

STATE OF DELAWARE DEFERRED
COMPENSATION PLAN
Dover, Delaware

FINANCIAL STATEMENTS
December 31, 2011 and 2010

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
REQUIRED SUPPLEMENTAL INFORMATION	
Management's Discussion and Analysis.....	2
FINANCIAL STATEMENTS	5
Statements of Net Assets Available for Plan Benefits.....	6
Statements of Changes in Net Assets Available for Plan Benefits	7
Notes to Financial Statements	8
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30



Independent Auditor's Report

Deferred Compensation Council
State of Delaware Deferred Compensation Plan
Dover, Delaware

We have audited the accompanying statements of net assets available for plan benefits of the State of Delaware Deferred Compensation Plan (the Plan) as of December 31, 2011 and 2010, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits as of December 31, 2011 and 2010, and the changes in its net assets available for plan benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 29, 2012, on our consideration of the Plan's internal control over financial reporting and on our test 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 on 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages three through five 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. However, we did not audit the information and express no opinion on it.

CliftonLarsonAllen LLP

Baltimore, Maryland
June 29, 2012

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011 and 2010**

This discussion and analysis of the State of Delaware Deferred Compensation Plan (the Plan) financial performance provides an overview of the Plan's financial activities for the years ended December 31, 2011, 2010 and 2009. It is presented as required supplemental information to the financial statements. Please read it in conjunction with the Plan's financial statements which follow this section.

Financial Highlights

- Net assets available for plan benefits increased by approximately \$1.2 million from \$370.0 at December 31, 2010 to \$371.3 at December 31, 2011. Net assets available for plan benefits increased by approximately \$47.6 million from \$322.4 million at December 31, 2009 to \$370.0 million at December 31, 2010. These changes are primarily due to contributions made to the Plan as well as earnings (losses) on investments.
- Employee contributions were \$35.8, \$33.0 and \$36.1 million for the years ending December 31, 2011, 2010 and 2009, respectively. These fluctuations in employee contributions were primarily due to changes in the number of active plan participants from year to year and the average contribution per participant. There were 13,000, 12,008 and 11,656 active plan participants as of December 31, 2011, 2010 and 2009, respectively.
- Variable earnings investment income (loss) was \$(7.8), \$40.6 and \$61.7 million for the years ending December 31, 2011, 2010 and 2009, respectively. Changes in investment income from year to year are primarily due to fluctuations in financial markets and the average investment balance from year to year. The Plan's overall average rate of return on variable earnings investments was (2.1) %, 12.0% and 22.3% for the years ended December 31, 2011, 2010 and 2009, respectively.
- Interest income earned on fixed earnings investments was \$118,032, \$112,126 and \$151,097 for the years ended December 31, 2011, 2010 and 2009, respectively. Changes in interest income directly relate to changes in the balance of the Stable Value Option and the funds interest rate.
- Benefits paid to participants were \$27.6, \$26.9 and \$24.5 million for the years ending December 31, 2011, 2010 and 2009, respectively. Increases in benefits paid to participants are primarily due to changes in the number of retirees and the average distribution per retiree. There were 1,277, 1,274 and 1,189 individuals who received a payment from the Plan for the years ended December 31, 2011, 2010 and 2009, respectively.

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011 and 2010**

Overview of the Financial Statements

This financial report consists of the Statements of Net Assets Available for Plan Benefits and the Statements of Changes in Net Assets Available for Plan Benefits. These statements provide information about the financial position and activities of the Plan as a whole. The Notes to Financial Statements provide additional information that is essential to a full understanding of the financial statements. The notes are an integral part of the financial statements and include detailed information not readily evident in the basic financial statements.

The analysis below focuses on Net Assets Available for Plan Benefits (Table 1) and Changes in Net Assets Available for Plan Benefits (Table 2).

**Table 1
Net Assets Available for Plan Benefits**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Investments	\$ 371,259,568	\$ 370,038,598	\$ 322,378,920
Net assets available for plan benefits	<u>\$ 371,259,568</u>	<u>\$ 370,038,598</u>	<u>\$ 322,378,920</u>

**Table 2
Changes in Net Assets Available for Plan Benefits**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Additions:			
Employee contributions	\$ 35,781,135	\$ 33,032,431	\$ 36,091,378
Net transfers in	802,145	895,773	1,365,060
Interest income	118,032	112,126	151,097
Variable earnings investment income (loss)	<u>(7,848,935)</u>	<u>40,588,819</u>	<u>61,674,313</u>
Total additions	<u>28,852,377</u>	<u>74,629,149</u>	<u>99,281,848</u>
Deductions:			
Benefits paid to participants	27,577,302	26,915,564	24,481,862
Brokerage fees	<u>54,105</u>	<u>53,907</u>	<u>6,620</u>
Total deductions	<u>27,631,407</u>	<u>26,969,471</u>	<u>24,488,482</u>
Net increase (decrease) in net assets available for plan benefits	<u>\$ 1,220,970</u>	<u>\$ 47,659,678</u>	<u>\$ 74,793,366</u>

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011 and 2010**

Financial Contact

The Plan's financial statements are designed to present users with a general overview of the Plan's finances and to demonstrate the trustee's accountability. If you have questions about the report or need additional financial information, contact the Director of Defined Contribution Plans of the State of Delaware Deferred Compensation Plan at 820 Silver Lake Boulevard, Dover, Delaware 19904-2464.

FINANCIAL STATEMENTS

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
INVESTMENTS		
Fixed earnings investments	\$ 9,641,063	\$ 8,515,205
Variable earnings investments	<u>361,618,505</u>	<u>361,523,393</u>
 NET ASSETS AVAILABLE FOR PLAN BENEFITS	 <u>\$ 371,259,568</u>	 <u>\$ 370,038,598</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
ADDITIONS TO NET ASSETS ATTRIBUTED TO:		
Employee contributions	\$ 35,781,135	\$ 33,032,431
Net transfers to/from other plans	802,145	895,773
Investment income:		
Variable earnings investment income (loss)	(7,848,935)	40,588,819
Interest income on fixed investments	<u>118,032</u>	<u>112,126</u>
 Total additions	 <u>28,852,377</u>	 <u>74,629,149</u>
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:		
Benefits paid to participants	27,577,302	26,915,564
Brokerage fees	<u>54,105</u>	<u>53,907</u>
 Total deductions	 <u>27,631,407</u>	 <u>26,969,471</u>
 NET INCREASE	 1,220,970	 47,659,678
 NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	 <u>370,038,598</u>	 <u>322,378,920</u>
 NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	 <u>\$ 371,259,568</u>	 <u>\$ 370,038,598</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The State of Delaware (the State) Deferred Compensation Plan (the Plan), a defined contribution plan, was established on July 1, 1971. The Plan is administered by the Deferred Compensation Council, which is responsible for establishing Plan benefits, contributions and other provisions and for approving all Plan amendments. The purpose of the Plan is to provide a vehicle through which all employees of the State of Delaware may, on a voluntary basis, provide for additional retirement income security by deferring a portion of their current earnings.

