on October 1, 2017 and are secured by un-appropriated gross revenue of the University.

The Bond Trust Indenture requires the University to maintain a debt service reserve fund equal to the maximum annual debt service on all bonds outstanding under the Indenture. The University meets this requirement by providing for the deposit through a surety bond in the Debt Reserve Fund. This bond was obtained from MBIA Insurance Corporation in the amount of \$1,433,608 and expires on October 1, 2017. The University has pledged all operating and non-operating revenue, except State appropriations and restricted gifts, grants and bequests, for each academic year during which any of the bonds remain outstanding.

On March 1, 2012 the University issued revenue refunding bonds in the amount of \$32,145,000 (par value) through the Authority which were in part used to refund certain maturities of Series 1999 bonds. The issuance of Series 2012 bonds and refunding resulted in a \$2,725,000 reduction in Series 1999 bond obligations. At June 30, 2015, \$3,130,000 remained outstanding on the 1999 Revenue Bonds.

DELAWARE STATE UNIVERSITY

Notes to Financial Statements

June 30, 2015

5. LONG-TERM OBLIGATIONS (continued)

Series 2007 Bonds:

On December 20, 2007 the University issued revenue refunding bonds in the amount of \$47,580,000 (par value) through the Authority. The bonds are interest only through October 1, 2018; due on October 1, 2036; and are secured by un-appropriated gross revenue of the University. The 2007 bonds were being issued as "Additional Bonds" under the Indenture, secured equally and ratable with all other Bonds issued and outstanding under the Indenture and any Alternative Indebtedness as provided in the Indenture and in the Loan Agreement. The 2007 Bonds are insured by MBIA Insurance Corporation. The University has pledged all operating and non-operating revenue, except State appropriations and restricted gifts, grants and bequests, for each academic year during which any of the bonds remain outstanding. The bonds were secured for the construction of a new student union, a swimming pool and a student wellness/recreation center. As of June 30, 2015, \$47,827,969 including \$247,969 of unamortized bond premium remained outstanding on the 2007 revenue bonds.

Series 2011 Energy Efficiency Bonds:

The University entered into a Guaranteed Energy Savings Agreement with Johnson Controls, Inc. in the amount of \$11,265,000. In connection with this agreement and to fund energy efficiency projects, energy efficiency revenue bonds were issued through the State of Delaware Sustainable Energy Utility, Inc. on August 1, 2011. The bonds are due September 15, 2032, and are limited obligations of the University, payable only from amounts appropriated by the State that are eligible for payment of the Installment Payments pursuant to the Energy Performance Contracting Act. The 2011 bonds are equally and ratably secured by the trust estate, and failure of the State to appropriate each year sufficient available funds will cause insufficient funds to be deposited into the bond fund to pay all principal and interest on the bonds when due. Johnson Controls, Inc. guaranteed that the savings achieved will be sufficient to cover the financing cost associated with the bond, upon completion of the energy upgrades to various buildings and systems throughout the University. In the event that the savings are not realized, Johnson Controls, Inc. will be responsible for the amount of that deficiency. As of June 30, 2015, \$11,677,622 including \$787,622 of unamortized bond premium remained outstanding on the 2011 energy efficiency bonds.

Series 2012 Bonds:

On March 1, 2012 the University issued revenue refunding bonds in the amount of \$32,145,000 (par value) through the Delaware Economic Development Authority. The bonds are due October 1, 2036 and are secured by a pledge of certain un-appropriated revenue of the University. The 2012 bonds were issued as "Additional Bonds" under the Indenture, secured equally and ratable with all other Bonds issued and outstanding under the Indenture and any Alternative Indebtedness as provided in the Indenture and in the Loan Agreement. The proceeds of the 2012 bonds were used to finance: (1) the refunding of certain maturities of The Delaware Economic Development Authority Revenue Refunding Bonds (Delaware State University Project) Series 1999; (2) the purchase of the University Village, a four building, 628 bed student housing facility and dining hall located on the campus of the University, the construction of which was financed by the Kent County, Delaware Variable Rate Demand Student Housing Revenue Bonds (Delaware State University Student Housing Foundation Project) Series 2004B; (3) the funding of any required reserve funds relating to the 2012 Bonds; and (4) the costs of issuance and any credit enhancement of the 2012 Bonds. As of June 30, 2015, \$29,240,068 including \$1,570,068 of unamortized bond premium remained outstanding on the 2012 revenue bonds.

