

2016  
DELAWARE

Comprehensive Annual  
Financial Report

For the Fiscal Year Ended  
June 30, 2016

Issuance Date: December 22, 2016

# State of Delaware

## Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30,  
2016

**Jack A. Markell**  
Governor

**Thomas J. Cook**  
Secretary, Department of Finance

**Kristopher E. Knight, CPA**  
Director, Division of Accounting

Prepared by the Department of Finance, Division of Accounting

*This document and related information is available at <http://accounting.delaware.gov/>*

## **Acknowledgments**

The State of Delaware's Comprehensive Annual Financial Report was prepared by the Department of Finance, Division of Accounting, Financial Accounting & Reporting Section:

**Dawn M. Haw-Young, CPA, CGFM, CICA**  
Assistant Director of Financial Reporting

**Jane L. Cole, CPA**  
Manager of Financial Reporting & Internal Control

**Robert C. Johnson, CICA**  
State Accountant V

**Karen V. Smalls, CFE, CGFM**  
State Accountant V

**Christine L. Talley, CICA**  
State Accountant IV

**Scott G. Sipple, Jr., CPA**  
State Accountant IV

**Christine T. Cosgrove, CGFM, CICA**  
State Accountant IV

**Jennifer Thornton, CICA**  
State Accountant III

Special appreciation to:

All fiscal and accounting personnel throughout the State whose efforts and cooperation to submit accurate, timely financial data for their agencies made this report possible.

**State of Delaware**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2016**  
**Table of Contents**

**INTRODUCTORY SECTION**

Letter of Transmittal .....	i
Certificate of Achievement for Excellence in Financial Reporting.....	viii
Selected State Officials .....	ix
Organizational Chart.....	x

**FINANCIAL SECTION**

Independent Auditors' Report.....	1
Management's Discussion and Analysis .....	4

**Basic Financial Statements**

**Government –Wide Financial Statements**

Statement of Net Position .....	20
Statement of Activities.....	21

**Governmental Fund Financial Statements**

Balance Sheet .....	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) – Governmental Funds.....	24
Reconciliation of the Net Changes in Fund Balances - Total Governmental Funds to Change in Net Position of Governmental Activities .....	25

**Proprietary Fund Financial Statements**

Statement of Net Position .....	26
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	27
Statement of Cash Flows .....	28

**Fiduciary Fund Financial Statements**

Statement of Fiduciary Net Position .....	29
Statement of Changes in Fiduciary Net Position .....	30

## Table of Contents (continued)

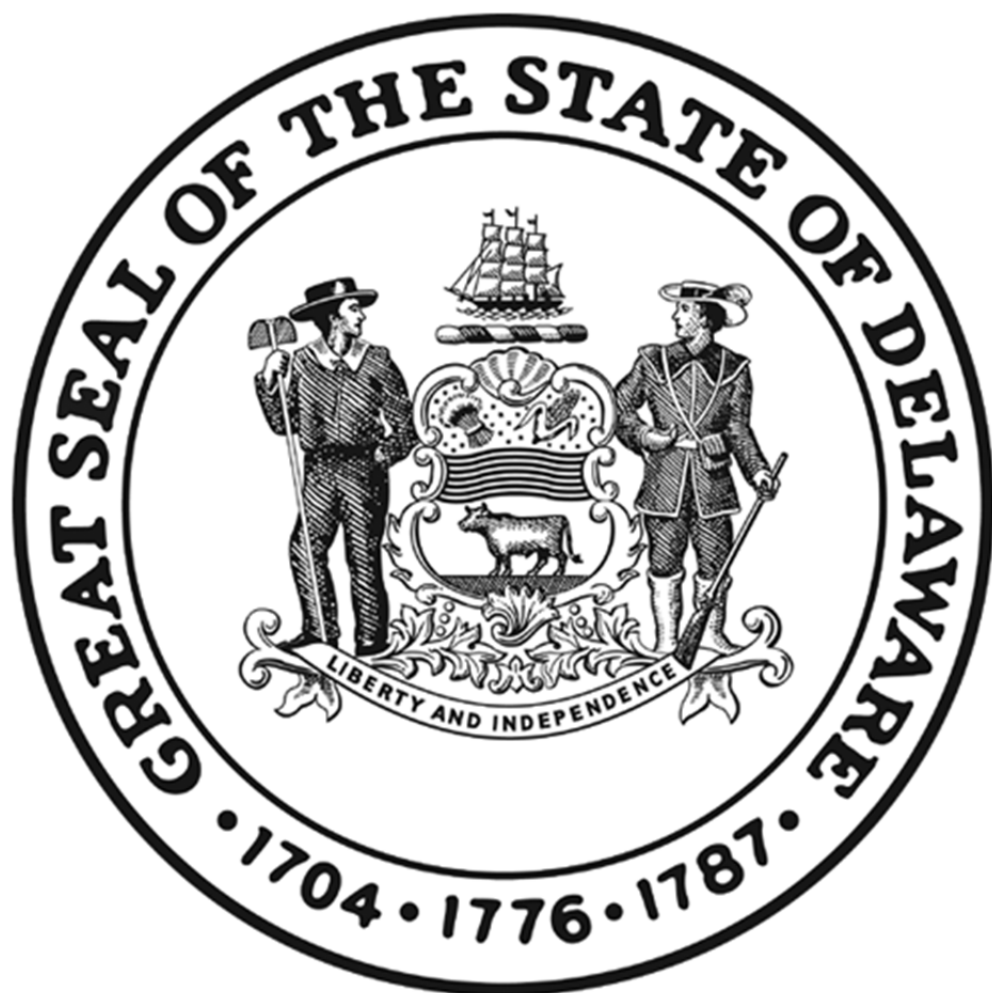
	<u>Page</u>
<b>Discretely Presented Component Unit Financial Statements</b>	
Combining Statement of Net Position .....	31
Combining Statement of Activities.....	32
<b>Notes to the Financial Statements</b>	
Note 1 - Summary of Significant Accounting Policies .....	33
Note 2 - Cash, Investments and Restricted Assets .....	50
Note 3 - Fair Value of Investments .....	65
Note 4 - Receivables .....	70
Note 5 - Interfund Receivables, Payables and Transfers .....	72
Note 6 - Deferred Outflows and Inflows of Resources .....	74
Note 7 - General Obligation Bonds.....	74
Note 8 - Revenue Bonds .....	77
Note 9 - Loans and Notes Payable .....	86
Note 10 - Lease Commitments.....	88
Note 11 - Other Long-Term Obligations .....	89
Note 12 - Changes in Long-Term Obligations.....	89
Note 13 - No Commitment Debt (Not Included In Financial Statements).....	90
Note 14 - Capital Assets.....	91
Note 15 - Risk Management .....	93
Note 16 - Other Post-Employment Benefits (OPEB) .....	95
Note 17 - Pensions .....	102
Note 18 - Governmental Fund Balance.....	120
Note 19 - Affiliated Organizations .....	122
Note 20 - Commitments .....	122
Note 21 - Contingencies.....	122
<b>Required Supplementary Information</b>	
Notes to Required Supplementary Information .....	125
Budgetary Comparison Schedule – General Fund.....	127
Budgetary Comparison Schedule – Special Fund.....	127
Statutory/Budgetary Reconciliations .....	128
Information About Infrastructure Assets Reported Using the Modified Approach .....	130
Delaware Public Employees’ Retirement System (DPERS) Schedule of Funding Status and Progress .....	132
DelDOT – Delaware Transit Corporation – Pension Data Schedule of Funding Status and Progress .....	138
OPEB Trust Schedule of Funding Status and Progress.....	141
Schedule of Employer Contributions .....	141

## Table of Contents (continued)

	<u>Page</u>
Delaware Transit Corporation - OPEB Trust	
Schedule of Funding Status and Progress .....	142
 <b>Supplementary Information – Combining Statements</b>	
Delaware Public Employees Retirement System:	
Combining Statement of Fiduciary Net Position .....	144
Combining Statement of Changes in Fiduciary Net Position .....	145
Investment Trust Funds:	
Combining Statement of Net Position .....	146
Combining Statement of Changes in Net Position .....	147
All Agency Funds:	
Combining Statement of Changes in Assets and Liabilities.....	148
Local School District Funds:	
Combining Balance Sheet.....	149
Combining Schedule of Revenues, Expenditures and Changes in Fund	
Balances .....	151

## **STATISTICAL SECTION**

Statistical Section Index.....	153
Net Position by Component.....	154
Changes in Net Position.....	155
Changes in Fund Balances, Governmental Funds .....	157
Fund Balances, Governmental Funds .....	159
Personal Income by Industry .....	160
Personal Income Tax Rates.....	161
Personal Income Tax Filers and Liability by Income Level .....	162
Franchise Taxes .....	163
Ratios of Outstanding Debt by Type .....	164
Debt Limits .....	165
General Obligation Debt Support .....	166
Pledged Revenue Coverage .....	167
Demographic and Economic Statistics .....	168
Principal Employers by Industry .....	169
State Employees by Function.....	170
Operating Indicators by Function .....	171
Capital Assets Statistics by Function.....	172
Capital Asset Balances by Function .....	173
 Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	
	174



# Introductory Section

Comprehensive Annual Financial Report



STATE OF DELAWARE  
DEPARTMENT OF FINANCE  
OFFICE OF THE SECRETARY

THOMAS J. COOK  
SECRETARY OF FINANCE

December 22, 2016

To the Citizens, Governor, and  
Members of the Legislature of the  
State of Delaware:

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the State of Delaware (the State) for the fiscal year ended June 30, 2016. This report has been prepared in accordance with U.S. generally accepted accounting principles (GAAP) applicable to state and local governments, as prescribed by the Governmental Accounting Standards Board (GASB). The State continues to follow the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for the form and content of government financial reports and participates in the GFOA's program for the Certificate of Achievement for Excellence in Financial Reporting.

Responsibility for both the accuracy of the data, as well as the completeness and fairness of the CAFR's presentation, rests with the Department of Finance. The management of the Department of Finance has established a comprehensive framework of internal control to provide a reasonable basis for asserting that, to the best of our knowledge and belief, the information presented is accurate in all material respects and fairly sets forth the State's financial position and results of operations in accordance with GAAP. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities are included.

The report is presented in these sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a list of selected State officials, the State's organizational chart, and the GFOA Certificate of Achievement. The financial section includes the independent auditors' report, management's discussion and analysis (MD&A), basic financial statements, notes to the basic financial statements, and required supplementary information. The statistical section includes selected financial, demographic, and economic information.

GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of an MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the report of the independent auditors.

## PROFILE OF THE GOVERNMENT

The State is located on the eastern seaboard of the United States and is bordered by the Atlantic Ocean, the Delaware Bay and the states of New Jersey, Pennsylvania and Maryland. The State is 96 miles long and has a land area of 1,955 square miles. In 2015, it is estimated that over 945,000 people reside here. As the first state to ratify the United States Constitution on December 7, 1787, The State of Delaware is known as "The First State." The structure of the State's government, which is similar to other states, consists of three branches that operate through a system of checks and balances. The executive branch is comprised of the Governor, Lt. Governor, State Treasurer, State Auditor, Attorney General and Insurance Commissioner. The legislative branch is bicameral and consists of a 21-member Senate and a 41-member House of Representatives. The judicial branch includes the Supreme Court, Superior Court, Court of Chancery, and other courts.