Contributions

Under Plan provisions, employees of the State, the Delaware Transit Corporation and the Delaware Solid Waste Authority are eligible to contribute into the Plan through payroll deductions. There were 35,390 and 35,067 employees eligible to participate in the Plan as of December 31, 2011 and 2010, respectively. As of December 31, 2011 and 2010, there were 13,000 and 12,008 employees participating in the Plan, respectively. In accordance with Section 457 of the Internal Revenue Code (IRC), the Plan limits the amount of an individual's annual contribution to 100% of annual gross includable compensation, not to exceed \$16,500 for the calendar years ended 2011 and 2010. Special "catch-up" rules for participants age 50 and older may permit an additional annual deferral of up to \$5,500 for calendar years 2011 and 2010 in certain circumstances.

The Plan also allows special limitation (or Section 457 Catch Up) for certain participants. The allowability of these contributions is as follows:

For one or more of the Participant's last three taxable years ending before the Participant attains Normal Retirement Age, notwithstanding the limits set above, the maximum amount that may be contributed shall be the lesser of:

- (A) Twice the dollar (\$16,500 for calendar years 2011 and 2010) amount in effect under the Basic Limitation as set forth in; or
- (B) The underutilized limitation. For such purposes, the underutilized amount is the sum of:
 - (1) An amount equal to (i) the Basic Limitation identified above (\$16,500 for calendar years 2011 and 2010) of the taxable year plus each calendar year beginning after December 31, 2001 during which the Participant was an Employee under the Plan reduced by (ii) the Participant's annual deferrals under the Plan during such years.
 - (2) An amount equal to such limitation as established under Section 457(b)(2) of the Code for each taxable year beginning after December 31, 1978 and before January 1, 2002 in which the Participant was eligible to participate less the amount of the Participant's annual deferrals to Pre-2002 Coordination Plans for such prior taxable year or years (disregarding any age 50 catch up deferrals). In determining the underutilized limitation for taxable years prior to 2002, the special rules set forth in Treas. Reg § 1.457-4(c)(3)(iv) shall be applied.

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. The State does not make any contributions to the Plan. The State does offer a separate 401(a) “match” plan.

Under provisions of the Small Business Job Protection Act of 1996 (SBJPA), which became effective for Plan years beginning after December 31, 1996, assets of IRC Section 457 plan must be held in a trust, custodial account, or annuity contract, for the exclusive benefit of employees and beneficiaries and will no longer be solely the property of the employer and subject only to claims of the employer’s general creditors. At December 31, 2011 and 2010, the Plan met the requirements of the SBJPA.

Participant Accounts

Employees electing to participate in the Plan may contribute to any of the following options:

- A stable value investment option administered by Fidelity Management Trust Company
- Variable earnings investments consisting of various publicly-traded mutual funds and a self-directed brokerage fund

Participants are fully vested in their accounts at all times.

Earnings are credited to individual participants’ accounts based upon the investment performance of each specific option selected.

Payment of Benefits

Employees may withdraw the value of the funds contributed to the Plan upon termination of employment with the employer, retirement, death, or financial hardship. Employees, or their beneficiaries, may select various payout options which include lump sum or periodic payments.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect amounts reported in financial statements and accompanying notes. Actual results may differ from those estimates.

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Valuation

Investments in the fixed earnings and stable value options are valued based on the fixed earnings rates as reported by the investment carriers or manager and approved by Plan management. The investment valuation includes contributions received plus investment income earned to date less applicable charges and amounts withdrawn. Variable earnings investments in publicly-traded mutual funds are presented at fair value based on published quotations. The stable value fund is reported at contract value, which approximates fair value. All purchases and sales of investments are recorded on a trade-date basis.

Contributions

Contributions are recognized when amounts are withheld from employees.

Variable Earnings Investment Income

Variable earnings investment income consists of dividends earned and realized and unrealized gains and losses attributed to the mutual funds supporting the variable earnings investments. Dividends are recorded on the ex-dividend date.

Interest Income

Interest income for the fixed investments is recorded as earned on the accrual basis.

The interest rate for the stable value investment option ranged from 1.33% to 1.35% for the year ended December 31, 2011, and 1.16% to 1.53% for the year ended December 31, 2010. At December 31, 2011 and 2010, the actual crediting rate was 1.34% and 1.00%, respectively.

Distributions

Distributions are recorded at the time withdrawals are made from participant accounts.

Related Party Transactions

Certain members of the Deferred Compensation Council are participating or retired members of the Plan.

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 – INVESTMENTS AND DEPOSITS

Delaware code Title 29 Section 6057 outlines the types of allowable investments of the Plan. These investments include the following:

- 1) Savings accounts in Federally insured banking institutions
- 2) United States government bonds or debt instruments
- 3) Life insurance and annuity contracts, provided the company offering such contracts are subject to regulation by the Insurance Commission of the State
- 4) Investment Funds registered under the Investment Company Act of 1940
- 5) Securities which are traded on the New York Exchange National Association of Securities Dealers Automated Quotations (NASDAQ) and American Stock Exchange

The Deferred Compensation Council has overall responsibility for ensuring the assets of the Plan are in compliance with all applicable laws governing the operation of the Plan and establishing the related investment guidelines and policies.

The Council has authorized the Plan to invest in the following investment types:

- Low risk mutual funds which include money market securities and/or stable value investments with a short-term (1-4 years) average duration.
- Balanced mutual funds which include domestic and international stocks, bonds and cash.
- Equity mutual funds that differ in investment style (growth vs. value) and capitalization bias (large cap, mid cap and small cap).
- Intermediate bond mutual funds which include mutual funds that own investment grade debt securities with an intermediate term (3-10 years) average duration.
- International mutual funds which include mutual funds that invest in securities of countries outside the U.S. and diversify their investments across a broad range of markets and securities.

The fair or contract value of investments held in the name of the Plan at December 31, 2011 and 2010 were as follows:

Investments marked with an asterisk (*) represent individual investment options, which exceed 5% of the net assets available for plan benefits. Investments marked with two asterisks (**) represent international mutual funds.

	<u>2011</u>		<u>2010</u>
Fixed Earnings Investments:			
Stable value option	\$ 9,641,063	\$	8,515,205
Variable Earnings Investments:			
Aberdeen Gbl Fx Inc Is	\$ 10,847	\$	25,621
Aberdeen Intl Eq Inst Sv	21,708 **		10,297 **
Aberdeen Us Equity I A	56,830		-
Aberdeen Us Equity I Is	72,521		-

