



**Delaware Public Employees'  
Retirement system  
County & Municipal Police and  
Firefighters' Pension Plan**

Schedule of Employer Allocations and  
Schedule of Pension Amounts by Employer  
June 30, 2017

**Delaware Public Employees' Retirement System  
County & Municipal Police and Firefighters' Pension Plan  
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## Independent Auditor's Report

The Members of the Board of Pension Trustees  
Delaware Public Employees' Retirement System  
Dover, DE

### Report on the Schedules

We have audited the accompanying schedule of employer allocations of the County & Municipal Police and Firefighters' Pension Plan as of and for the year ended June 30, 2017, and related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions (specified column totals) included in the accompanying schedule of pension amounts by employer of the County & Municipal Police and Firefighters' Pension Plans as of and for the year ended June 30, 2017, and the related notes.

### *Management's Responsibility for the Schedules*

Management is responsible for the preparation and fair presentation of these schedules in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer, 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 schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer 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 schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer.



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

### ***Opinions***

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions for the total of all participating entities for the County & Municipal Police and Firefighters' Pension Plan as of and for the year ended June 30, 2017 in accordance with U.S. generally accepted accounting principles.

### ***Other Matters***

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Delaware Public Employees' Retirement System, which include the County and Municipal Police and Firefighters' Pension Plan, as of and for the year ended June 30, 2017, and our report thereon, dated November 13, 2017, expressed an unmodified opinion on those financial statements.

### ***Restriction on Use***

Our report is intended solely for the information and use of Delaware Public Employees' Retirement System management, the Board of Pension Trustees, County & Municipal Police and Firefighters' Pension Plan employers, and their auditors, and is not to be and should not be used by anyone other than these specified parties.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2018 on our consideration of the County & Municipal Police and Firefighters' Pension Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County & Municipal Police and Firefighters' Pension Plan's internal control over financial reporting and compliance.

*BDO USA, LLP*  
May 21, 2018

**Delaware Public Employees' Retirement System**  
**County & Municipal Police and Firefighters' Pension Plan**  
**Schedule of Employer Allocations**  
As of and for the year ended June 30, 2017

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Employer	Employer contributions	Employer's proportionate share
Bethany Beach	\$ 86,646	0.7658 %
Blades	16,037	0.1417
Bridgeville	38,987	0.3446
Camden	62,468	0.5521
Cheswold	18,153	0.1604
Clayton	75,731	0.6694
Dagsboro	23,662	0.2091
Delmar Police	91,473	0.8085
Dewey Beach	58,467	0.5168
Dover	980,117	8.6629
Elsmere Police	56,057	0.4955
Felton Police	29,658	0.2621
Fenwick Island	49,852	0.4406
Georgetown	149,956	1.3254
Greenwood	25,984	0.2297
Harrington Police	81,826	0.7232
Laurel Police	104,226	0.9212
Lewes Police	95,497	0.8441
Middletown Police	305,061	2.6963
Milford	269,023	2.3778
Millsboro	100,413	0.8875
Milton	51,968	0.4593
New Castle City	147,290	1.3018
New Castle County Police	3,679,422	32.5212
Newport	75,845	0.6704
Ocean View	68,759	0.6077
Rehoboth Beach Police	156,030	1.3791
Seaford Police	208,434	1.8423
Selbyville Police	43,932	0.3883
Smyrna Police	199,064	1.7595
South Bethany	53,470	0.4726
Wilmington Pol/FF	3,888,234	34.3668
Wyoming	22,205	0.1963
<b>Total</b>	<b>\$ 11,313,947</b>	<b>100 %</b>

*See accompanying notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.*

**Delaware Public Employees' Retirement System  
County & Municipal Police and Firefighters' Pension Plan  
Schedule of Pension Amounts by Employer  
As of and for the year ended June 30, 2017**