The State's reporting entity reflected in the CAFR, which is described more fully in Note 1 to the basic financial statements, conforms to the requirements of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity and to better meet user needs and to address reporting entity issues that have arisen since the issuance of Statements No. 14 and No. 34. Consequently, the transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the discretely presented component units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position.

The State budgets and controls its financial activities on the cash basis of accounting during its fiscal year. In compliance with State law, the State records its financial transactions in either of two major categories - the budgetary general fund or budgetary special funds. References to these funds include the terms "budgetary" or "budgetary basis" to differentiate them from the GAAP funds of the same name which encompass different funding categories. GAAP fund definitions for accounting purposes differ from those of the budgetary basis. General and special funds are fully explained in Note 1 to the basic financial statements.

The budgetary general fund provides for the cost of the State's general operations and is credited with all tax and other revenue of the State not dedicated to budgetary special funds. All disbursements from the budgetary general fund must be authorized by appropriations of the General Assembly.

Budgetary special funds are designated for specific purposes. The appropriate budgetary special fund is credited with tax or other revenue allocated and is charged with the related disbursements. Examples of specific uses of budgetary special funds include the Transportation Trust Fund, which collects some of its revenue through motor fuel taxes and tolls. Federal payments, unemployment compensation and local school funds are examples of nonappropriated special funds. Some special funds, such as the Delaware State Housing Authority and the State Pension Office, contain both appropriated funds for operations and non-appropriated funds for specific programs, such as public housing and pension benefits.

Federal funds, which are credited to budgetary special funds, are not appropriated, but are subject to the review and approval of the State Office of Management and Budget and the Delaware State Clearinghouse Committee for Federal Aid Coordination. The Committee is comprised of 10 members, including the Secretary of Finance, Director of the Office of Management and Budget, Director of the Delaware Economic Development Office, the Controller General, and six legislators.

## **Budgetary Control and Financial Management Systems**

Disbursements are controlled by an encumbrance accounting system, via purchase orders, designed to provide information on the actual extent of the State's obligations and guard against over-committing available funds. Appropriations are reduced immediately when purchase orders are issued for goods and services. The total amount of budgetary general fund cash disbursements, plus unliquidated encumbrances, cannot exceed the amount appropriated by the General Assembly for any specific budgetary line items by department. Internal controls prevent State organizations from spending beyond budgetary limits and statutory requirements described in the Budget and Accounting Manual (the BAM), which dictates the process for handling cash, assets, the use of credit cards, payroll procurement, budgeting and approvals over all financial transactions. (See Notes to Required Supplementary Information for more details).

The majority of the State's financial transactions are processed through the State's statewide accounting system, which is a comprehensive, enterprise-wide financial system. However, certain special funds have financial activity external to that system, such as the Delaware Transportation Authority, the Delaware State Housing Authority and Delaware State University. This activity is governed in strict adherence to legislative regulations and guidelines established by their boards. In addition, these entities are audited annually and produce published financial reports.

## **Budget Process**

Each fall, State organizations submit requests for operating and capital funds for the next fiscal year to the Office of Management and Budget and public hearings are held to review the requests. The Governor's proposed operating and capital budgets for the general fund and special funds, including the Transportation Trust Fund, are then drafted and presented by the Governor to the General Assembly in January. The General Assembly's Joint Finance and Bond Bill Committees hold hearings and mark up the Governor's proposed operating and capital budgets. As amended, the budgets are expected to be enacted on July 1.

## **Appropriation Limit**

The State Constitution limits annual appropriations by majority vote of both houses of the General Assembly to 98% of estimated budgetary general fund revenue plus the unencumbered budgetary general fund balance from the previous fiscal year. An exception to this limit may be made in the event of a declared emergency, with the approval of a three-fifths vote of the members of each house of the General Assembly. No appropriation may be made which exceeds 100% of estimated budgetary general fund revenue plus the unencumbered general fund balance

from the previous fiscal year.

### **Tax Limitations**

The State Constitution was amended in May 1980 to limit tax and license fee increases or the imposition of any new taxes or fees to a three-fifths vote of each house of the General Assembly, rather than by a simple majority vote. An exception exists for tax increases to meet debt service on outstanding obligations of the State for which insufficient revenue is available when such debt service is due.

### **Revenue and Expenditure Forecasting**

The Delaware Economic and Financial Advisory Council (DEFAC), an entity created by executive order in 1977, is comprised of 33 members from the executive and legislative branches of State government and the private sector, as appointed by the Governor. DEFAC submits revenue and expenditure forecasts for the Budgetary General Fund and the Transportation Trust Fund to the Governor and the General Assembly regularly throughout the fiscal year. These forecasts are meant to ensure compliance with State constitutional limits on spending authority so future expenditures do not exceed expected revenues. In addition, revenue forecasts near year-end for the next fiscal year are utilized to calculate the corresponding statutory debt limits.

DEFAC prepares revenue estimates six times each fiscal year in September, December, March, April, May and June for the current fiscal year and the succeeding two fiscal years. A revenue forecast for the current fiscal year and the succeeding four fiscal years is generated once each year, generally in September. In addition, budgetary general fund and transportation trust fund expenditure forecasts are generated for the current fiscal year in September, December, March, April, May and June.

Additionally, DEFAC advises the Governor and General Assembly on economic conditions in the State and advises the Governor and the Secretary of Finance on tax policy. An independent, in-depth review of the State's revenue portfolio recommends changes to certain of the State's tax policy and an expenditure review committee looks for state-wide cost cutting measures. DEFAC meetings, as well as meetings of the revenue and expenditure review committees, are open to the public and provide a forum for members of the public and private sectors to exchange views on matters of economic and fiscal concern for the State.

## **ECONOMIC CONDITION AND OUTLOOK**

Delaware's recent economic performance has largely mirrored national trends in terms of employment and income growth. The State's average unemployment rate for calendar year 2015 fell to 4.8% from 5.7% in calendar year 2014 comparing favorably to the nation and to the Mid-Atlantic region at 5.3% and 5.4%, respectively. Despite job losses at DuPont and other large employers, employment levels continue to grow due to strong growth in professional business services and financial services and are expected to match national growth rates for the remainder

of the decade. Aggregate personal income growth is expect to slightly lag national growth levels due, in part, to high levels of in-migration among retirees.

Aided by active economic development policies, Delaware's economy is based in large part on service-providing enterprises, especially financial activities. Delaware has targeted statutory and tax policy changes to encourage financial sector development and to retain important employers. The State's major financial service employers, Bank of America, N.A., JPMorgan Chase & Co., Barclays Bank Delaware and Capital One, continue to maintain a major presence in the State and demonstrate the State's importance as a financial center. The main driver of Delaware's financial sector, the credit card industry, has benefited from strong consumer fundamentals, a steady U.S. economic recovery, and rising demand for credit card borrowing.

In response to the potential loss of The Chemours Company, Delaware enacted The Delaware Competes Act, which changes the method employed to apportion taxable income for multi-state corporations. Chemours, DuPont's spin-off of its performance chemicals segment, continues to employ over 1,000 in Delaware.

Likewise, when faced with the news that Dow-Dupont planned to split the merged company into three separate and independent corporations, Delaware was instantly thrust into a multi-state competition for headquarters and jobs. Delaware determined that its viability versus other states depended on the State's ability to distinguish itself as a natural location for global headquarters and a center for research and development. The State responded with The Commitment to Innovation Act, which modernized Delaware's research and development tax credit and established job retention tax credits for firms that establish worldwide headquarters in the State. The Commitment to Innovation Act was among the critical elements in Dow-Dupont's decision to locate the headquarters of both the agricultural company and specialty products spin-offs in Delaware.

Although less reliant on manufacturing, the State has made important strides to reinvigorate, modernize, and repurpose its manufacturing base. For example, the site of the former Chrysler plant was purchased by the University of Delaware to pursue science, technology & advanced research. The "STAR" campus now houses a health sciences complex dedicated to advanced healthcare research, education and delivery. Future development will focus on leading research in health care, cyber security and alternative energy.

To enhance its position in an increasingly competitive gaming market and to increase employment across the State, Delaware diversified its gaming portfolio to include sports betting. Fiscal 2017 will mark the eighth season that Delaware has offered parlay betting on pro football games. Including Keno locations, in fiscal 2017, Delaware will have over 100 retail outlets available to players. Since i-gaming was introduced in 2013, Delaware and Nevada created the Multi-State Internet Gaming Agreement allowing poker players to participate in regulated multi-jurisdictional online poker rooms. Delaware continues to explore additional multistate compacts for online gaming as well as additional gaming offerings. Net revenues from i-gaming, including mobile i-gaming, continues to increase.

Through strategic investment, the State continues to pursue high technology industries, including life sciences research and development, pharmaceuticals, agricultural biotechnology, human biotechnology, information technology and, more recently, alternative energy and other green industries. The State has made a significant investment to establish the Delaware Biotechnology Institute, a partnership involving State government, the State's higher education institutions and the private sector. The Institute is designed to expand the State's scientific base and create opportunities for the development of new technologies in the emerging life sciences field.

Delaware's business-friendly legal system continues to attract new incorporations. Even though initial public offering ("IPO") activity has not reached pre-recession levels, the State has continued to register a record number of business formations in the form of limited liability companies and limited partnerships. As of December 2015, the total number of business entities registered with the Division of Corporations exceeded 1,181,000.

### **INDEPENDENT AUDIT**

The accounting firm of CliftonLarsonAllen, LLP has audited the State's basic financial statements for the fiscal year ended June 30, 2016. Based upon that audit, the independent auditor has issued an unmodified opinion that the State of Delaware's basic financial statements are presented fairly, in all material respects, in conformity with GAAP. Their report on the basic financial statements has been included in the financial section of this CAFR.

The State Auditor of Accounts performs periodic financial and compliance audits of the various State departments, agencies and institutions of higher education and has primary responsibility for conducting audits under the Office of Management and Budget Uniform Grant Guidance. Results of these audits may be found in separately issued audit reports and may be obtained by contacting the Office of Auditor of Accounts, Townsend Building, Suite 1, 401 Federal Street, Dover, Delaware 19901.

### **CERTIFICATE OF ACHIEVEMENT**

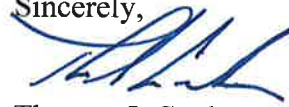
The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the State of Delaware for its CAFR for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish a timely, easily readable, and efficiently organized comprehensive annual financial report that conforms to program standards. The report must comply with both generally accepted accounting principles and all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The State has received a Certificate of Achievement for the last 21 consecutive years (fiscal years 1995 – 2015). We believe that this year's report continues to conform to the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGEMENTS

The Department of Finance takes great pride in the preparation of this Comprehensive Annual Financial Report. I wish to express my sincere appreciation to the many individuals whose dedicated efforts have made this report possible. This report could not have been accomplished without the professionalism and dedication demonstrated by the Division of Accounting and the financial and management personnel of each State agency, component units, and all other organizations within the reporting entity. This report is also available on the internet at: <http://accounting.delaware.gov/cafrdefault.shtml>.