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

	<u>2011</u>		<u>2010</u>
Variable Earnings Investments (Continued):			
Aberdeen Us Equity li A	\$ 21,115	\$	-
Abf Balanced Inv	116,079		96,120
Abf Intl Equity Inv	48,788 **		51,299 **
Abf Lg Cap Val Inst	761,924		775,954
Abf Sh Term Bond Inv	37,256		32,854
Abf Sm Cap Val Inv	66,164		67,135
Af New Perspect R5	314,607		289,897
Alger Cap Apprec I	897,333		900,044
Alger Midcap Grth I	547,919		557,015
Alger Sm Cap Gr Is I	115,158		114,919
Allianz Nfj Smcpval Ad	821,382		646,326
American Century Lg Co Val Inv	63,576		57,512
American Centuryt Sm Comp Inv	35,404		33,583
American Centuryt Ultra Inv	17,073		17,206
Ariel Appreciation	389,893		522,144
Ariel Fund	205,377		234,736
Artisan Intl	160,168 **		187,034 **
Artisan Mid Cap Inv	352,982		276,057
Baron Asset Fund	128,370		151,482
Baron Growth	1,192,320		1,162,213
Brokeragelink	5,739,417		6,633,990
Calvert Balanced A	39,641		35,950
Calvert Cap Acc A	26,455		32,074
Calvert Equity A	45,948		43,235
Calvert Intl Eq A	2,806 **		2,900 **
Calvert Small Cap A	5,551		2,967
Calvert Lg Cap Bld li Com	-		13,647
Calvert Lg Cap Blend A	-		58,341
Calvert Lg Cp Blend Com	-		66,173
Domini Social Eq Inv	1,236,917		1,242,178
Dreyfus Core Value Inst	-		141,604
Dreyfus Equity Growth A	-		68,051
Dreyfus Equity Growth F	-		37,469
Dreyfus Lt Gr & Inc Inv	25,404		23,994
Dreyfus Mid-Cap Grth F	37,189		46,508
Dreyfus Research Grth A	75,069		-
Dreyfus Research Grth Z	49,957		-
Dreyfus Strategic Val I	141,037		-
Dreyfus/Bc S/Md Cp Gr A	92,492		80,557

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

	2011	2010
Variable Earnings Investments (Continued):		
DWS Core Equity S	\$ 49,765	\$ 47,806
DWS Equity Div A	99,482	126,767
Fidelity 130/30 Lg Cap	1,774	1,327
Fidelity Asset Mgr 20%	1,073,589	1,052,970
Fidelity Asset Mgr 30%	93,919	52,109
Fidelity Asset Mgr 40%	4,625	2,671
Fidelity Asset Mgr 50%	735,544	911,797
Fidelity Asset Mgr 60%	85,150	92,057
Fidelity Asset Mgr 70%	865,287	955,668
Fidelity Asset Mgr 85%	659,729	686,470
Fidelity Balanced	3,386,982	3,307,840
Fidelity Blue Chip Gr	1,987,417	1,876,898
Fidelity Blue Chip Value	309,758	309,473
Fidelity Canada	1,343,690 **	1,694,255 **
Fidelity Capital & Income	1,593,332	1,330,541
Fidelity Capital Apprec	4,420,485	4,904,831
Fidelity Cash Resrve	2,990,265	3,042,597
Fidelity China Region	831,897 **	987,416 **
Fidelity Consv Inc Bd	5,120	-
Fidelity Contrafund	6,930,719	7,110,014
Fidelity Convertible Sec	341,271	441,356
Fidelity Corporate Bond	15,750	749
Fidelity Disciplnd Eqty	154,456	161,444
Fidelity Diversifd Intl	4,365,289 **	5,296,889 **
Fidelity Dividend Gr	4,123,996	4,534,921
Fidelity Emea	72,604 **	96,297 **
Fidelity Emerging Asia	323,917 **	406,017 **
Fidelity Emerging Mkts	703,518 **	860,207 **
Fidelity Equity Inc	816,236	836,584
Fidelity Europe	70,386 **	90,380 **
Fidelity Europe Cap App	170,641 **	207,262 **
Fidelity Export & Multi	795,130	800,782
Fidelity Fidelity Fund	2,855,194	3,010,047
Fidelity Fifty	508,688	510,690
Fidelity Float Rt Hi Inc	95,839	157,557
Fidelity Focused High Inc	90,209	14,906

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

	<u>2011</u>		<u>2010</u>
Variable Earnings Investments (Continued):			
Fidelity Focused Stock	\$ 140,394	\$	95,762
Fidelity Four In One Idx	948,184		1,681,352
Fidelity Freedom 2000	1,691,138		1,788,393
Fidelity Freedom 2005	1,132,883		1,348,596
Fidelity Freedom 2035	7,121,862		6,387,330
Fidelity Freedom 2040	7,049,705		6,539,968
Fidelity Freedom 2045	2,702,409		2,233,629
Fidelity Freedom 2050	1,427,271		1,069,303
Fidelity Freedom Income	2,363,284		2,149,994
Fidelity Glb Comdty Stk	99,836	**	139,675
Fidelity Glb High Income	12,856		-
Fidelity Global Balanced	674,999	**	591,095
Fidelity Global Strat	6,235		141,210
Fidelity Gnma	1,002,648		967,878
Fidelity Growth & Inc	591,025		584,470
Fidelity Growth Company	2,231,810		2,194,313
Fidelity Growth Disc	531,470		564,783
Fidelity Growth Strat	6,471,151		7,310,515
Fidelity High Income	453,953		436,577
Fidelity Independence	591,938		707,571
Fidelity Inflat Prot Bond	775,110		601,826
Fidelity Inst Sh Int Govt	416,982		235,065
Fidelity Intermed Bond	1,026,754		903,490
Fidelity Intl Cap Apprec	115,893	**	178,718
Fidelity Intl Discovery	1,015,408	**	1,168,712
Fidelity Intl Enh Index	842	**	-
Fidelity Intl Growth	49,198	**	15,776
Fidelity Intl Real Estate	165,459	**	252,585
Fidelity Intl Sm Cap Opp	136,734	**	122,596
Fidelity Intl Small Cap	451,345	**	576,303
Fidelity Intl Value	28,975	**	26,502
Fidelity Intm Govt Income	403,659		359,335
Fidelity Invescot Gr Bd	663,298		550,430
Fidelity Japan	62,581	**	37,436

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

	<u>2011</u>		<u>2010</u>
Variable Earnings Investments (Continued):			
Fidelity Japan Small Co	\$ 133,885 **	\$	114,728 **
Fidelity Large Cap Growth	131,343		121,268
Fidelity Large Cap Stock	445,569		434,517
Fidelity Latin America	1,055,814 **		1,700,076 **
Fidelity Lc Core Enh Indx	2,113		1,054
Fidelity Lc Gro Enh Indx	5,746		1,795
Fidelity Lc Val Enh Indx	15,701		7,881
Fidelity Levergd Co Stk	1,223,303		1,523,734
Fidelity Low Priced Stk	4,708,097		4,668,611
Fidelity Magellan	115,487		112,863
Fidelity Mega Cap Stock	259,326		268,164
Fidelity Mid Cap Enh Indx	4,144		20,698
Fidelity Mid Cap Growth	156,757		154,198
Fidelity Mid Cap Stock	1,581,684		1,693,386
Fidelity Mid Cap Value	355,523		361,688
Fidelity Mortgage Sec	60,952		78,776
Fidelity Nasdaq Comp Indx	119,775		116,660
Fidelity New Markets Inc	1,296,108		1,355,566
Fidelity New Millen	26,921		19,412
Fidelity Nordic	165,989 **		300,828 **
Fidelity Otc Portfolio	678,012		492,156
Fidelity Overseas	151,039 **		164,084 **
Fidelity Pacific Basin	203,288 **		331,227 **
Fidelity Puritan	5,520,783		5,547,297
Fidelity Real Estate Inc	171,160		113,684
Fidelity Real Estate Invesco	808,881		798,270
Fidelity Ret Govt Mm	1,173,045		914,525
Fidelity Sel Air Transprt	35,409		80,430
Fidelity Sel Automotive	26,410		250,304
Fidelity Sel Banking	148,119		141,365
Fidelity Sel Biotech	1,117,686		915,297
Fidelity Sel Brokerage	79,367		108,621
Fidelity Sel Chemicals	643,271		372,479
Fidelity Sel Comm Equip	207,097		272,932
Fidelity Sel Computers	307,861		315,247
Fidelity Sel Cons Discr	17,291		65,062
Fidelity Sel Cons Staples	737,393		568,728
Fidelity Sel Constr/House	57,106		59,186