Employer	Deferred outflows of resources						Deferred inflows of resources					Pension expense excluding that attributable to employer-paid member contributions			
	Net Pension Liability	Differences between expected and actual experience	Changes of assumptions	Net Difference between projected and actual investment earnings on pension plan investments	Changes in proportion	Total deferred outflows of resources	Differences between expected and actual experience	Changes of assumptions	Net difference between projected and actual investment earnings on pension plan investments	Changes in proportion	Total deferred inflows of resources	Proportionate share of allocated plan pension expense	Employer's share of pension expense related to specific liabilities	Net amortization of deferred amounts from changes in proportion	Total pension expense excluding that attributable to employer paid member contributions
Bethany Beach	\$ 77,207	18,475	65,183	39,352	1,388	124,398	47,084	28,449	-	8,299	83,832	80,521	8,070	(929)	87,662
Blades	14,290	3,420	12,065	7,284	596	23,365	8,715	5,266	-	4,474	18,455	14,903	1,494	(554)	15,843
Bridgeville	34,740	8,313	29,329	17,707	1,265	56,614	21,186	12,801	-	4,595	38,582	36,231	3,630	(362)	39,499
Camden	55,662	13,320	46,994	28,371	606	89,291	33,945	20,510	-	10,502	64,957	58,052	5,818	(1,390)	62,480
Cheswold	16,175	3,871	13,656	8,244	3,125	28,896	9,864	5,960	-	618	16,442	16,870	1,690	361	18,921
Clayton	67,481	16,148	56,972	34,395	483	107,998	41,153	24,865	-	1,160	67,178	70,377	7,053	(93)	77,337
Dagsboro	21,085	5,046	17,801	10,747	1,617	35,211	12,858	7,769	-	1,020	21,647	21,990	2,203	95	24,288
Delmar Police	81,507	19,505	68,814	41,544	565	130,428	49,706	30,033	-	10,412	90,151	85,006	8,519	(1,345)	92,180
Dewey Beach	52,097	12,467	43,984	26,554	1,235	84,240	31,771	19,197	-	7,027	57,995	54,334	5,445	(702)	59,077
Dover	873,337	208,988	737,328	445,137	13,937	1,405,390	532,597	321,803	-	86,387	940,787	910,825	91,280	(9,850)	992,255
Elsmere Police	49,950	11,953	42,171	25,459	1,502	81,085	30,461	18,405	-	12,111	60,977	52,094	5,221	(1,427)	55,888
Felton Police	26,427	6,324	22,311	13,470	2,579	44,684	16,116	9,738	-	4,874	30,728	27,561	2,762	(363)	29,960
Fenwick Island	44,421	10,630	37,503	22,641	427	71,201	27,090	16,368	-	3,467	46,925	46,328	4,643	(427)	50,544
Georgetown	133,619	31,975	112,810	68,105	11,083	223,973	81,486	49,235	-	7,428	138,149	139,354	13,966	595	153,915
Greenwood	23,153	5,541	19,548	11,801	1,032	37,922	14,120	8,531	-	-	22,651	24,147	2,420	136	26,703
Harrington Police	72,911	17,448	61,557	37,163	1,917	118,085	44,464	26,866	-	693	72,023	76,041	7,621	169	83,831
Laurel Police	92,871	22,224	78,407	47,336	3,942	151,909	56,636	34,220	-	1,901	92,757	96,857	9,707	296	106,860
Lewes Police	85,093	20,363	71,841	43,372	867	136,443	51,893	31,355	-	4,562	87,810	88,745	8,894	(454)	97,185
Middletown Police	271,826	65,047	229,494	138,549	2,505	435,595	165,771	100,161	-	24,466	290,398	283,494	28,411	(3,118)	308,787
Milford	239,714	57,363	202,382	122,181	-	381,926	146,188	88,328	-	25,530	260,046	250,003	25,055	(3,546)	271,512
Millsboro	89,473	21,411	75,539	45,604	3,717	146,271	54,564	32,969	-	5,436	92,969	93,314	9,352	(191)	102,475
Milton	46,307	11,081	39,095	23,602	1,145	74,923	28,240	17,063	-	18,987	64,290	48,294	4,840	(2,515)	50,619
New Castle City	131,244	31,406	110,804	66,894	49,221	258,325	80,038	48,360	-	9,697	138,095	136,877	13,717	5,778	156,372
New Castle County Police	3,278,567	784,556	2,767,980	1,671,074	81,911	5,305,521	1,999,405	1,208,068	-	27,118	3,234,591	3,419,297	342,671	7,733	3,769,701
Newport	67,582	16,172	57,057	34,446	908	108,583	41,214	24,902	-	5,869	71,985	70,483	7,063	(640)	76,906
Ocean View	61,268	14,661	51,726	31,228	5,248	102,863	37,364	22,576	-	1,954	61,894	63,898	6,403	423	70,724
Rehoboth Beach Police	139,031	33,269	117,379	70,864	3,622	225,134	84,787	51,229	-	5,972	141,988	144,999	14,531	(210)	159,320
Seaford Police	185,726	44,444	156,802	94,664	42,838	338,748	113,263	68,435	-	55,826	237,524	193,698	19,412	(1,544)	211,566
Selbyville Police	39,146	9,368	33,049	19,952	-	62,369	23,873	14,424	-	7,026	45,323	40,826	4,091	(930)	43,987
Smyrna Police	177,377	42,446	149,753	90,408	47,966	330,573	108,172	65,359	-	-	173,531	184,990	(1,035,148)	5,649	(844,509)
South Bethany	47,644	11,401	40,225	24,284	2,157	78,067	29,056	17,556	-	10,820	57,432	49,690	4,980	(1,128)	53,542
Wilmington Pol/FF	3,464,628	829,081	2,925,066	1,765,909	118,297	5,638,353	2,112,874	1,276,628	-	40,682	3,430,184	3,613,346	362,118	10,324	3,985,788
Wyoming	19,786	4,735	16,704	10,085	1,212	32,736	12,066	7,290	-	-	19,356	20,635	2,068	159	22,862
<b>Total</b>	<b>\$ 10,081,345</b>	<b>2,412,452</b>	<b>8,511,329</b>	<b>5,138,426</b>	<b>408,913</b>	<b>16,471,120</b>	<b>6,148,020</b>	<b>3,714,719</b>	<b>-</b>	<b>408,913</b>	<b>10,271,652</b>	<b>10,514,080</b>	<b>-</b>	<b>-</b>	<b>10,514,080</b>