Sincerely,

A handwritten signature in blue ink, appearing to read 'T. Cook', with a stylized flourish at the end.

Thomas J. Cook  
Secretary of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**State of Delaware**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

**State of Delaware  
Selected State Officials  
As of June 30, 2016**

**KEY ELECTED OFFICIALS:**

Governor	Jack A. Markell
Lt. Governor	Vacant
Attorney General	Matthew Denn
State Treasurer	Ken Simpler
Auditor of Accounts	R. Thomas Wagner, Jr.
Insurance Commissioner	Karen Weldin Stewart

**KEY LEGISLATIVE OFFICIALS:**

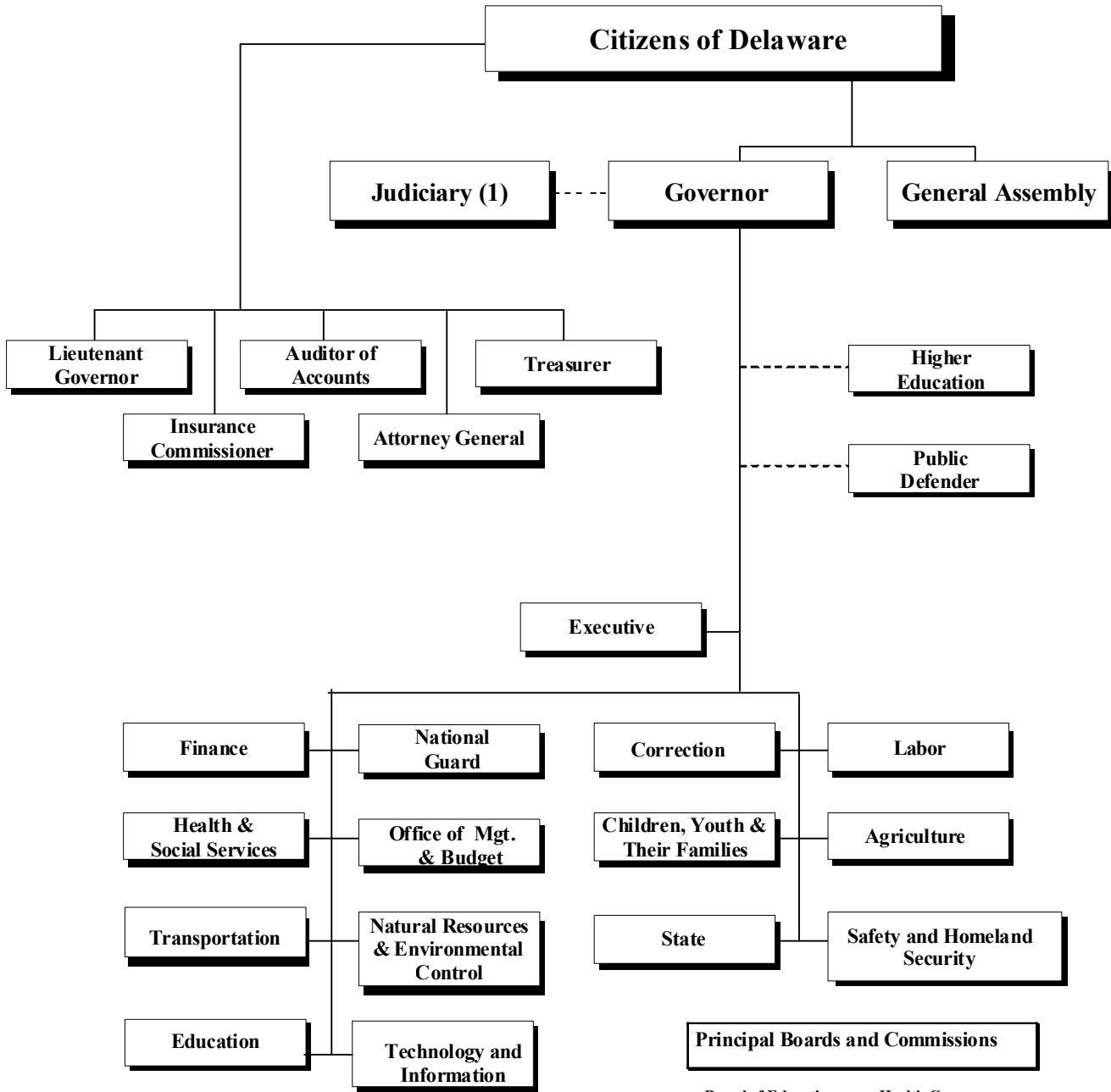
President Pro Tem of the Senate	Patricia M. Blevins
Senate Majority Leader	David B. McBride
Senate Minority Leader	F. Gary Simpson
Speaker of the House of Representatives	Peter C. Schwartzkopf
House of Representatives Majority Leader	Valerie Longhurst
House of Representatives Minority Leader	Daniel B. Short

**CABINET POSITIONS AND OTHER APPOINTED OFFICIALS:**

Agriculture	W. Edwin Kee, Jr.
Correction	Robert Coupe
Delaware Economic and Development Office	Bernice Whaley
Delaware State Housing Authority	Anas Ben-Addi
Education	Steven H. Godowsky
Finance	Thomas J. Cook
Health and Social Services	Rita M. Landgraf
Labor	Patrice Gilliam-Johnson
Delaware National Guard	(Major General) Frank D. Vavala
Natural Resources and Environmental Control	David Small
Office of Management and Budget	Brian Maxwell
Safety and Homeland Security	James N. Mosley
Services for Children, Youth and Their Families	Carla L. Benson-Green
State	Jeffrey W. Bullock
Technology and Information	James Collins
Transportation	Jennifer Cohan

# State of Delaware

## Oranizational Chart



(1) Judiciary - All Judges are appointed by the Governor with the consent of the Senate.

# Financial Section

Comprehensive Annual Financial Report

## INDEPENDENT AUDITORS' REPORT

The Honorable Governor and  
Honorable Members of the State Legislature  
State of Delaware

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Delaware (the State), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of certain agencies and component units of the State of Delaware, which represent the indicated percent of total assets and deferred outflows of resources, total net position and fund balance, and total revenues as presented in the table below. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it related to the amounts included for those funds and component units, is based solely on the reports of the other auditors.

	Percentage Audited by Other Auditors		
	Assets and Deferred Outflows of Resources	Revenues	Net Position/ Fund Balance
Governmental Activities	1%	0%	8%
Business-type Activities	98%	93%	97%
Discretely Presented Component Units	100%	100%	100%
General Fund	2%	0%	4%
Lottery Fund	100%	100%	100%
DelDOT Fund	100%	100%	100%
Aggregate Remaining Fund Information	95%	51%	96%

The Honorable Governor and  
Honorable Members of the State Legislature  
State of Delaware

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Delaware Sustainable Energy Utility, Delaware State University and the Riverfront Development Corporation of Delaware were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Delaware as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the accompanying table of contents (collectively referred to as RSI) 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 and other auditors 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.

The Honorable Governor and  
Honorable Members of the State Legislature  
State of Delaware

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Delaware's basic financial statements. The introductory section, supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, on our consideration of the State'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 result 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 State's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 22, 2016

## **STATE OF DELAWARE**

### **Management's Discussion and Analysis**

The following is a discussion and analysis of the State of Delaware's (the State's) financial activities as of and for the fiscal year ended June 30, 2016. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages i-vii of this report, and the State's financial statements, which follow this section.

These financial statements have been prepared using the financial accounting model adopted by the Governmental Accounting Standards Board (GASB).

#### **Financial Highlights**

- The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,292.1 million (net position). Discretely presented component units reported a net position of \$1,182.7 million, an increase of \$48.6 million from the previous year as restated, resulting from the implementation of GASB 72 and other conforming changes.
- As a result of its operations, the primary government's total net position decreased by \$358.8 million (9.8%) in fiscal year 2016 when compared to the previous year's ending net position. Net position of governmental activities decreased by \$511.6 million (341.8%) from the previous year, while net position of the business-type activities increased \$152.8 million (4.4%) from the previous year.
- The State's governmental funds reported combined ending fund balances of \$1,627.1 million, a decrease of \$347.9 million (17.6%) in comparison with the prior year balance.
- The general fund reported unassigned fund balance of \$390.4 million which was 7.7% of total general fund expenditures.
- The State's total general obligation debt increased \$27.5 million (1.5%) during fiscal year 2016 to \$1,902.9 million. Of the State's outstanding general obligation debt, \$517.4 million (27.2%) has been issued on behalf of local school districts, which is supported by the property tax revenues of those districts. In addition, the State has \$1,036.2 million in outstanding revenue bonds with \$49.9 million for energy conservation projects and \$986.3 million for transportation projects.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information and other supplementary information, in addition to the basic financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the State's operations, in a manner similar to a private sector business.

The statement of net position reports the difference between the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The statement of activities presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event that created the change occurs, regardless of the timing of related cash flows. As a result, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the State that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the State include general government, health and children's services, judicial and public safety, natural resources and environmental control, labor and education. The business-type activities of the State include transportation, lottery and unemployment services.

The government-wide financial statements include not only the State (known as the primary government), but also legally separate entities for which the State is financially accountable (discretely presented component units). These entities include the Delaware State Housing Authority, the Diamond State Port Corporation, the Riverfront Development Corporation, Delaware State University, the Delaware Agricultural Lands Preservation Foundation and 27 charter schools (28 charter schools have been approved by the State, but one was not operating during fiscal year 2016). Financial information for these component units is reported separately from the financial information presented for the primary government. The government-wide financial statements can be found on pages 20 - 21 of this report.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental Funds* Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources on hand at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The State's governmental funds include the general, federal, local school district, and capital projects funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance (deficit) for these funds.

The basic governmental funds financial statements can be found on pages 22 - 25 of this report.

The combining schedule for the local school districts that reflects the local school district fund can be found on pages 149 - 152 of this report.

The State budgets and controls its financial activities on the cash basis of accounting. In compliance with State law, the State records its financial transactions in either of two major categories – the General Fund or the Special Fund. References to these funds in this report include the terms “budgetary” or “budgetary basis” to differentiate them from the GAAP funds of the same name which encompass different funding categories. The State adopts an annual appropriated budget for its budgetary general fund and special fund. A budgetary comparison schedule has been provided for the budgetary general fund and special fund to demonstrate compliance with the budget. The schedules can be found on page 127 of this report.

- *Proprietary Funds* Proprietary Funds charge customers for the services they provide – whether they are provided to outside customers (enterprise funds) or other State agencies and other governments (internal service funds). Proprietary Funds provide the same type of information as the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for the Lottery, Unemployment Insurance Trust Fund and the Delaware Department of Transportation (DelDOT), all of which are considered to be major funds of the State.

The basic proprietary fund financial statements can be found on pages 26 - 28 of this report.

- *Fiduciary Funds* The State acts as a fiduciary to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State of Delaware's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. These funds are used where the State holds assets in trust or as an agent for others, including the pension trust funds and agency funds.