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

	2011	2010
Variable Earnings Investments (Continued):		
Fidelity Sel Consumer Fin	\$ 31,892	\$ 57,392
Fidelity Sel Defense	843,868	799,654
Fidelity Sel ElectroniCalvert	651,418	652,668
Fidelity Sel Energy	1,441,090	1,273,857
Fidelity Sel Energy SvCalvert	659,502	771,418
Fidelity Sel Env Alt Engy	45,532	72,732
Fidelity Sel Financial	114,432	184,084
Fidelity Sel Gold	1,845,384	2,234,403
Fidelity Sel Healthcare	906,638	761,852
Fidelity Sel Indust Equip	34,576	17,343
Fidelity Sel Industrials	120,345	115,183
Fidelity Sel Insurance	87,125	78,001
Fidelity Sel It Services	117,176	39,217
Fidelity Sel Leisure	195,850	215,841
Fidelity Sel Materials	346,038	269,367
Fidelity Sel Med Eq & Sys	620,832	529,019
Fidelity Sel Medical Del	446,321	356,470
Fidelity Sel Money Market	5,944,908	5,360,201
Fidelity Sel Multimedia	29,801	54,417
Fidelity Sel Natural Gas	633,731	698,845
Fidelity Sel Natural Res	701,188	670,448
Fidelity Sel Pharmaceutcl	269,640	170,094
Fidelity Sel Retailing	194,759	130,757
Fidelity Sel Software	538,601	455,320
Fidelity Sel Technology	1,640,282	1,825,060
Fidelity Sel Telecomm	133,207	154,371
Fidelity Sel Transport	205,804	335,231
Fidelity Sel Utilities	379,913	156,782
Fidelity Sel Wireless	559,669	557,778
Fidelity Short Term Bond	537,436	510,854
Fidelity Sm Cap Discovery	597,495	442,095
Fidelity Sm Cap Enh Indx	31,123	17,409
Fidelity Small Cap Growth	192,061	185,879
Fidelity Small Cap Stock	1,008,312	1,194,381
Fidelity Small Cap Value	195,944	338,523
Fidelity Stk Sel All Cap	48,180	50,859
Fidelity Stk Sel Sm Cap	178,884	161,227
Fidelity Stksel Lgcap Val	281,406	241,275

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

	<u>2011</u>	<u>2010</u>
Variable Earnings Investments (Continued):		
Fidelity Strat Div & Inc	\$ 119,135	\$ 62,779
Fidelity Strat Real Ret	152,186	41,535
Fidelity Strategic Income	1,422,791	1,179,124
Fidelity Telecom & Util	172,883	135,479
Fidelity Total Bond	558,111	394,334
Fidelity Total Intl Eq	11,573 **	20,216 **
Fidelity Trend	237,975	245,570
Fidelity Ultrashort Bond	71,163	121,302
Fidelity Us Govt Res	1,776,952	1,742,213
Fidelity Us Trea Mm	615,841	83,222
Fidelity Value	1,695,488	1,771,033
Fidelity Value Discov	282,161	455,999
Fidelity Value Strat	79,363	101,055
Fidelity Worldwide	162,449 **	157,726 **
Fidelity Govt Income	1,628,410	1,554,005
Fkln Smmidcap Grth A	222,316	217,588
Fpa Crescent	779,781	664,412
Harbor Cap Appr Inst	171,216	111,980
Invesco Basic Bal Inv	-	319,634
Invesco Basic Value A	-	93,910
Invesco Constellation A	46,330	70,001
Invesco Divrs Divd Inv	16,271	51,610
Invesco DynamiCalvert Inv	69,179	83,230
Invesco Glb Smmidcp Gr A	37,700 **	44,982 **
Invesco Lg Cap Grth A	-	2,730
Invesco Mdcop Core Eq A	44,117	60,664
Invesco Smcp Grth Inv	75,902	83,495
Ivk Amer Franchise A	3,091	-
Ivk Equity Income A	326,787	-
Ivk Grth & Inc A	300,729	287,394
Ivk Value Opps A	102,166	-
Janus Balanced S	97,759	98,586
Janus Flexible Bd S	76,989	57,817
Janus Flexible Bd T	531,153	492,369
Janus Forty S	405,062	555,850
Janus Overseas S	355,422 **	824,716 **

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

	<u>2011</u>		<u>2010</u>
Variable Earnings Investments (Continued):			
Janus S	\$ 25,426		\$ 42,404
Janus Worldwide S	44,076 **		56,126 **
Janus Worldwide T	2,604,831 **		3,098,753 **
Jh Small Company A	68,324		66,446
Lord Abbett Midcpval A	424,354		420,342
Lm Cm Value I	2,616,292		2,885,418
Loomis Sm Cap Val R	13,941		15,326
Managers Bond Fund	653,791		652,470
Managers Special Eq	79,689		23,124
Mckee Intl Eq	20,549 **		22,977 **
Mgrs/C Cap Appr Adm	84,095		82,705
Mgrs/C Mid Cap Adm	12,589		44,300
MSIF Active Intl P	26,394 **		31,005 **
MSIF Balanced P	14,280		14,253
MSIF Cp Fx Inc P	48,905		39,877
MSIF Emerging Mkts P	161,176 **		185,726 **
MSIF Glb Franchise P	119,653 **		13,917 **
MSIF Growth I	138,154		129,894
MSIF Intl Equity P	28,320 **		27,156 **
MSIF Mid Cap Grth P	173,333		165,733
MSIF Sm Co Grth P	70,943		81,479
Mutual Gbl Discvry A	580,339 **		570,128 **
Mutual Shares A	435,260		437,408
Neuberger Berman Core Bond Inv	39,006		31,296
Neuberger Berman Focus Trust	23,850		23,802
Neuberger Berman Genesis - Tr Cl	949,251		903,390
Neuberger Berman Guardian Trust	12,143		124,919
Neuberger Berman Mdcpl Grth Trust	6,647		6,430
Neuberger Berman Partners Trust	123,937		128,425
Neuberger Berman Socially Resp Tr	66,625		87,792
Oakmark Eq & Inc I	2,386,284		2,201,880
Oakmark Fund I	348,686		332,376
Oakmark Select I	513,356		413,791
Old Mutual Focused Z	129,921		112,110
Oldmut Tsw Mdcpl Z	43,724		39,648
Om Cr Intl Sm Cap Z	12,176		11,571
Perkins Mid Cp Val T	957,573		1,036,378