*See accompanying notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.*

**Delaware Public Employees' Retirement System**  
**County & Municipal Police and Firefighters' Pension Plan**  
**Notes to Schedule of Employer Allocations and**  
**Schedule of Pension Amounts by Employer**

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**1. Plan Description**

The County & Municipal Police and Firefighters' Pension Plan (the Plan) is a cost sharing multiple-employer defined-benefit pension plan established in the Delaware Code. The Plan is administered by the Delaware Public Employees' Retirement System (DPERS).

The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board).

The management of the Plan is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex-officio members. The daily operation is the responsibility of the Office of Pensions. Although Plan assets are comingled with assets of other Plans and Funds for investment purposes, the Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan.

The following are brief descriptions of the Plan in effect as of June 30, 2017. For a more complete description, please refer to the DPERS Comprehensive Annual Financial Report.

Separately issued financial statements for DPERS are available from the pension office at:

McArdle Building, Suite 1  
860 Silver Lake Blvd.  
Dover, DE 19904

***(a) Plan Description and Eligibility***

The plan covers police officers and firefighters employed by a county or municipality of the State that have joined the Plan.

***(b) Service Benefits***

2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation (excluding overtime and special pay).

***(c) Vesting***

Five years of credited service.

***(d) Retirement***

Age 62 with 5 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service.

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*(e) Disability benefits*

*Duty - Total Disability*

75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents.

*Duty - Partial Disability*

Calculated the same as Service Benefits, subject to minimum 50% of final average compensation.

*Non-Duty*

Same as Service Benefits, total disability subject to a minimum 50% of final average monthly compensation plus 5% of each dependent not to exceed 20% for all dependents. Partial disability to a minimum of 30% of final average monthly compensation.

*(f) Survivor Benefits*

If employee is receiving a pension, then eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62. If the member is killed in the line of duty, the eligible survivor receives 75% of the member's compensation.

**2. Basis of Presentation**

The Schedules of Employer Allocations and Pension Amounts by Employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of DPERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of DPERS or the participating employers. The accompanying schedules have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from estimates.

**3. Allocation Methodology**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in the Plan to recognize their proportionate share of the collective net pension liability, collective deferred inflows of resources, collective deferred outflows of resources and collective pension expense. The allocation percentages presented in the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer are based on the ratio of each employer's contribution to the Plan's total employer contributions during the measurement period July 1, 2016 through June 30, 2017, adjusted to remove contributions to separately finance specific liabilities of an individual employer. Employer contributions to the plan are recognized when due pursuant to legal requirements. Board of Pension Trustees determines employer contributions. Employer contributions were 13.8% of earnings for the Fiscal Year 2017.



**Delaware Public Employees' Retirement System**  
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**Notes to Schedule of Employer Allocations and**  
**Schedule of Pension Amounts by Employer**

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**4. Collective Net Pension Liability and Actuarial Information**

The components of the collective net pension liability of the participating employers at June 30, 2016 were as follows (in thousands):

Employers' total pension liability	\$ 335,948
Plan net position	325,867
<b>Employers' net pension liability</b>	<b>\$ 10,081</b>

***Actuarial Assumptions***

The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

***Actuarial assumptions:***

Investment rate of return / discount rate (1)	7.0%
Projected salary increases (1)	2.5% + Merit
Cost of living adjustments	0.0%

(1) Inflation is included at 2.5%.