Series 2014 Bonds:

On December 11, 2014 the University issued revenue refunding bonds in the amount of \$29,225,000 (par value) through the Delaware Economic Development Authority. The bonds are due October 1, 2039 and are secured by

DELAWARE STATE UNIVERSITY

Notes to Financial Statements

June 30, 2015

5. LONG-TERM OBLIGATIONS (continued)

un-appropriated gross revenue of the University. The 2014 bonds were issued as “Additional Bonds” under the Indenture, secured equally and ratable with all other Bonds issued and outstanding under the Indenture and any Alternative Indebtedness outstanding as provided in the Indenture and in the Loan Agreement. The proceeds of the 2014 bonds, together with other available funds, were used to finance: (1) purchase the University Courtyard, a 416 bed student housing facility located on campus from the Delaware State University Housing Foundation; (2) construction, equipping and furnishing of an optical science center for applied research; (3) acquisition and capital improvement of the former Sheraton Hotel and Convention Center, now known as the Living and Learning Commons, a 264 bed student housing facility and space used to Delaware State University Early College High School. As of June 30, 2015, \$32,891,264 including \$3,666,264 of unamortized bond premium remained outstanding on the 2014 revenue bonds.

Remaining Maturities

Remaining maturities and interest due relating to the University’s revenue bonds as of June 30, 2015, was as follows:

<u>Fiscal Years</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2016	\$ 2,750,000	\$ 5,357,858	\$ 8,107,858
2017	2,905,000	5,239,814	8,144,814
2018	3,070,000	5,100,739	8,170,739
2019	3,365,000	4,986,395	8,351,395
2020	3,565,000	4,848,845	8,413,845
2021 – 2025	20,350,000	21,734,838	42,084,838
2026 – 2030	25,240,000	16,750,405	41,990,405
2031 – 2035	29,650,000	10,275,213	39,925,213
2036 – 2040	22,920,000	3,995,650	26,915,650
2041 – 2045	4,680,000	608,000	5,288,000
Total	118,495,000	<u>\$ 78,897,758</u>	<u>\$ 197,392,758</u>
Plus unamortized bond premiums and discount	6,271,923		
Total	<u>\$ 124,766,923</u>		

6. PENSION PLAN

The State Employees’ Pension Plan (the Plan) is a cost sharing multiple-employer defined benefit plan established in the Delaware Code. Separately issued financial statement for the Delaware Public Employees Retirement Plan (DPERP) are available at pension office at McArde Building, Suite 1, 860 Silver Lake Blvd., Dover, DE 19904 or at <http://auditor.delaware.gov/reports.shtml>. The General Assembly is responsible for setting benefits and contributions and amending plan provisions.

Plan description and eligibility. The State Employees’ Pension Plans covers virtually all full time or regular part-time employees of the State, including employees of other affiliated entities. There are two tiers within this plan 1) Employees hired prior to January 1, 2012 (Pre-2012), 2) Employees hired on or after January 1, 2012 (Post- 2011).

DELAWARE STATE UNIVERSITY

Notes to Financial Statements

June 30, 2015

6. PENSION PLAN (continued)

Service Benefits. Final average monthly compensation (employees hired Post 2011 may not include overtime in its compensation) multiplied by years of credited service prior to January 1, 1997, plus final average monthly compensation multiplied by 1.85% and multiplied by years of credited services after December 31, 1996, subject to minimum limitations. For this plan final average monthly compensation is monthly average of the highest three periods of 12 consecutive months of compensation.