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

	2011	2010
Variable Earnings Investments (Continued):		
Pimco Glbbnd Ad Unhdgd	\$ 443,169	\$ 339,528
Pimco High Yield Adm	652,957	629,752
Pimco Low Dur Adm	453,891	416,220
Pimco Lt Us Govt Adm	1,087,918	696,577
Rhj Micro Cap	90,311	88,405
Royce Low Pr Stk Is	602,838	610,890
Spartan 500 Index Inv	1,681,292	1,490,492
Spartan Em Mkts Idx Adv	792 **	-
Spartan Ext Mkt Idx Inv	623,005	612,476
Spartan Int Tr Idx Inv	466,186	425,648
Spartan Intl Index Inv	748,478 **	810,463 **
Spartan Lt Tr Idx Inv	362,590	180,497
Spartan St Tr Idx Inv	488,628	361,198
Spartan Tot Mkt Idx Inv	1,008,738	974,448
Spartan Us Bond Idx Inv	1,102,651	1,101,389
TCW Select Equity N	69,043	51,402
TCW Sm Cap Grth N	12,568	39,542
Templeton Dev Mkts A	370,008 **	431,493 **
Templeton Foreign A	414,412 **	441,818 **
Templeton Growth A	218,394 **	289,323 **
Templeton World A	361,096 **	328,005 **
Tmpl Frgn Sm Co A	59,008 **	63,341 **
Tmpl Global Bond A	1,632,698	1,741,717
USAA Cornerstone	91,182	97,002
USAA Emerging Mkts	106,607 **	117,567 **
USAA Gnma Trust	111,164	218,945
USAA Growth Fund	156,932	152,925
USAA Income Fund	689,556	601,812
USAA Income Stock	71,255	58,121
USAA International	85,316 **	120,382 **
Vanagurd Morgan Grth Adm	777,091	943,649
Vanagurd Windsor Adm	3,584,309	3,796,747
Wa Core Bond Fi	205,650	118,986
Wfa Common Stock Inv	55,919	96,145
Wfa Discovery Inv	31,469	38,161
Wfa Govt Securty Inv	150,371	92,302

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

	2011	2010
Variable Earnings Investments (Continued):		
Wfa Growth Inv	\$ 672,577	\$ 317,452
Wfa Lg Cap Grth Inv	31,924	24,345
Wfa Opportunity Inv	96,202	110,332
Wfa Shrtterm Bnd Inv	914	16,151
Wfa Sm Cap Val Inv	480,319	606,771
Wfa Ultra St Inc Inv	26,300	32,700
Fidelity Eq Div Income	13,686,004	15,612,022
Fidelity Freedom 2010	18,617,543	18,879,273
Fidelity Freedom 2015	17,406,054	15,345,974
Fidelity Freedom 2020	34,911,544 *	32,659,536 *
Fidelity Freedom 2025	14,641,547	13,180,337
Fidelity Freedom 2030	18,422,645	17,408,096
Fidelity Retire Mmkt	23,372,441 *	25,412,475 *
Pimco Total Rt Inst	10,876,937	10,803,138
Vanguard Inst Index	16,342,281	16,463,115
Total variable earnings investments	361,618,505	361,523,393
Total Investments	\$ 371,259,568	\$ 370,038,598

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan 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 Plan and are held by either the counterparty or the counterparty's trust department or agent, but not in the Plan's name. Investments in Fidelity fixed earnings investments are held in the Plan's name by Fidelity, agent of the Plan; the remaining investments are held in a trust account for the benefit of the Plan. As a result, the investments of the Plan are not exposed to custodial credit risk.

Interest rate risk is the risk that changes in interest rates that will adversely affect the value of an investment.

The option adjusted duration of the stable value option was 2.54 and 2.86 years as of December 31, 2011 and 2010, respectively.

Fidelity provided the following information related to the duration of the Plan's mutual fund investments which include investments in bonds as of December 31, 2011 and 2010:

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

	2011							
	maturity							
	1-3 Yr	3-5 Yr	5-7 Yr	7-10 Yr	10-15 Yr	15-20 Yr	20-30 Yr	30+ Yr
%	%	%	%	%	%	%	%	
Variable Earnings Investments:								
Calvert Capital Accumulation A	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Calvert International Equity A	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity EMEA	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Global Cmdty Stk	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Money: Retirement Govt MMkt	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Retirement Money Market	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Select Money Market	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Stock Selector All Cap	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity US Government Reserves	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Value Strategies	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Ultra-Short Bond	79.33	4.56	2.19	5.43	0.43	3.49	2.86	1.72
Fidelity Short-Term Bond	76.81	12.77	0.78	1.70	0.96	0.84	3.43	2.72
Fidelity Conservative Income Bond	74.88	1.63	2.49	2.34	0.42	4.87	12.54	0.83
Wells Fargo Advantage Ultra S/T Inc Inv	70.57	3.12	0.92	2.82	1.60	4.52	14.20	2.25
Fidelity Dividend Growth	68.58	0.00	0.00	0.00	0.00	0.00	7.30	24.12
Fidelity Diversified International	66.52	10.27	0.00	11.61	5.36	6.25	0.00	0.00
Fidelity Select Brokerage & Invmt Mgmt	61.94	38.06	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Spartan S/T Tr Bd Idx Fid Advt	60.20	39.81	0.00	0.00	0.00	0.00	0.00	0.00
Wells Fargo Advantage Short-Term Bd Inv	59.12	21.81	0.90	2.03	0.71	2.33	10.93	2.18
Fidelity Instl Shrt-Interm Govt	56.82	24.58	4.32	3.40	0.81	0.37	5.90	3.80
Templeton Global Bond A	50.56	8.39	5.36	19.81	5.74	5.03	3.74	1.36
American Beacon Shrt-Trm Bd Inv	47.09	16.83	0.60	10.33	0.00	3.82	20.49	0.84
Oakmark Equity & Income I	46.48	6.15	19.95	27.42	0.00	0.00	0.00	0.00
Fidelity Freedom Income	39.33	18.59	10.13	18.99	0.84	0.90	7.84	3.37
Fidelity Freedom 2000	39.15	18.61	10.18	19.06	0.83	0.90	7.88	3.38
Fidelity Leveraged Company Stock	38.88	0.00	38.87	0.48	1.11	0.14	20.53	0.00
Dreyfus LifeTime Growth & Income Inv	37.56	25.94	14.67	21.82	0.00	0.00	0.00	0.00
Fidelity Freedom 2005	34.68	19.05	11.41	20.94	0.88	0.97	8.54	3.52
PIMCO Low Duration Admin	34.07	24.45	4.16	5.27	2.56	2.43	12.87	14.19
Fidelity Government Income	33.87	13.00	14.13	9.87	5.32	4.21	18.06	1.55
Fidelity Floating Rate High Income	33.22	23.63	40.57	2.50	0.05	0.03	0.00	0.00