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

Projected benefit payments do not include the effects of projected ad hoc cost of living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

The long term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix

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of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Plan's current and expected asset allocation are summarized in the following table:

Asset Class	Long-term expected real rate of return	Asset allocation
Domestic equity	5.7%	33.5%
International equity	5.7	13.7
Fixed income	2.0	26.6
Alternative investments	7.8	22.7
Cash and equivalents	-	3.5

***Discount Rate***

The discount rate used to measure the total pension liability was 7.0%. The change in the discount rate assumption to 7.0% from 7.2% was due to an adoption by the Board of Trustees in Fiscal Year 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate***

The following presents the collective net pension liability, calculated using the discount rate of 7.0%, as well as what the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (in thousands):

	1% Decrease	Discount Rate	1% Increase
Collective net pension liability (asset)	\$ 63,750	10,081	(33,617)

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**5. Collective Deferred Outflows of Resources and Deferred Inflows of Resources**

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2017:

	Measurement period ending June 30	Amortization Period	Beginning of year balance	Additions	Deductions	End of year balance
<b>Deferred Outflows of Resources:</b>						
Difference between expected and actual experience	2016	10 years	\$ 2,714,006	\$ -	\$ (301,554)	\$ 2,412,452
Changes of assumptions	2017	10 years	-	9,457,032	(945,703)	8,511,329
Net difference between projected and actual earnings on pension plan investments	2017	5 years	-	(11,020,076)	2,204,015	(8,816,061)
	2016	5 years	19,262,337	-	(4,815,583)	14,446,754
	2015	5 years	5,513,778	-	(1,837,926)	3,675,852
	2014	5 years	(8,336,238)	-	4,168,119	(4,168,119)
Subtotal			16,439,877	(11,020,076)	(281,375)	5,138,426
<b>Total</b>			<b>\$ 19,153,883</b>	<b>\$ (1,563,044)</b>	<b>\$ (1,528,632)</b>	<b>\$ 16,062,207</b>
<b>Deferred Inflows of Resources:</b>						
Difference between expected and actual experience	2017	10 years	\$ -	\$ (4,157,378)	\$ 415,738	\$ (3,741,640)
	2015	11 years	(2,707,175)	-	300,795	(2,406,380)
Subtotal			(2,707,175)	(4,157,378)	716,533	(6,148,020)
Changes of assumptions	2016	10 years	(4,179,059)	-	464,340	(3,714,719)
<b>Total</b>			<b>\$ (6,886,234)</b>	<b>\$ (4,157,378)</b>	<b>\$ 1,180,873</b>	<b>\$ (9,862,739)</b>

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Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows (in thousands):

<i>Year ending June 30</i>	
2018	\$ 348
2019	4,515
2020	2,678
2021	(2,138)
2022	67
Thereafter	729
<b>Total</b>	<b>\$ 6,199</b>

***Changes in Proportion***

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 10 years for the 2017 amounts.

**6. Collective Pension Expense**

The components of collective pension expense for the year ending June 30, 2017 (excluding that attributable to employer-paid member contributions) are as follows (in thousands):

Service cost	\$ 14,621
Interest on total pension liability	22,144
Member contributions	(5,939)
Administrative expense	154
Changes in benefit terms	-
Projected earnings on plan investments	(20,813)
Recognition of deferred outflows and inflows of resources:	
Differences between projected and actual earnings on plan investments	281
Differences between expected and actual experiences with regards to factors or other inputs in the measurement of total pension liability	(415)
Changes in assumption with regards to factors or other inputs in the measurement of total pension liability	481
<b>Pension expense</b>	<b>\$ 10,514</b>



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

Members of the Board of Pension Trustees  
Delaware Public Employees' Retirement System  
Dover, DE

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the schedule of employer allocations and the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions as of and for the year ended June 30, 2017 (specified column totals), included in the schedule of pension amounts by employer of the Delaware Public Employees' Retirement System - County & Municipal Police and Firefighters' Pension Plan (the Plan) and the related notes (hereafter collectively referred to as the Schedules) and have issued our report thereon dated May 21, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the Schedules, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Schedules will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's Schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the Schedules amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BDO USA, LLP*

May 21, 2018