The basic fiduciary fund financial statements can be found on pages 29 - 30 of this report. The combining fiduciary and agency fund statements can be found on pages 144 - 148.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 - 123 of this report.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain Required Supplementary Information (RSI) concerning the status of the State's legally adopted budget, the maintenance of the State's infrastructure and additional schedules related to funding status and progress, annual pension costs and actuarial methods and assumptions for the State's pension and OPEB trusts. The RSI can be found on pages 124 - 142 of this report.

### **Statewide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$3,292.1 million at the close of the most recent fiscal year.

The largest portion of the State's net position of \$5,040.2 million reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment) less any related outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position, comprising \$1,243.8 million of total net position, represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The remaining portion of the State's net position represents the unrestricted deficit net position of \$2,991.9 million.

## Condensed Financial Information - Primary Government

As of June 30, 2016

(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Non-capital Assets	\$ 2,890,963	\$ 2,902,212	\$ 748,534	\$ 489,973	\$ 3,639,497	\$ 3,392,185
Capital Assets	3,768,563	3,716,412	4,402,702	4,321,292	8,171,265	8,037,704
Total Assets	6,659,526	6,618,624	5,151,236	4,811,265	11,810,762	11,429,889
Deferred Outflows of Resources	194,889	191,069	49,649	29,645	244,538	220,714
Liabilities:						
Long-term Liabilities						
Outstanding	5,897,362	5,183,775	1,278,247	1,078,635	7,175,609	6,262,410
Other Liabilities	1,074,590	913,974	239,538	218,128	1,314,128	1,132,102
Total Liabilities	6,971,952	6,097,749	1,517,785	1,296,763	8,489,737	7,394,512
Deferred Inflows of Resources	244,380	562,296	29,078	42,911	273,458	605,207
Net Position:						
Net Investment in						
Capital Assets	1,534,319	1,764,526	3,505,882	3,445,879	5,040,201	5,210,405
Restricted	937,764	745,852	306,057	212,681	1,243,821	958,533
Unrestricted Deficit	(2,834,000)	(2,360,730)	(157,917)	(157,324)	(2,991,917)	(2,518,054)
Total Net Position	\$ (361,917)	\$ 149,648	\$ 3,654,022	\$ 3,501,236	\$ 3,292,105	\$ 3,650,884

The capital assets of the governmental activities increased by \$52.2 million (1.4%) since June 30, 2016. The increase is due largely to an increase in construction projects, specifically continued school construction.

The decrease in governmental activities non-capital assets is due to a decrease in cash and investments with increased general government expenditures and increases in receivables for taxes and federal grants.

The increase in governmental activities long-term liabilities outstanding of \$713.6 million (13.8%) is primarily due to an increase in the net pension liability of \$300.0 million and an increase in the other post-employment benefits liability, escheat liability and general obligation bonds. At June 30, 2016, the long-term obligation for OPEB was \$2,263.1 million, an increase of \$204.9 million (10.0%) from fiscal year 2015. The OPEB obligation will increase each year as the State continues to defer full funding of its annual required contribution. In addition, the escheat liability increased \$215.0 million (122.9%) with more anticipated claims due to the completion of a more automated claims process and general obligation long term debt increased by \$27.5 million (1.5%) from fiscal year 2015. The State's debt as a percentage of the State's personal income was 7.1% in fiscal year 2016 and 6.8% for fiscal year 2015. The State's debt burden reflects its centralized role in financing facilities, such as schools and prisons.

Deferred outflows of resources are \$194.9 million, an increase of \$3.8 million (2%) and are largely for the pension contributions made subsequent to the measurement date. Deferred

inflows of resources are \$244.4 million, a decrease of \$317.9 million (56.5%) and are mostly for the differences between the projected and actual investment earnings on the pension plan assets.

The following condensed financial information is derived from the government-wide Statement of Activities and reflects the changes in net position during the fiscal year:

<b>Changes in Net Position - Primary Government</b>						
<b>For Year End June 30, 2016</b>						
(Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 546,975	\$ 534,246	\$ 1,321,399	\$ 1,245,535	\$ 1,868,374	\$ 1,779,781
Operating Grants and Contributions	2,196,373	2,076,241	202,900	234,092	2,399,273	2,310,333
General Revenues:						
Taxes:						
Personal Income Taxes	1,112,368	1,140,248	-	-	1,112,368	1,140,248
Business Taxes	2,294,173	2,291,067	-	-	2,294,173	2,291,067
Real Estate Taxes	573,968	552,215	-	-	573,968	552,215
Other Taxes	244,526	224,842	-	-	244,526	224,842
Investment Income (Loss)	12,584	10,511	6,726	2,213	19,310	12,724
Miscellaneous	16,694	13,654	-	-	16,694	13,654
Total Revenues	6,997,661	6,843,024	1,531,025	1,481,840	8,528,686	8,324,864
Expenses:						
General Government	906,593	572,708	-	-	906,593	572,708
Health and Children's Services	3,087,138	3,007,367	-	-	3,087,138	3,007,367
Judicial and Public Safety	714,932	718,645	-	-	714,932	718,645
Natural Resources and Environmental Control	160,059	172,886	-	-	160,059	172,886
Labor	74,766	73,155	-	-	74,766	73,155
Education	2,722,666	2,612,590	-	-	2,722,666	2,612,590
Interest Expense	91,894	60,557	-	-	91,894	60,557
Lottery	-	-	382,424	358,907	382,424	358,907
Transportation/DelDOT	-	-	682,364	624,452	682,364	624,452
Unemployment	-	-	64,629	68,699	64,629	68,699
Total Expenses	7,758,048	7,217,908	1,129,417	1,052,058	8,887,465	8,269,966
Increase (Decrease) in Net Position Before Transfers	(760,387)	(374,884)	401,608	429,782	(358,779)	54,898
Transfers	248,822	249,896	(248,822)	(249,896)	-	-
Increase (Decrease) in Net Position	(511,565)	(124,988)	152,786	179,886	(358,779)	54,898
Net Position - Beginning of Year	149,648	274,636	3,501,236	3,321,350	3,650,884	3,595,986
Net Position - End of Year	\$ (361,917)	\$ 149,648	\$ 3,654,022	\$ 3,501,236	\$ 3,292,105	\$ 3,650,884

## Governmental Activities

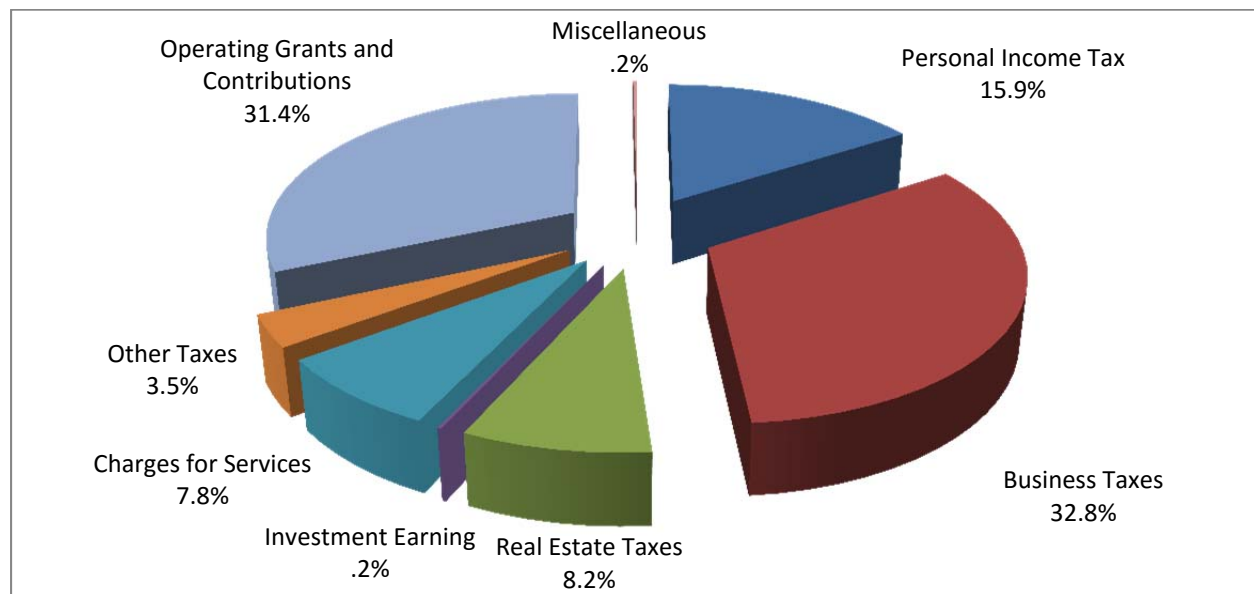
Since fiscal year 2015, the net position for governmental activities has decreased by \$511.6 million. A comparison of the cost of services by function for the State's governmental activities is shown in the following chart, along with the revenues used to cover the net expenses of the governmental activities. Key elements of the decrease in the State's net position from governmental activities are as follows:

Total general revenues of governmental activities increased overall by \$21.8 million (0.5%) relating primarily to decreases in personal income taxes of \$27.9 million (2.4%), increases in business and other taxes of \$3.1 million (0.1%), increases in real estate taxes of \$21.8 million (3.9%), and increases in other taxes of \$19.7 million (8.8%). The decrease in personal income tax revenues was attributable to an increase in refunds in the current fiscal year, offsetting the actual increase in collections and the increase in business taxes was due to increases in franchise, gross receipts and other taxes as a result of increased business operations and sales offset by decreases in corporate income taxes due to lower business profits decreasing collections and

increasing refunds. The increase in real estate tax revenues is the result of increased millage rates along with increased assessments from new construction due to new developments.

Program revenues increased by \$132.8 million (5.1%) from the prior year due to an increase in operating grants of \$120.1 million (5.8%). Health and Children's Services received additional funding of \$132.9 million (7.9%) due largely to increased Medicaid funds. Charges for services increased \$12.7 million (2.4%) due largely to increases in fines and fees.

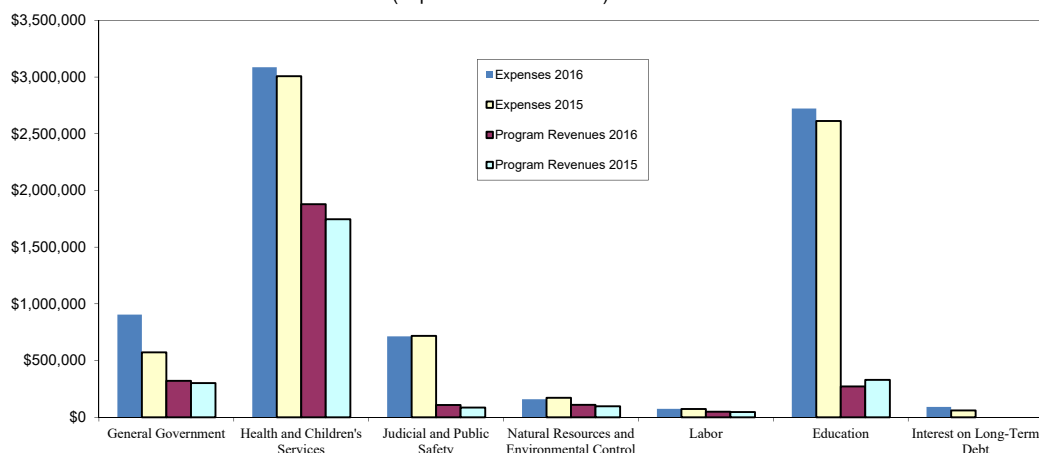
### Revenues by Source – Governmental Activities



Expenses for governmental activities, not including interest on long-term debt, increased during fiscal year 2016 by \$508.8 million (7.1%). The increase in governmental activities is due to the increased spending of \$110.1 million (4.2%) for Education, \$79.8 million (2.7%) for Health and Children's Services and \$333.9 million (58.3%) for General Government. Expenses decreased for DNREC by \$12.8 million (7.4%). Health and Children's Services increased as a result of a general increase in the population served including increases in Medicaid along with rising health care costs. Education increased due to additional costs for salaries and benefits as the student population continues to increase. General Government expenses increased as a result of changes in the pension and escheat liabilities resulting in an additional \$100.0 million and \$215.0 million, respectively in expenses as well as continued increases in health care and other related benefits of more than \$12.0 million. DNREC decreased due to lower costs for pollution remediation and contracted costs.