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

	2011							
	Maturity							
	1-3 Yr	3-5 Yr	5-7 Yr	7-10 Yr	10-15 Yr	15-20 Yr	20-30 Yr	30+ Yr
	%	%	%	%	%	%	%	%
Variable Earnings Investments (Continued):								
Fidelity Intermediate Government Inc	32.17	14.20	20.62	16.37	3.56	0.28	8.83	3.97
Invesco Van Kampen Equity and Income A	31.49	18.96	11.60	14.68	9.60	4.09	9.32	0.26
FPA Crescent	30.91	17.29	14.24	0.00	4.31	0.01	3.00	30.24
Fidelity Puritan	28.30	8.39	12.15	20.81	0.58	0.67	22.27	6.83
Fidelity Equity-Income	27.64	21.93	20.95	3.92	0.00	8.27	12.35	4.94
Fidelity Worldwide	26.49	20.53	6.62	23.18	10.60	12.58	0.00	0.00
Fidelity Freedom 2010	26.14	20.13	13.28	24.49	0.85	1.01	10.20	3.90
Fidelity Growth & Income	25.74	12.29	0.00	0.00	61.98	0.00	0.00	0.00
Fidelity International Discovery	25.56	19.44	6.67	21.94	10.00	12.22	4.17	0.00
Fidelity Four-in-One Index	25.38	23.34	10.61	16.32	0.57	2.96	17.29	3.53
Morgan Stanley Inst Balanced P	25.13	15.90	3.84	13.97	8.30	10.79	20.16	1.93
Fidelity Freedom 2015	25.10	20.07	13.47	24.71	0.87	1.05	10.69	4.05
Fidelity Balanced	24.94	10.01	12.31	21.12	0.64	0.80	22.43	7.76
Fidelity Spartan US Bond Idx Advtg	24.28	23.71	10.28	16.86	0.56	3.14	17.75	3.42
Fidelity Convertible Securities	24.26	25.09	3.82	1.35	10.99	10.97	14.01	9.52
Fidelity Asset Manager 30%	23.58	6.79	6.80	25.38	1.36	2.28	22.57	11.24
Fidelity Asset Manager 60%	23.57	6.87	6.84	25.29	1.44	2.40	22.45	11.16
Fidelity Asset Manager 40%	23.52	6.90	6.83	25.34	1.43	2.41	22.43	11.14
Fidelity Asset Manager 20%	23.49	6.89	6.83	25.36	1.42	2.40	22.45	11.16
Fidelity Asset Manager 50%	23.40	7.06	6.88	25.28	1.53	2.60	22.25	11.01
PIMCO Total Return Instl	23.07	13.03	6.51	14.50	7.17	3.78	14.42	17.52
Fidelity Asset Manager 70%	23.02	7.65	7.05	25.05	1.90	3.30	21.54	10.49
Fidelity Asset Manager 85%	22.86	7.95	7.21	24.70	2.22	3.75	21.12	10.20
Fidelity Freedom 2020	21.23	20.11	15.03	26.25	1.00	1.16	11.10	4.13
Fidelity Investment Grade Bond	20.84	5.49	7.25	26.30	0.94	0.84	26.05	12.30
Fidelity Intermediate Bond	19.35	33.80	14.93	24.26	1.01	0.19	2.54	3.93
Fidelity Strategic Income	18.55	18.25	13.29	19.19	4.90	5.69	16.61	3.53
Fidelity Global Strategies	17.95	16.46	18.99	21.60	2.92	2.74	15.17	4.18
Aberdeen Global Fixed Income Instl Svc	17.66	17.46	11.45	10.24	7.17	5.49	24.82	5.70
USAA Income	16.73	9.41	10.10	25.84	5.80	4.30	15.89	11.94
Fidelity Inflation-Protected Bond	16.57	17.80	11.64	20.89	7.77	19.14	6.19	0.00

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

	2011							
	Maturity							
	1-3 Yr	3-5 Yr	5-7 Yr	7-10 Yr	10-15 Yr	15-20 Yr	20-30 Yr	30+ Yr
	%	%	%	%	%	%	%	%
Variable Earnings Investments (Continued):								
PIMCO Global Bond (Unhedged) Admin	16.32	24.69	6.31	11.06	4.43	7.70	18.64	10.85
Fidelity Freedom 2025	15.94	20.00	17.38	28.31	1.23	1.34	11.58	4.23
Morgan Stanley Inst Core Plus FI P	15.86	12.71	4.80	15.57	9.29	12.49	24.47	4.82
Fidelity Freedom 2030	14.50	18.55	17.93	27.42	1.45	1.60	13.59	4.96
Fidelity Total Bond	13.62	22.89	8.38	19.55	1.28	1.91	23.91	8.48
Fidelity Strategic Real Return	13.40	21.98	10.75	17.32	8.05	17.07	9.73	1.69
Fidelity International Small Cap	13.19	86.81	0.00	0.00	0.00	0.00	0.00	0.00
Managers Bond	12.45	4.69	29.94	12.91	5.65	4.87	27.21	2.29
Fidelity Freedom 2035	12.16	18.27	20.76	29.02	1.91	1.93	11.65	4.30
Fidelity Freedom 2040	11.66	18.51	21.57	29.78	2.00	1.96	10.59	3.93
Wells Fargo Advantage Government Sec Inv	10.86	10.67	3.89	6.45	5.43	3.44	38.70	20.58
Fidelity Corporate Bond	10.70	16.94	7.72	43.08	0.54	0.96	17.88	2.18
Janus Flexible Bond S	10.66	20.81	9.74	31.12	1.91	0.45	22.33	2.99
Janus Flexible Bond T	10.66	20.81	9.74	31.12	1.91	0.45	22.33	2.99
American Beacon Balanced Inv	10.46	20.52	7.04	13.13	2.58	6.69	33.84	5.75
Janus Balanced S	10.11	20.81	10.28	32.31	1.79	0.90	20.65	3.16
Fidelity Freedom 2045	9.85	19.40	24.57	32.57	2.26	2.00	6.75	2.60
Fidelity Freedom 2050	8.57	20.00	26.62	34.46	2.51	2.13	4.06	1.66
Fidelity High Income	8.14	23.29	30.27	35.54	1.67	0.63	0.06	0.40
Fidelity Global High Income	7.36	16.98	21.56	35.88	6.23	3.29	4.35	4.35
Calvert Balanced A	7.13	14.78	6.02	24.07	5.37	3.39	25.70	13.55
Fidelity Real Estate Income	6.13	19.91	17.12	9.13	6.34	12.36	17.98	11.04
PIMCO High Yield Admin	5.93	21.25	29.62	33.77	3.76	1.15	2.77	1.77
Western Asset Core Bond FI	5.79	9.18	9.90	13.19	3.31	4.23	40.36	14.04
Fidelity New Markets Income	4.99	9.43	12.09	21.11	12.88	13.94	20.94	4.62
Fidelity Global Balanced	4.75	27.32	9.81	33.22	2.11	10.02	10.33	2.44
Fidelity Capital & Income	4.46	17.23	27.76	34.83	4.24	4.59	6.30	0.60
Fidelity Focused High Income	3.11	18.79	34.83	37.18	3.83	2.16	0.05	0.05
USAA Cornerstone Strategy	2.92	2.48	3.98	3.44	5.80	5.50	12.51	63.37
Neuberger Berman Core Bond Inv	2.64	6.23	16.20	14.99	2.26	0.38	35.20	22.11
Mutual Shares A	2.24	48.01	32.18	17.58	0.00	0.00	0.00	0.00