Vesting. Pre-2012 date of hire: 5 years of credited service. Post 2011 date of hire: 10 years of credited service.

Retirement: Pre-2012 date of hire: Age 62 with 5 years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service at any age. Post-2011- date of hire: age 65 with at least 10 years of credited service; age 60 with 20 years of credited service; and 30 years of credited service at any age.

Disability Benefits: Pre-2012 date of hire: same as Service Benefits. Employee must have 5 years of credited service. In lieu of disability pension benefits, over 90% of the members of this plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Post – 2011 date hire – in the Disability Insurance Program.

Survivor Benefits: If employee is receiving a pension, the eligible survivor receives 50% of pension (or 75% with 3% reduction of benefit); if employee is active with at least 5 years of credited service, eligible survivor receives 75% of the benefit the employee would have received at age 62.

Burial Benefit: \$7,000 per member.

Contributions:

Employer- Determined by Board of Pension Trustees. Employer contributions were 20.66% of earnings for fiscal year 2015. Employer contributions were \$9,814,715 for the year ended June 30, 2015.

Pre-2012 date of hire Member – 3% of earnings in excess of \$6,000.

Post-2011 date of hire Member- 5% of earnings in excess of \$6,000.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the University reported a liability of \$9,397,681, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2103, and update procedures were used to roll forward the total pension liability to June 30, 2014. The University's proportion of the net pension liability was based on a projection of the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2015, the University's proportion was 2.55 percent, which was substantially the same from its proportion measured as of June 30, 2014.

DELAWARE STATE UNIVERSITY

Notes to Financial Statements

June 30, 2015

6. PENSION PLAN (continued)

For the year ended June 30, 2015, the University recognized a pension expense of \$1,965,782. As of June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of actuarial assumptions actual earnings on pension plan	\$ 616,323 -	\$ - 14,934,607
Contributions made subsequent to the measurement date	4,543,491	-
	<u>\$ 5,159,814</u>	<u>\$ 14,934,607</u>

Deferred outflows of resources in the amount of \$4,543,491 related to the net pension liability resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows: Changes in assumptions: Fiscal years 2016-2019, \$3,733,650 per year; Difference between projected and actual earnings on pension plan investments: Fiscal years 2016-2020, \$102,721 per year.

Information included in the DPERS financial statements

Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available in the financial statements of DPERS as noted above.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate.

The University's proportionate share of the net pension liability of \$9,397,681 was calculated using the discount rate of 7.2 percent. Additionally, the University's proportionate share of the net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (6.2 percent) is \$44,586,533 or 1-percentage-point higher (8.2 percent) is (\$3,018,498).

7. OTHER POST-RETIREMENT BENEFITS

The Delaware OPEB Trust Fund provides retirement medical coverage to pensioners and their eligible dependents in the State Employees' pension plan. The State of Delaware assumes the OPEB liability on behalf of employees who participate in the State's pension plan but are employed at outside agencies including Delaware State University. State employees become eligible for post-retirement benefits if they reach retirement age while working for the State. The costs of providing these benefits are shared between the State and the retired employee. The plan provisions are as follows:

Eligibility:

Employees:

- Early retirement - age 55 with 15 years of service or any age with 25 years of service
- Normal retirement – age 62 with 5 years of service or age 60 with 15 years of service or any age with 30 years of service

DELAWARE STATE UNIVERSITY

Notes to Financial Statements

June 30, 2015

7. OTHER POST-RETIREMENT BENEFITS (continued)

Benefits:

The Plan provides health insurance options through several providers

Spouse and Survivor Coverage:

Both are available under any of the plan options with similar retiree contributions

Employee Contributions:

If hired prior to July 1, 1991, no contributions are required. If hired on or after July 1, 1991 (except disability pension), contributions depend on the years of service.

Information related to this plan is available in the State of Delaware's Comprehensive Annual Financial Report.