### Expenses and Program Revenues- Governmental Activities

(Expressed in Thousands)



### Business-type Activities

The net position for business-type activities increased by \$152.8 million (4.4%) in fiscal year 2016. This increase is comprised of a \$102.9 million (3.0%) increase in net position for DelDOT plus a \$49.9 million (83.9%) increase in the Unemployment Insurance Trust Fund.

The increase of \$49.9 million in fiscal year 2016 compared to an increase of \$64.7 million in fiscal year 2015 for the Delaware Unemployment Insurance Trust Fund net position is due to decreases in the State unemployment taxes. The operating revenues decreased by \$19.1 million (14.6%) with the decrease in taxes collected and operating expenses decreased by \$3.9 million (5.7%) due to decreases in unemployment benefits paid. Both decreases are a result of continued improvements in the economy with less individuals unemployed and collecting benefits.

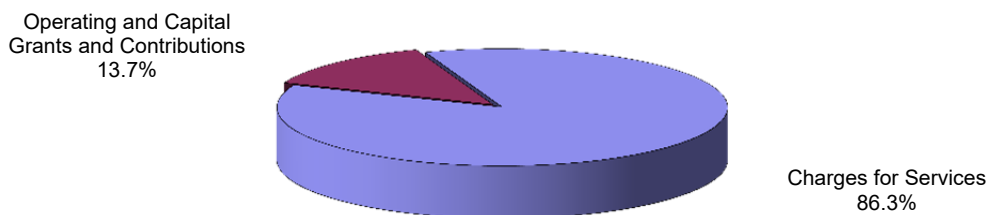
DelDOT's net position at June 30, 2016 increased by \$102.9 million from June 30, 2015. Change in net position decreased from \$115.2 million in fiscal year 2015 to \$102.9 million in fiscal year 2016. DelDOT's total operating revenues increased by \$61.6 million (12.0%) while operating expenses increased by \$55.3 million (9.2%). The change in revenue is primarily attributable to an increase in toll revenues with increased travel and increased motor vehicles revenues and motor fuel taxes. The increase in operating expenditures is primarily a result of increases in professional fees for planning projects and paving and rehabilitation of roads. Total capital assets (net of depreciation) increased \$81.4 million to \$4,402.7 million during fiscal year 2016 primarily due to the completion of road projects and equipment purchases.

There was no change in the Lottery's net position. By law, the Lottery's net position cannot exceed \$1.0 million. The overall lottery revenue increased \$33.4 million (5.6%). The most significant increases were the instant games with an increase of \$11.3 million due in part to a new higher price point ticket and the Powerball tickets with an increase of \$9.6 million

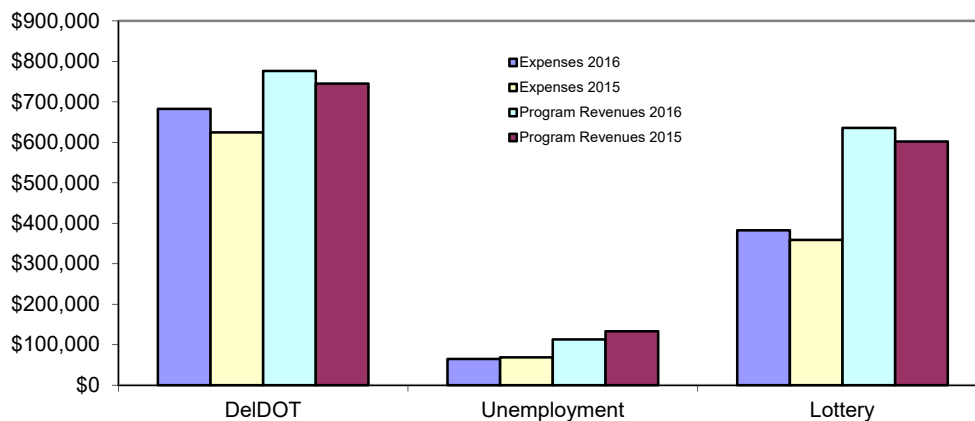
based on larger jackpots. In addition video net proceeds increased \$3.3 million, table games increased \$2.5 million and the sports lottery and keno increased \$2.8 million.

The Lottery transferred \$252.9 million in gaming revenues to the State, an increase of \$9.9 million (4.1%). The total cost of sales and prizes increased by \$23.4 million (6.7%) largely due to an increase in prizes of \$17.5 million based on the increase in instant ticket prizes in addition to an increase in cost of sales due to higher commissions paid and increased vendor fees.

### Revenues by Source – Business-type Activities



### Expenses and Program Revenues – Business-type Activities



### Financial Analysis of the State's Funds

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental Funds***

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the State's financing requirements. Unassigned fund balances may serve as a useful measure of a government's net resources at the end of the fiscal year.

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. This is further described in note 1 and note 18 of the basic financial statements.

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1,627.1 million, a decrease of \$347.9 million over the prior year fund balance.

Of this amount, \$32.1 million is nonspendable (2.0%), either due to its form or legal constraints, \$937.7 million (57.6%) is restricted for specific programs by external constraints and \$183.3 million (11.3%) is committed for specific purposes pursuant to constraints imposed by a formal action of the Delaware Legislature. An additional \$83.6 million (5.1%) has been assigned to specific purposes by management. The remaining \$390.4 million (24.0%) of fund balance is unassigned.

***General Fund***

The General Fund accounts for the operation and administration of the State. The fund balance decreased by \$329.7 million for the fiscal year.

Total General Fund revenues increased by \$24.0 million (0.6%) which was due to several factors. Personal income taxes decreased by \$27.9 million, which was due to increased personal tax refunds. This decrease was offset by increased business taxes of \$3.1 million due to an increase in franchise, gross receipts and other taxes offset by decreased corporate income taxes. In addition, other tax revenue, rentals and sales and other revenue increased by \$19.7 million, \$8.2 million and \$18.0 million, respectively.

Total General Fund expenditures increased by \$361.5 million (7.7%). This was primarily due to increases in General Government of \$255.1 million and Education of \$90.7 million. The increase in expenditures for General Government was in large part due to an increase in the expenses for the escheat related to the increased liability and ongoing additional claims with the improvements in the claims process. Education increases were the result of additional salaries and benefits to serve a rising student population.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$390.4 million with total fund balance of \$898.9 million.

*Federal Funds*

Federal Funds represent pass through grants used for designated purposes. These funds report federal grant revenues and the related expenditures to support the State's grant programs. Total federal fund revenues and expenditures increased by \$121.2 and \$109.2 million, respectively. Revenues and expenditures increased for Health and Children's Service by \$132.6 and \$110.6 million, respectively due largely to increased services including Medicaid.

*Local School District Funds*

These funds are used to account for activities relating to the State's local school districts, which are funded by locally raised real estate taxes and other revenues. The fund balance decreased by \$15.7 million to \$268.8 million due to an increase in expenditures to serve the increasing student population.

*Capital Project Funds*

Capital Project Funds are used to account for the construction and acquisition of capital assets of the primary government. Capital outlay expenditures totaled \$231.9 million in fiscal year 2016, an increase of \$31.8 million with additional projects underway for both educational institutions and general government in fiscal year 2016.

*Proprietary Funds*

The State's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail. The Proprietary Fund financial statements provide separate information for the Lottery, Unemployment Insurance Trust Fund and the DelDOT Fund, all of which are considered to be part of the primary government and major funds of the State.

Total Proprietary Fund net position increased in fiscal year 2016 by \$152.8 million as a result of operations. Pages 11-12 discuss the changes in net position of the business-type activities.

**General Fund Budgetary Highlights**

The Budgetary General Fund is the chief operating fund of the State. At the end of the fiscal year, total fund balance increased by \$30.8 million.

Revenues were \$10.6 million (0.3%) less than the previous fiscal year. This was due to decreases in the corporate income tax of \$126.2 million (46.8%), offset by increases in personal income tax of \$36.2 million (2.9%), franchise fees of \$27.6 million (4.1%), limited partnership and LLCs of \$24.5 million (10.0%), gross receipts of \$7.8 million (3.5%) and cigarette taxes of \$9.5 million (9.3%). The \$126.2 million decrease in corporate income tax was the result of overall lower business profits decreasing receipts and increasing refunds, with one single company refund claim increasing the normal year average refunds of \$40 million to over \$80 million.

Expenditures were \$81.1 million (2.1%) more than the previous fiscal year. Salaries and wages increased by \$23.2 million (1.7%) and benefit costs increased by \$50.7 million (12.6%), Grants-in-Aid decreased by \$13.5 million (3.7%), Medicaid costs increased by \$6.6 million (1.0%), contractual services increased by \$1.6 million (0.3%) and supplies and materials decreased by \$1.1 million (1.6%).

The original budget authorizes current fiscal year operating and administrative expenditures. Included in the final budget are the original budget, prior year encumbrances, multi-year project budgetary carry-forwards from the prior fiscal years, and all modifications to the original budget. The most significant components are the original budget and carry-forwards from the prior fiscal year. The unused appropriations from a prior year will carry forward to the final budget for authorized capital projects and grants until the funds are spent.

The significant budget expense variances from fiscal year 2016 to fiscal year 2015 are \$13.7 million, \$24.9 million and \$62.7 million increases for Judicial, Health and Children's Services, and Education, respectively due to multi-year ongoing projects, and a \$17.7 million decrease in General Government as prior year projects were completed.

Funded projects, which are not completed by year-end, may carry over unspent funds into fiscal year 2016. Unspent funds are reflected in the final budget which may cause variances from original budget.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

The State's investment in capital assets for its governmental and business-type activities, as of June 30, 2016, amounted to \$8,171.3 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles and equipment, easements, roads, highways, and bridges. The total increase in capital assets for governmental activities was \$52.2 million (1.4%) and the increase for business-type activities was \$81.4 million (1.9%).

Major capital asset changes during the current fiscal year included the following:

- The increase in business-type activities is due to increased spending at DelDOT for the West Dover Connector, U.S. 301, Wilmington Riverfront/Christina River Bridge, S/R-1/I-95 Interchange and truck and tractor purchases.
- The increase in governmental activities is due to a number of new projects begun in the current year, especially for school projects.