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

2011

	Maturity 1-3 Yr %	Maturity 3-5 Yr %	Maturity 5-7 Yr %	Maturity 7-10 Yr %	Maturity 10-15 Yr %	Maturity 15-20 Yr %	Maturity 20-30 Yr %	Maturity 30+ Yr %
Variable Earnings Investments (Continued):								
Fidelity Strategic Dividend & Income	1.98	36.32	30.38	6.75	0.00	0.00	0.00	24.58
Mutual Global Discovery A	1.90	57.31	22.53	18.26	0.00	0.00	0.00	0.00
USAA Government Securities	0.93	0.05	0.44	0.62	6.90	3.17	87.89	0.00
PIMCO Long-Term US Government Admin	0.57	0.93	1.35	1.16	5.52	36.01	49.18	5.28
DWS Core Equity S	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00
DWS Strategic Value A	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00
Fidelity Select Automotive	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00
Fidelity Spartan Extnd Mkt Idx Advtg	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Spartan Interm Trs Bd Idx Advtg	0.00	0.00	50.37	49.63	0.00	0.00	0.00	0.00
Fidelity Spartan L/T Tr Bd Idx Fid Advt	0.00	0.00	0.00	0.00	14.02	13.89	72.09	0.00
Fidelity Spartan Total Mkt Idx Advtg	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00
Templeton World A	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00

2010

	Maturity 1-3 Yr %	Maturity 3-5 Yr %	Maturity 5-7 Yr %	Maturity 7-10 Yr %	Maturity 10-15 Yr %	Maturity 15-20 Yr %	Maturity 20-30 Yr %	Maturity 30+ Yr %
Variable Earnings Investments:								
Fidelity EMEA	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Money: Retirement Govt MMkt	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Retirement Money Market	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Ultra-Short Bond	76.56	11.28	0.11	2.93	1.35	1.61	3.54	2.61
Fidelity US Government Reserves	75.06	0.00	0.00	0.00	0.00	0.00	24.95	0.00
Fidelity Short-Term Bond	71.55	18.80	0.48	1.40	0.86	0.33	3.49	3.09
Wells Fargo Advantage Ultra S/T Inc Inv	65.61	4.50	0.83	2.35	1.17	3.71	18.50	3.34
Fidelity Spartan S/T Tr Bd Idx Inv	61.60	38.40	0.00	0.00	0.00	0.00	0.00	0.00
Oakmark Equity & Income I	60.11	1.72	1.29	33.20	1.08	2.61	0.00	0.00

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

	2010							
	Maturity							
	1-3 Yr	3-5 Yr	5-7 Yr	7-10 Yr	10-15 Yr	15-20 Yr	20-30 Yr	30+ Yr
	%	%	%	%	%	%	%	%
Variable Earnings Investments (Continued):								
Fidelity Instl Shrt-Interm Govt	58.48	32.03	0.83	2.00	0.55	0.16	5.02	0.93
Wells Fargo Advantage Short-Term Bd Inv	58.28	24.63	1.41	0.88	0.28	2.39	9.82	2.33
Templeton Global Bond A	45.14	9.85	6.00	12.63	8.06	8.31	7.71	2.30
American Beacon Shrt-Trm Bd Inv	43.81	41.68	0.00	0.69	1.65	0.40	9.49	2.28
Dreyfus LifeTime Growth & Income Inv	39.44	23.93	14.42	21.99	0.00	0.00	0.00	0.22
Templeton World A	37.57	0.00	0.00	0.00	0.00	0.00	62.43	0.00
FPA Crescent	37.02	24.11	18.40	0.45	1.29	0.01	4.97	13.76
Fidelity Freedom 2000	34.37	29.13	10.88	13.86	1.00	1.52	6.15	3.10
Fidelity Freedom Income	33.72	29.33	10.92	14.03	1.00	1.54	6.32	3.15
Fidelity Intermediate Government Inc	33.36	22.58	18.13	15.09	1.09	0.13	8.63	0.97
Mutual Global Discovery A	32.10	37.33	30.57	0.00	0.00	0.00	0.00	0.00
Mutual Shares A	31.49	49.68	18.83	0.00	0.00	0.00	0.00	0.00
Fidelity Low-Priced Stock	30.89	69.11	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Government Income	30.29	13.61	17.99	10.89	6.41	4.53	14.86	1.42
Fidelity Select Automotive	27.39	0.00	0.00	0.00	6.59	65.96	0.06	0.00
Fidelity Freedom 2005	27.27	30.95	12.84	16.06	1.10	1.78	6.83	3.16
PIMCO Global Bond (Unhedged) Admin	25.50	11.44	13.93	17.69	10.33	3.52	14.04	3.54
Fidelity US Bond Index	24.27	26.49	8.04	16.95	1.61	2.00	16.39	4.25
Janus Flexible Bond S	23.61	29.41	11.16	28.04	1.44	0.57	4.53	1.25
Janus Flexible Bond T	23.61	29.41	11.16	28.04	1.44	0.57	4.53	1.25
Fidelity Balanced	23.45	17.65	16.16	16.57	0.63	1.02	17.09	7.44
Fidelity Four-in-One Index	22.59	26.93	7.55	18.22	1.65	2.00	16.76	4.29
Invesco Basic Balanced Inv	22.54	25.13	3.23	23.52	4.37	1.89	18.56	0.77
PIMCO Low Duration Admin	21.64	14.75	6.14	4.19	2.52	1.19	14.00	35.56
Fidelity Puritan	20.82	17.94	18.03	17.00	0.63	1.13	17.06	7.39
Fidelity Freedom 2010	20.07	32.89	14.52	18.28	1.16	2.09	7.68	3.32
Janus Balanced S	19.99	31.24	10.41	29.91	1.38	0.86	4.72	1.48
Fidelity Intermediate Bond	19.32	37.18	10.10	24.75	1.19	0.10	3.00	4.36

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

	2010							
	Maturity							
	1-3 Yr	3-5 Yr	5-7 Yr	7-10 Yr	10-15 Yr	15-20 Yr	20-30 Yr	30+ Yr
	%	%	%	%	%	%	%	%
Variable Earnings Investments (Continued):								
Fidelity Freedom 2015	19.01	33.15	14.59	18.42	1.19	2.12	8.07	3.46
Calvert Balanced A	17.53	9.79	11.24	9.26	3.73	8.35	21.40	18.71
PIMCO Total Return Instl	16.46	13.21	19.68	8.27	1.84	3.03	19.82	17.67
Fidelity Inflation-Protected Bond	16.46	18.18	15.76	18.47	4.91	23.37	2.78	0.08
Fidelity Strategic Real Return	15.37	37.02	17.49	7.26	3.87	13.81	4.39	0.82
Fidelity Floating Rate High Income	14.14	47.77	33.60	3.93	0.50	0.07	0.00	0.00
Fidelity Freedom 2020	13.90	34.20	16.59	19.50	1.44	2.37	8.52	3.47
Fidelity Strategic Income	13.79	22.66	19.86	21.96	4.44	4.65	10.05	2.59
USAA Income	13.25	10.19	9.33	28.10	5.03	3.31	16.62	14.18
Fidelity Investment Grade Bond	12.98	34.85	7.96	17.24	0.97	0.77	16.64	8.58
Fidelity Corporate Bond	12.15	18.92	17.67	21.63	0.22	0.00	24.49	4.94
Fidelity Dynamic Strategies	11.62	25.35	11.24	12.17	3.24	4.11	27.93	4.34
Managers Bond	11.22	6.56	13.63	27.89	6.12	4.32	28.81	1.45
Aberdeen Global Fixed Income Instl Svc	11.04	25.73	13.28	12.05	5.98	5.99	20.46	5.47
Fidelity Convertible Securities	10.44	33.17	10.17	1.15	5.42	14.28	14.75	10.62
Western Asset Core Bond FI	10.37	4.52	6.24	13.16	6.64	5.49	32.47	21.12
Wells Fargo Advantage Government Sec Inv	9.55	8.07	4.29	9.75	2.38	3.35	38.36	24.27
Fidelity Freedom 2025	9.41	35.08	18.30	20.12	1.73	2.63	9.15	3.58
American Beacon Balanced Inv	8.65	24.36	8.76	13.95	3.50	6.26	30.40	4.12
Morgan Stanley Inst Core Plus FI P	8.45	7.34	6.26	24.98	15.06	13.21	21.47	3.22
Fidelity Total Bond	7.84	35.80	7.76	19.42	1.39	1.85	17.68	8.26
Morgan Stanley Inst Balanced P	7.58	10.18	6.53	25.59	14.29	11.74	20.09	4.01
Fidelity Freedom 2030	7.45	35.37	18.62	19.35	2.02	2.96	10.25	3.99
PIMCO High Yield Admin	7.25	18.61	25.84	27.84	4.11	3.05	6.58	6.73
Fidelity Global Balanced	7.09	21.29	15.20	33.67	3.10	9.47	6.68	3.50
Fidelity Real Estate Income	6.72	13.68	16.23	11.11	5.27	20.68	18.99	7.34
Fidelity Asset Manager 20%	6.71	39.96	8.38	18.39	1.10	0.98	15.02	9.46
Fidelity Asset Manager 50%	6.71	39.97	8.38	18.38	1.10	0.97	15.02	9.46