8. RISK MANAGEMENT

The University participates in the statewide self-insurance programs for workers' compensation, employee health care and accident, automobile accident, and property and casualty claims. It is the policy of the State not to purchase commercial insurance to cover these risks. Instead, State management believes it is more economical to manage its risk internally and thus, covers all claim settlements and judgments out of its general fund. The University continues to carry commercial insurance for all other risk of loss, including general liability, educators' legal liability, professional legal liability, supplemental workers' compensation, aviation and hired non-owned vehicle, cyber security breach, and the remainder of the property and casualty liability. There have been no significant reductions in insurance coverage from prior years. In the past three years of insured coverage, settled claims have not exceeded commercial coverage. The University remits premiums to the State to cover the cost of servicing and claims payments. The premiums are based on a percentage of annual payroll.

More information can be obtained from the State of Delaware's Comprehensive Annual Financial Report. A report can be obtained from the Department of Finance, Division of Accounting @ <http://accounting.delaware.gov/cafrdefault.shtml>.

9. ENDOWMENT SPENDING POLICY

The Advancement Foundation's Board chooses to spend only a portion of the investment returns each year. Under the policy established by the Board, five percent of the three-year average fair value of endowment investments at March 31 was authorized for expenditure. The remaining amount, if any, is retained for use in future years when the amount computed using the spending rate policy exceeds the investment return. The authorized level of expenses for the year ended June 30, 2015 was \$520,302.

10. RELATED PARTY TRANSACTIONS

Affiliate Transactions

In an arrangement with the University's component units, the Advancement Foundation, the University provides day-to-day management and accounting services, which also include additional services such as: security, operational support, utilities, telecommunications and shared dining facilities. The exchange of such services results in affiliate transactions which consist of a \$34,634 due to/from affiliate as of June 30, 2015.

DELAWARE STATE UNIVERSITY

Notes to Financial Statements

June 30, 2015

11. CONTINGENCIES AND COMMITMENTS

In the normal course of its activities, the University is a party in various legal and administrative actions. After taking into consideration legal counsel's evaluation of pending actions and information relative to potential future claims based on past events, other than the item below, the University's management is of the opinion that the outcome thereof will not have a material effect on the accompanying financial statements.

Most grants and cost-reimbursable contracts specify the types of expenses for which the grant or contract funds may be used. The expenses made by the University, under these grants and contracts are subject to audit. In the opinion of management, adjustments for unallowable costs, if any, resulting from such audits would not have a material effect on the accompanying financial statements.

As of June 30, 2015, the University was committed to construction contracts totaling approximately \$19,219,796. Outstanding commitments on these contracts totaled \$2,806,212 as of June 30, 2015.

12. RESTATEMENT OF BEGINNING NET POSITION

As indicated in the "Adoption of New Accounting Standards," the University implemented GASB 68 and as a result restated the beginning net position for July 1, 2014 to recognize the effect of adoption.

Net position, beginning of year as previously reported, July 1, 2014	\$ 147,643,901
Implementation of GASB No. 68	<u>(22,436,154)</u>
Net position, beginning of year, restated, July 1, 2014	<u>\$ 125,207,747</u>

13. SUBSEQUENT EVENTS

The University and its component units evaluated their June 30, 2015 financial statements for subsequent events through October 8, 2015, the date the financial statements were available to be issued. Based upon such evaluation, other than the matter referred to below, management determined that there were no subsequent events that met the criteria for accrual or disclosure to the accompanying financial statements.

DELAWARE STATE UNIVERSITY

Supplementary Information

June 30, 2015

Schedule of Proportionate Share of Net Pension Liability

	<u>2015</u>
The University's proportion of the total net pension liability	2.55%
The University's proportionate share of the total net pension liability	\$ 9,397,681
State's proportionate share of the total pension liability associated with	<u>358,816,820</u>
Total	<u>\$ 368,214,501</u>
The University's covered-employee payroll	\$ 48,633,104
The University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	19.32%
Plan fiduciary net position as a percentage of the total pension liability	95.80%

This schedule is presented to illustrate the requirement to show information for 10 years.