As allowed by GASB, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include 4,452 centerline miles and 842 bridges that the State is responsible to maintain with a total book value of \$3,823.2 million as of June 30, 2016.

It is the State's policy to maintain at least 85% of its highways at a fair or better condition level and 75% of its bridge systems at a fair or better condition level. No more than 10% of bridges and 15% of roads should be in substandard condition. The Department of Transportation is using the "modified approach" for determining condition assessments on its roads and bridges. The modified approach requires that the Department initially set a percentage benchmark for maintaining the infrastructure in fair or better condition and report at least every three years on their condition assessment.

Of the Department's 842 bridge structures that were rated in 2016, 71.9% received a good or better BCR rating, 23.2% were rated fair, and 4.9% received a substandard rating. Of the 8,039,759 square feet of bridge deck that was rated, 70.9% received an OPC condition rating of good or better, 24.1% received a fair rating, and 5.0% received a substandard deck rating. The condition of bridges is measured using the "Bridge Condition Rating" (BCR) which is based on the Federal Highway Administration (FHWA) Coding Guide, "Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation's Bridges." The BCR uses a measurement scale that is based on a condition index ranging from 0 to 9. For reporting purposes, substandard bridges are classified as those with a rating of 4 or less. The good or better condition bridges were taken as those with ratings of between 6 and 9. A rating of 5 is considered fair.

The condition of the State's road pavement is measured using the Overall Pavement Condition (OPC) system, which is based on the extent and severity of various pavement distresses that are visually observed. The OPC system uses a measurement scale that is based on a condition index ranging from 0.0 for poor pavement to 5.0 for pavement in good condition. The State's policy is to maintain at least 85% of its highways at a fair or better condition level, which the State exceeds.

The fiscal year 2016 estimate to maintain and preserve DelDOT's infrastructure was \$242.3 million, but the actual expenditures were \$281.6 million, which is \$39.3 million over the estimate. The estimated expenditures represent annual budget or bond bill authorizations and the actual expenditures represent the current year spending, which includes cumulative authorizations.

Additional information on the State's capital assets can be found in Note 1 on pages 46 - 47, Note 14 on pages 91 - 93 and starting on page 130 in the Required Supplementary Information.

A summary of the State's primary government's capital assets, net of depreciation is as follows:

## State of Delaware Capital Assets as of June 30, 2016

Net of Depreciation  
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 482,739	\$ 475,937	\$ 306,704	\$ 298,948	\$ 789,443	\$ 774,885
Land Improvements	180,638	174,635	-	-	180,638	174,635
Buildings	2,643,117	2,695,624	118,554	114,521	2,761,671	2,810,145
Easements	83,294	79,781	-	-	83,294	79,781
Equipment, Vehicles and						
Computer Software	103,283	91,700	138,571	130,518	241,854	222,218
Infrastructure	-	-	3,823,201	3,760,135	3,823,201	3,760,135
Construction-In-Progress	275,492	198,735	15,672	17,170	291,164	215,905
	<u>\$ 3,768,563</u>	<u>\$ 3,716,412</u>	<u>\$ 4,402,702</u>	<u>\$ 4,321,292</u>	<u>\$ 8,171,265</u>	<u>\$ 8,037,704</u>

**Long-Term Debt**

The State uses general obligation debt to finance capital projects. At the end of the current fiscal year, the State had total general obligation bond debt outstanding of \$1,902.9 million backed by the full faith and credit of the State. The State's debt burden reflects its centralized role in financing facilities, including school construction projects. As of June 30, 2016, \$517.4 million, or 27.2%, of the State's outstanding debt was issued on behalf of local school districts. Local school districts transferred \$66.6 million of property tax revenue to the State to cover related debt service during fiscal year 2016.

The State has no constitutional debt limits. However, in 1991, the State enacted legislation that limits debt issuance with a three-part test as follows:

- A 5% test restricts new debt authorization to 5% of budgetary general fund revenue as projected by the Delaware Economic and Financial Advisory Council (DEFAC) in June for the next fiscal year. Should actual revenue collections increase during the year, no additional authorizations are made. For fiscal year 2016, debt authorization was limited to \$196.9 million.
- A 15% test restricts debt issuance if the annual payments on all outstanding debt exceed 15% of estimated budgetary general fund and Transportation Trust Fund Revenue for the next fiscal year. Currently, these annual payments represent approximately 8% of estimated general fund and Transportation Trust Fund revenues.
- Finally, a cash balance test restricts debt issuance if the debt service payment in any year exceeds the estimated cumulative cash balance for the following fiscal year. For fiscal year 2016, the projected cash balance exceeded debt service.

Due to the State's statutory debt limits and its fiscal management, three principal rating agencies, Moody's Investor's Service, Fitch Ratings and Standard & Poor's, reaffirmed their triple-A ratings on the State's general obligation bonds during fiscal year 2016. On March 16, 2016, the State issued \$236.1 million of general obligation bonds maturing between March 1, 2017 and March 1, 2036. The bonds bear coupon rates of between 2% and 5% and yield between 0.49%

and 3.17%. Proceeds were used to fund various capital projects as authorized by the General Assembly and the remaining portion will be applied to an advance refunding of general obligation bonds. On June 30, 2016, the State issued \$85.5 million of general obligation bonds maturing between July 1, 2017 and July 1, 2031. The bonds bear coupon rates of between 2% and 5% and yield between 0.62% and 2.06%. Proceeds were used for an advance refunding of general obligation bonds.

In addition, the Sustainable Energy Utility, Inc. (SEU) had \$49.9 million of Revenue Bonds, Series 2011 outstanding as of June 30, 2016. These bonds were used to support general government initiatives and have been used to finance construction on energy efficient upgrades to facilities in the State. As such, that debt is reflected in the primary government statements as governmental activities. The bonds are secured by appropriations of the state organizations that are participating in the SEU program, but are not an obligation of the State.

Debt issued by the Delaware Transportation Authority does not constitute a debt of the State or a pledge of its general taxing power or of its full faith and credit. Rather, the outstanding revenue bonds are obligations of the Authority payable solely from and secured by a pledge and assignment of certain tolls and revenues such as motor fuel tax revenues, motor vehicle document fees and motor vehicle registrations. The Authority issued its U.S. 301 Project Revenue Bonds, Series 2015 (Sr. 301 Bonds) in an aggregate principal amount of \$212.5 million. Proceeds of the Sr. 301 Bonds will be used to finance the costs of the construction of the new U.S. 301. The Sr. 301 Bonds are secured by the revenues generated from the new U.S. 301 toll road as well as by a subordinate lien on the pledged revenues of the Transportation Trust Fund. The Authority also issued \$181.5 million of Transportation System Senior Revenue Bonds, Series 2016 to provide for an advance refunding of previously issued bonds. The Delaware Transportation Authority has revenue bonds outstanding of \$986.3 million to support its ongoing capital transportation program which includes \$79.6 million in Grant Anticipation Vehicle Bonds (GARVEEs), to finance a portion of the costs of completing the final design and right-of-way acquisition for a new U.S. 301.

Additional information on the State of Delaware's long-term debt can be found in Notes 7, 8 and 9 on pages 74 - 88 of this report.

### **Financial Management**

The State's financial management continues to be recognized by the premier credit rating from all three principal rating agencies: Aaa from Moody's Investor's Service, AAA from Fitch Ratings and AAA from Standard & Poor's. The ratings reflect Delaware's financial management practices that have become institutionalized within the State:

- Expenditure budgeting of 98% of available budgetary general fund revenue;
- Budgetary general fund revenue forecasts that are frequent, objective and often conservative;

- Three-part debt affordability test that limits debt authorization to 5% of budgetary general fund revenue; debt service to 15% of tax supported revenue; and the cash balance test;
- Consistent satisfaction of the State's budget reserve requirement – the State's rainy day fund has never fallen below its mandated 5% of general fund revenue; and
- Adequate funding of its pension plan.

### **Economic Factors and Next Year's Budgets and Rates**

DEFAC met on June 20, 2016 to prepare the final revenue and expenditure estimates upon which the fiscal year 2017 operating and capital budgets would be based. Forecasters suggest moderate growth with employment growth exceeding the expected national growth. Tax policy and accounting changes are favorable for fiscal 2017 revenue.

The fiscal year 2017 operating and capital budgets meet budgetary spending limitations imposed by law. The fiscal year 2017 operating budget is \$4,084.1 million, 4.5% more than fiscal year 2016 and was based on the fiscal 2017 revenue resolution passed by the General Assembly in the amount of \$4,048.4 million. The fiscal year 2017 operating budget included \$12.7 million in supplemental appropriations (historically in the form of cash allocated to the capital budget), a decrease of 46.6% over the fiscal year 2016 budget.

### **Requests for Information**

This financial report is designed to provide a general overview of the State's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Department of Finance, Division of Accounting, 820 Silver Lake Boulevard, Suite 200, Silver Lake Plaza, Dover, Delaware 19904 or visit our website at <http://accounting.delaware.gov>.

The State's component units publish their own separately issued audited financial statements. These statements may be obtained from their respective administrative offices.

**STATE OF DELAWARE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**  
(Expressed in Thousands)

	<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 28,873	\$ 233,108	\$ 261,981	\$ 65,267
Cash and Pooled Investments	1,333,629	10,582	1,344,211	79,280
Receivables, Net	694,817	109,730	804,547	356,050
Interfund Balances	4,217	(4,217)	-	-
Inventories	5,309	19,173	24,482	975
Prepaid Items	-	-	-	4,453
Investments	134,403	22,565	156,968	439,727
Other Assets	6,500	2,492	8,992	1,244
Restricted Assets:				
Cash and Pooled Investments	682,467	-	682,467	14,503
Deposit on Hold with Trustee	116	-	116	-
Restricted Investments	-	355,101	355,101	39,118
Net Pension Asset	632	-	632	-
Net OPEB Asset	-	-	-	110
Other Restricted Assets	-	-	-	2,923
Capital Assets:				
Non-Depreciable Assets	841,525	4,167,677	5,009,202	347,916
Depreciable Capital Assets, Net	2,927,038	235,025	3,162,063	585,030
<b>Total Capital Assets, Net</b>	<b>3,768,563</b>	<b>4,402,702</b>	<b>8,171,265</b>	<b>932,946</b>
<b>Total Assets</b>	<b>6,659,526</b>	<b>5,151,236</b>	<b>11,810,762</b>	<b>1,936,596</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>194,889</b>	<b>49,649</b>	<b>244,538</b>	<b>26,658</b>
<b>LIABILITIES</b>				
Accounts Payable	637,282	107,214	744,496	11,845
Accrued Liabilities	56,456	11,777	68,233	23,280
Accrued Interest Payable	31,397	17,638	49,035	3,264
Unearned Revenue	1,720	-	1,720	13,168
Escrow Deposits	-	9,008	9,008	-
Advances from Federal Government	6,643	-	6,643	-
Net Pension Liability	1,003,286	29,996	1,033,282	43,976
Due Within One Year	341,092	93,901	434,993	47,060
Due In More Than One Year	4,894,076	1,248,251	6,142,327	617,049
<b>Total Liabilities</b>	<b>6,971,952</b>	<b>1,517,785</b>	<b>8,489,737</b>	<b>759,642</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>244,380</b>	<b>29,078</b>	<b>273,458</b>	<b>20,948</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,534,319	3,505,882	5,040,201	637,730
Restricted For:				
Debt Service	-	196,602	196,602	-
Federal and State Regulations	937,764	-	937,764	401,084
Bond Covenants	-	-	-	57,706
Unemployment Benefits	-	109,455	109,455	-
Other Purposes	-	-	-	37,345
Unrestricted (Deficit)	(2,834,000)	(157,917)	(2,991,917)	48,799
<b>Total Net Position</b>	<b>\$ (361,917)</b>	<b>\$ 3,654,022</b>	<b>\$ 3,292,105</b>	<b>\$ 1,182,664</b>