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

	2010							
	Maturity							
	1-3 Yr	3-5 Yr	5-7 Yr	7-10 Yr	10-15 Yr	15-20 Yr	20-30 Yr	30+ Yr
	%	%	%	%	%	%	%	%
Variable Earnings Investments (Continued):								
Fidelity Asset Manager 30%	6.71	39.96	8.38	18.39	1.10	0.98	15.02	9.46
Fidelity Asset Manager 40%	6.71	39.97	8.38	18.38	1.10	0.97	15.02	9.46
Fidelity Asset Manager 70%	6.71	39.97	8.38	18.38	1.10	0.97	15.02	9.46
Fidelity Asset Manager 60%	6.71	39.97	8.38	18.38	1.10	0.97	15.02	9.46
Fidelity Asset Manager 85%	6.71	40.00	8.38	18.37	1.10	0.97	15.01	9.46
Fidelity Freedom 2035	6.25	35.00	21.24	19.35	2.43	2.99	9.28	3.46
Fidelity Freedom 2040	5.86	34.66	23.02	19.59	2.64	2.91	8.34	2.98
Fidelity Freedom 2045	5.27	34.17	25.73	19.95	2.96	2.77	6.90	2.26
Fidelity High Income	4.71	36.99	30.59	21.01	3.43	0.91	1.55	0.82
Fidelity Freedom 2050	4.38	33.41	29.95	20.49	3.47	2.56	4.62	1.13
USAA GNMA	4.13	0.00	0.64	0.45	8.38	2.54	83.86	0.00
USAA Cornerstone Strategy	3.95	5.06	8.75	3.60	3.38	2.38	10.79	62.09
Fidelity New Markets Income	3.75	12.46	13.10	22.52	11.31	14.63	18.47	3.77
Neuberger Berman Core Bond Inv	3.46	9.60	16.98	10.77	3.24	0.00	22.65	33.30
Fidelity Leveraged Company Stock	3.43	37.60	20.16	0.00	14.67	1.21	21.31	1.62
Fidelity Capital & Income	3.18	28.90	31.98	20.18	3.87	4.47	6.69	0.73
PIMCO Long-Term US Government Admin	2.71	0.83	2.55	1.76	22.74	18.16	46.35	4.92
Fidelity Focused High Income	2.67	21.27	31.79	33.90	3.28	4.15	1.53	1.41
Fidelity Strategic Dividend & Income	0.39	20.93	12.70	8.57	0.00	2.86	0.00	54.55
DWS Strategic Value A	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00
Fidelity Equity-Income	0.00	18.97	24.17	0.00	23.95	14.26	6.15	12.51
Fidelity GNMA Fund	0.00	0.07	0.88	3.61	0.47	7.10	85.36	2.51
Fidelity Dividend Growth	0.00	38.94	19.45	0.00	0.00	0.00	7.10	34.51
DWS Growth & Income S	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00
Fidelity Worldwide	0.00	59.54	40.46	0.00	0.00	0.00	0.00	0.00
Fidelity Spartan Extended Mkt Index Inv	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00
Fidelity Spartan Total Market Index Inv	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00
Fidelity Spartan Interm Tr Bd Idx Inv	0.00	0.00	54.01	45.99	0.00	0.00	0.00	0.00
Fidelity Spartan L/T Tr Bd Idx Inv	0.00	0.00	0.00	0.00	22.30	19.37	58.33	0.00

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

Credit risk is the risk that the Plan will lose money because of the default of the security of the issuer or investment counterparty. The stable value option and the variable earnings mutual funds are unrated.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are managed by several fund managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Council. The investments that exceed 5% are identified on pages 11 through 20.

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds of countries outside the U.S. that invest in securities not required to disclose the individual assets within the fund. The fair value of these investments was \$19,143,291 and \$23,405,510 as of December 31, 2011 and 2010, respectively. The individual funds are identified on pages 12 through 21.

NOTE 3 – PLAN ADMINISTRATION

The Plan administrator is Fidelity Management Trust Company (FMTC).

Participants may also select a Self-Directed brokerage account through Brokeragelink. The annual account fee for this account was waived for the years ending December 31, 2011 and 2010. The fees charged are netted against participant accounts and are not reflected as administrative expenses. Brokerage fees charged to participants during 2011 and 2010 were \$54,105 and \$53,907, respectively.

NOTE 4 – TAX STATUS

In the opinion of the legal counsel, the Plan is an eligible deferred compensation plan as defined by Section 457 to the IRC. Accordingly, any amount of compensation deferred under the Plan and any income attributable to the amounts so deferred shall be included in the gross income of the participant only for the taxable year in which such compensation or other income is paid or, otherwise, made available to the participant or their beneficiary.

NOTE 5 – PLAN TERMINATION

The State may terminate the Plan at any time, although no intent to terminate the Plan has been expressed. In the event of termination, all participants will remain fully vested.

NOTE 6 – RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Plan Benefits.

**STATE OF DELAWARE
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 7 – SUBSEQUENT EVENTS

The Plan evaluated subsequent events through June 29, 2012 the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2011, but prior to June 29, 2012 that provided additional evidence about conditions that existed at December 31, 2011, have been recognized in the financial statements for the year ended December 31, 2011. Events or transactions that provided evidence about conditions that did not exist at December 31, 2011, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2011.



CliftonLarsonAllen

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Deferred Compensation Council
State of Delaware Deferred Compensation Plan
Dover, Delaware

We have audited the basic financial statements of the State of Delaware Deferred Compensation Plan (the Plan) as of and for the year ended December 31, 2011 and have issued our report thereon dated June 29, 2012. 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

Management of the Plan is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Plan'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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's basic 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 audits 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*.

This report is intended solely for the information and use of the Deferred Compensation Council, Management and other oversight agencies and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del.C., Section 10002(d), this report is a public record and its distribution is not limited.

CliftonLarsonAllen LLP

Baltimore, Maryland
June 29, 2012