**STATE OF DELAWARE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position			Discretely Presented Component Units
		Charges for Services	Grants and Contributions		Primary Government			
			Operating	Capital	Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General Governmental Services	\$ 906,593	\$ 301,172	\$ 21,358	\$ -	\$ (584,063)	\$ -	\$ (584,063)	\$ -
Health and Children's Services	3,087,138	70,435	1,808,960	-	(1,207,743)	-	(1,207,743)	-
Judicial and Public Safety	714,932	75,887	33,325	-	(605,720)	-	(605,720)	-
Natural Resources and Environmental Control	160,059	58,790	51,439	-	(49,830)	-	(49,830)	-
Labor	74,766	7,319	42,126	-	(25,321)	-	(25,321)	-
Education	2,722,666	33,372	239,165	-	(2,450,129)	-	(2,450,129)	-
Interest on Long-term Debt	91,894	-	-	-	(91,894)	-	(91,894)	-
Total Governmental Activities	7,758,048	546,975	2,196,373	-	(5,014,700)	-	(5,014,700)	-
Business-type Activities:								
Lottery	382,424	635,289	-	-	-	252,865	252,865	-
DelDOT	682,364	574,057	202,070	-	-	93,763	93,763	-
Unemployment	64,629	112,053	830	-	-	48,254	48,254	-
Total Business-type Activities	1,129,417	1,321,399	202,900	-	-	394,882	394,882	-
Total Primary Government	\$ 8,887,465	\$ 1,868,374	\$ 2,399,273	\$ -	(5,014,700)	394,882	(4,619,818)	-
Discretely Presented Component Units:								
Delaware State Housing Authority	\$ 90,322	\$ 32,156	\$ 80,059	\$ 774	-	-	-	22,667
Diamond State Port Corporation	40,969	38,418	-	19,049	-	-	-	16,498
Riverfront Development Corporation	9,804	3,738	219	4,095	-	-	-	(1,752)
Delaware State University	131,560	80,328	12,930	6,000	-	-	-	(32,302)
Delaware Charter Schools	173,357	2,806	17,124	479	-	-	-	(152,948)
Delaware Agricultural Lands Preservation Foundation	778	536	3,440	152	-	-	-	3,350
Total Discretely Presented Component Units	\$ 446,790	\$ 157,982	\$ 113,772	\$ 30,549	-	-	-	(144,487)
General Revenues:								
Taxes:								
Personal Income					1,112,368	-	1,112,368	-
Business					2,294,173	-	2,294,173	-
Real Estate					573,968	-	573,968	-
Other					244,526	-	244,526	-
Unrestricted Payments from Primary Government					-	-	-	186,000
Investment Income					12,584	6,726	19,310	4,067
Miscellaneous					16,694	-	16,694	2,979
Transfers In (Out)					248,822	(248,822)	-	-
Total General Revenues and Transfers					4,503,135	(242,096)	4,261,039	193,046
Changes in Net Position					(511,565)	152,786	(358,779)	48,559
Net Position - Beginning As Restated (Note 1)					149,648	3,501,236	3,650,884	1,134,105
Net Position - Ending					\$ (361,917)	\$ 3,654,022	\$ 3,292,105	\$ 1,182,664

**STATE OF DELAWARE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016  
(Expressed in Thousands)**

	<b>General</b>	<b>Federal</b>	<b>Local School Districts</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 17,318	\$ 246	\$ 11,309	\$ -	\$ 28,873
Cash and Pooled Investments	1,543,164	-	281,569	191,363	2,016,096
Deposit on Hold with Trustee	116	-	-	-	116
Investments	134,261	-	142	-	134,403
Accounts Receivable, Net	63,432	11,084	169	-	74,685
Taxes Receivable, Net	103,600	-	39,448	-	143,048
Intergovernmental					
Receivables, Net	-	166,406	-	-	166,406
Loans and Notes Receivable, Net	28,989	281,689	-	-	310,678
Due from Other Funds	36,397	-	-	-	36,397
Inventories	5,309	-	-	-	5,309
<b>TOTAL ASSETS</b>	<b>\$ 1,932,586</b>	<b>\$ 459,425</b>	<b>\$ 332,637</b>	<b>\$ 191,363</b>	<b>\$ 2,916,011</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 452,550	\$ 145,017	\$ 26,120	\$ 13,595	\$ 637,282
Accrued Liabilities	56,456	-	-	-	56,456
Other Liabilities	1,959	-	-	-	1,959
Escheat Liability	390,000	-	-	-	390,000
Due to Other Funds	16,763	15,417	-	-	32,180
Advances from Federal Government	-	6,643	-	-	6,643
Unearned Revenue	1,720	-	-	-	1,720
<b>Total Liabilities</b>	<b>919,448</b>	<b>167,077</b>	<b>26,120</b>	<b>13,595</b>	<b>1,126,240</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>114,249</b>	<b>10,659</b>	<b>37,745</b>	<b>-</b>	<b>162,653</b>
<b>FUND BALANCES</b>					
Nonspendable	32,115	-	-	-	32,115
Restricted	209,535	281,689	268,772	177,768	937,764
Committed	183,294	-	-	-	183,294
Assigned	83,559	-	-	-	83,559
Unassigned	390,386	-	-	-	390,386
<b>Total Fund Balances</b>	<b>898,889</b>	<b>281,689</b>	<b>268,772</b>	<b>177,768</b>	<b>1,627,118</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>	<b>\$ 1,932,586</b>	<b>\$ 459,425</b>	<b>\$ 332,637</b>	<b>\$ 191,363</b>	<b>\$ 2,916,011</b>

**STATE OF DELAWARE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2016**  
(Expressed in Thousands)

**Total Fund Balances - Governmental Funds** **\$ 1,627,118**

Amounts reported for governmental activities in the statement of net position are different because:

Other assets held for sale which are not financial resources therefore are not reported in the funds 6,500

Net pension asset available to fund future pension obligations 632

Net capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	482,739	
Land Improvements	180,638	
Buildings	2,643,117	
Easements	83,294	
Equipment, Vehicles and Software	103,283	
Construction in Progress	275,492	
		3,768,563

Deferred outflows of resources related to the pension contribution, changes in proportion, and investment differences 194,889

Deferred inflows of resources related to:

Revenues that will be collected after year-end, but are not available to pay for the current period's expenditures	162,653	
Pension investment differences and changes in proportion	(208,219)	
Deferred gains on refunding of bonds	(36,161)	
		(81,727)

Certain liabilities net of related assets are not due and payable in the current period and are not reported in the fund balance sheet. These liabilities consist of:

Interest Payable	(31,397)	
Claims and Judgments (Current and Long-term)	(175,838)	
Compensated Absences (Current and Long-term)	(170,915)	
Other Post Employment Benefits	(2,263,111)	
Pollution Remediation Obligations (Current and Long-term)	(32,044)	
Notes Payable	(25,939)	
Net Pension Liability	(1,003,286)	
General Obligation and Revenue Bonds and Related Accounts	(2,172,145)	
Other Long-term Obligations	(3,217)	
		(5,877,892)

**Total Net Position of Governmental Activities** **\$ (361,917)**

**STATE OF DELAWARE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES (DEFICITS)**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
(Expressed in Thousands)

	<b>General</b>	<b>Federal</b>	<b>Local School District Fund</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Personal Taxes	\$ 1,112,368	\$ -	\$ -	\$ -	\$ 1,112,368
Business Taxes	2,293,182	-	-	-	2,293,182
Other Tax Revenue	244,524	-	574,960	-	819,484
Licenses, Fees, Permits and Fines	374,282	-	670	-	374,952
Rentals and Sales	120,006	-	7,765	-	127,771
Grants	51,129	2,139,813	5,492	-	2,196,434
Interest and Other Investment Income	9,608	-	2,948	-	12,556
Other	162,824	-	6,745	-	169,569
<b>Total Revenues</b>	<b>4,367,923</b>	<b>2,139,813</b>	<b>598,580</b>	<b>-</b>	<b>7,106,316</b>
<b>Expenditures</b>					
Current:					
General Government	858,891	14,343	-	-	873,234
Health and Children's Services	1,408,459	1,733,674	-	-	3,142,133
Judicial and Public Safety	639,648	30,992	-	-	670,640
Natural Resources and Environmental Control	129,057	28,127	-	-	157,184
Labor	35,034	36,998	-	-	72,032
Education	1,577,104	231,352	526,673	-	2,335,129
Unrestricted Payments to Component Unit - Education	141,354	-	44,646	-	186,000
Capital Outlay	-	-	-	231,863	231,863
Debt Service:					
Principal	172,771	-	-	-	172,771
Interest and Other Charges	86,905	-	-	-	86,905
Costs of Issuance of Debt	881	-	-	-	881
<b>Total Expenditures</b>	<b>5,050,104</b>	<b>2,075,486</b>	<b>571,319</b>	<b>231,863</b>	<b>7,928,772</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(682,181)</b>	<b>64,327</b>	<b>27,261</b>	<b>(231,863)</b>	<b>(822,456)</b>
<b>Other Sources (Uses) of Financial Resources</b>					
Transfers In	525,277	-	77,861	-	603,138
Transfers Out	(25,073)	(59,986)	(120,775)	(148,482)	(354,316)
Issuance of General Obligation Bonds	-	-	-	321,530	321,530
Payment to Refunding Escrow Agent	(147,740)	-	-	-	(147,740)
Premiums on Bond Sales	-	-	-	51,957	51,957
<b>Total Other Sources (Uses) of Financial Resources</b>	<b>352,464</b>	<b>(59,986)</b>	<b>(42,914)</b>	<b>225,005</b>	<b>474,569</b>
<b>Net Change in Fund Balances</b>	<b>(329,717)</b>	<b>4,341</b>	<b>(15,653)</b>	<b>(6,858)</b>	<b>(347,887)</b>
<b>Fund Balances - Beginning</b>	<b>1,228,606</b>	<b>277,348</b>	<b>284,425</b>	<b>184,626</b>	<b>1,975,005</b>
<b>Fund Balances - Ending</b>	<b>\$ 898,889</b>	<b>\$ 281,689</b>	<b>\$ 268,772</b>	<b>\$ 177,768</b>	<b>\$ 1,627,118</b>

**STATE OF DELAWARE**  
**RECONCILIATION OF THE NET CHANGES IN FUND BALANCES -**  
**TOTAL GOVERNMENT FUNDS TO CHANGE IN NET POSITION**  
**OF GOVERNMENTAL ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
(Expressed in Thousands)

**Net Changes in Fund Balances** \$ (347,887)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlays	190,214	
Depreciation Expense	(129,911)	
Loss on Disposal of Assets	(8,152)	
		52,151

Change in other assets held for sale which are not financial resources therefore are not reported in the funds		(2,000)
--	--	---------

Changes in revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.		11,257
---	--	--------

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Components of the debt related adjustments consist of:

Debt Service Principal Repayments	171,360	
Payment to Refunding Agent for Principal Repayments	125,710	
New Debt Issued (Face Value)	(321,530)	
Premium Received on General Obligation Bonds	(51,957)	
Amortization of Premiums on Bonds	28,433	
Current Year Gain on Refunding of Debt	(18,205)	
Amortization of Gain on Refundings on Debt	1,984	
		(64,205)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, the changes in these liabilities are not reported as expenditures in the governmental funds:

Accrued Interest Expense	4,829	
Claims and Judgments	(1,490)	
Compensated Absences	(621)	
Other Post Employment Benefits	(204,930)	
Pollution Remediation Obligation	3,141	
Net Pension Liability	37,118	
Notes Payable	1,338	
Other Liabilities	(266)	
		(160,881)

**Change in Net Position in the Statement of Activities** \$ (511,565)

**STATE OF DELAWARE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2016**  
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DeIDOT</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 102,651	\$ 4,347	\$ 126,110	\$ 233,108
Cash and Pooled Investments	-	1,574	9,008	10,582
Accounts Receivable, Net	13,966	6,178	25,397	45,541
Taxes Receivable, Net	34,278	-	-	34,278
Intergovernmental Receivables, Net	-	-	29,074	29,074
Interest Receivable	-	-	837	837
Inventories	-	-	19,173	19,173
Due from Other Funds	-	4,763	12,000	16,763
Other Assets	-	-	176	176
Investments:				
Unrestricted	-	-	21,025	21,025
Restricted	-	30	244,934	244,964
<b>Total Current Assets</b>	<b>150,895</b>	<b>16,892</b>	<b>487,734</b>	<b>655,521</b>
<b>Noncurrent Assets:</b>				
Investments:				
Unrestricted	-	-	1,540	1,540
Restricted	-	20	110,117	110,137
Other Assets	-	2,316	-	2,316
Capital Assets:				
Capital Assets, Non-depreciable	-	-	4,167,677	4,167,677
Capital Assets, Depreciable, Net	-	-	235,025	235,025
<b>Total Capital Assets, Net</b>	<b>-</b>	<b>-</b>	<b>4,402,702</b>	<b>4,402,702</b>
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>2,336</b>	<b>4,514,359</b>	<b>4,516,695</b>
<b>Total Assets</b>	<b>150,895</b>	<b>19,228</b>	<b>5,002,093</b>	<b>5,172,216</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>242</b>	<b>49,407</b>	<b>49,649</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	26,440	4,704	76,070	107,214
Accrued Liabilities	-	4,924	6,853	11,777
Escrow Deposits	-	-	9,008	9,008
Interest Payable	-	-	17,638	17,638
Due to Other Funds	15,000	1,502	4,478	20,980
Pollution Remediation Obligation	-	-	883	883
Claims and Judgements	-	-	4,155	4,155
Compensated Absences	-	-	2,102	2,102
Revenue Bonds	-	-	86,761	86,761
<b>Total Current Liabilities</b>	<b>41,440</b>	<b>11,130</b>	<b>207,948</b>	<b>260,518</b>
<b>Noncurrent Liabilities:</b>				
Other Postemployment Benefits	-	3,758	236,247	240,005
Pollution Remediation Obligation	-	-	2,942	2,942
Claims and Judgements	-	-	6,897	6,897
Liabilities Payable from Restricted Assets	-	2,335	-	2,335
Net Pension Liability	-	911	29,085	29,996
Compensated Absences	-	-	9,468	9,468
Revenue Bonds	-	-	986,604	986,604
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>7,004</b>	<b>1,271,243</b>	<b>1,278,247</b>
<b>Total Liabilities</b>	<b>41,440</b>	<b>18,134</b>	<b>1,479,191</b>	<b>1,538,765</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>336</b>	<b>28,742</b>	<b>29,078</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	-	-	3,505,882	3,505,882
Restricted for:				
Debt Service	-	-	196,602	196,602
Unemployment Benefits	109,455	-	-	109,455
Unrestricted	-	1,000	(158,917)	(157,917)
<b>Total Net Position</b>	<b>\$ 109,455</b>	<b>\$ 1,000</b>	<b>\$ 3,543,567</b>	<b>\$ 3,654,022</b>

**STATE OF DELAWARE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DelDOT</u>	<u>Total</u>
<b>Operating Revenues:</b>				
Unemployment Taxes-State Funded	\$ 112,053	\$ -	\$ -	\$ 112,053
Gaming Revenue	-	635,289	-	635,289
Pledged Revenues:				
Turnpike Revenue	-	-	132,517	132,517
Motor Vehicle and Related Revenue	-	-	324,652	324,652
Turnpike Revenue	-	-	59,814	59,814
Passenger Fares	-	-	18,286	18,286
Miscellaneous	-	-	37,197	37,197
	<u>112,053</u>	<u>635,289</u>	<u>572,466</u>	<u>1,319,808</u>
Total Operating Revenues				
<b>Operating Expenses:</b>				
Unemployment Benefits - State Funded	63,611	-	-	63,611
Unemployment Benefits - Federal Funded	1,018	-	-	1,018
Cost of Sales	-	244,186	-	244,186
Prizes	-	126,504	-	126,504
Transportation	-	-	628,624	628,624
Depreciation	-	-	27,608	27,608
General and Administrative	-	10,734	-	10,734
	<u>64,629</u>	<u>381,424</u>	<u>656,232</u>	<u>1,102,285</u>
Total Operating Expenses				
Operating Income (Loss)	<u>47,424</u>	<u>253,865</u>	<u>(83,766)</u>	<u>217,523</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest Income	1,690	-	5,036	6,726
Interest Expense	-	-	(26,132)	(26,132)
Grants	830	-	202,070	202,900
Other Revenue	-	-	1,591	1,591
Contributions to Thoroughbred Program	-	(1,000)	-	(1,000)
	<u>2,520</u>	<u>(1,000)</u>	<u>182,565</u>	<u>184,085</u>
Total Nonoperating Revenues (Expenses)				
Income Before Transfers	49,944	252,865	98,799	401,608
Transfers In	-	-	14,168	14,168
Transfers Out	-	(252,865)	(10,125)	(262,990)
	<u>49,944</u>	<u>-</u>	<u>102,842</u>	<u>152,786</u>
Increase in Net Position				
<b>Net Position - Beginning</b>	<u>59,511</u>	<u>1,000</u>	<u>3,440,725</u>	<u>3,501,236</u>
<b>Net Position - Ending</b>	<u>\$ 109,455</u>	<u>\$ 1,000</u>	<u>\$ 3,543,567</u>	<u>\$ 3,654,022</u>

**STATE OF DELAWARE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DelDOT</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>				
Receipts from Employers	\$ 107,952	\$ -	\$ -	\$ 107,952
Receipts from Customers and Users	-	642,406	566,122	1,208,528
Other Operating Receipts	-	-	2,540	2,540
Payments to Suppliers for Goods and Services	-	(46,348)	(405,195)	(451,543)
Payments to Employees for Services	-	(5,843)	(180,623)	(186,466)
Payments for Insurance Claims	(61,293)	-	(6,649)	(67,942)
Payments for Prizes	-	(128,383)	-	(128,383)
Payment for Commissions	-	(205,101)	-	(205,101)
Net Cash Provided (Used) by Operating Activities	<u>46,659</u>	<u>256,731</u>	<u>(23,805)</u>	<u>279,585</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Receipts from Federal Government	830	-	7,672	8,502
Receipts from Other Grants	-	-	2,483	2,483
Payment on Other Grants	-	(1,000)	(5,375)	(6,375)
Interest Paid on Advances	(25)	-	-	(25)
Transfers In	25	-	14,168	14,193
Transfers Out	-	(252,973)	(10,125)	(263,098)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>830</u>	<u>(253,973)</u>	<u>8,823</u>	<u>(244,320)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital Grants	-	-	195,433	195,433
Purchases of Capital Assets	-	-	(104,076)	(104,076)
Principal Paid on Capital Debt	-	-	(72,580)	(72,580)
Interest Paid on Capital Debt	-	-	(45,300)	(45,300)
Proceeds from Issuance of Debt	-	-	450,953	450,953
Debt Refunding Paid to Escrow Agent	-	-	(217,322)	(217,322)
Net Cash Provided by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>207,108</u>	<u>207,108</u>
<b>Cash Flows from Investing Activities:</b>				
Interest and Investment Revenues	1,690	-	5,198	6,888
Collection on Bad Debt	-	-	960	960
Escrow Deposits Received	-	-	(3)	(3)
Purchase of Investments	-	-	(3,397,324)	(3,397,324)
Proceeds from Sales and Maturities of Investments	-	30	3,260,405	3,260,435
Net Cash Provided (Used) by Investing Activities	<u>1,690</u>	<u>30</u>	<u>(130,764)</u>	<u>(129,044)</u>
Net Increase in Cash, Cash Equivalents and Pooled Investments	49,179	2,788	61,362	113,329
<b>Cash, Cash Equivalents and Pooled Investments- Beginning of Year</b>	<u>53,472</u>	<u>3,133</u>	<u>73,756</u>	<u>130,361</u>
<b>Cash, Cash Equivalents and Pooled Investments - End of Year</b>	<u>\$ 102,651</u>	<u>\$ 5,921</u>	<u>\$ 135,118</u>	<u>\$ 243,690</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 47,424	\$ 253,865	\$ (83,766)	\$ 217,523
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	-	27,608	27,608
Effect of Changes in Operating Assets and Liabilities:				
Receivables, Net	(4,101)	7,117	(4,872)	(1,856)
Inventories	-	-	(1,521)	(1,521)
Prepaid Items	-	-	35	35
Net Pension Adjustment	-	-	(1,436)	(1,436)
Due to/from General Fund	-	-	(3,792)	(3,792)
Accounts and Other Payables	(2,570)	(2,372)	19,947	15,005
Accrued Liabilities	5,906	-	1,221	7,127
Accrued Expenses	-	(1,879)	-	(1,879)
Accrued Payroll and Related Expenses	-	-	979	979
Post-Employment Benefits	-	-	21,792	21,792
Net Cash Provided (Used) by Operating Activities	<u>\$ 46,659</u>	<u>\$ 256,731</u>	<u>\$ (23,805)</u>	<u>\$ 279,585</u>
<b>Schedule of Noncash Noncapital Financing Activities</b>				
Transfers In	\$ (25)	\$ -	\$ -	\$ (25)
Transfers Out	-	108	-	108

**STATE OF DELAWARE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2016**  
(Expressed in Thousands)

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>Investment Trust</u>	<u>Agency</u>
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 240,086	\$ 5,326	\$ 1,636	\$ 28,609
Cash and Pooled Investments	460	18,826	-	81,137
Receivables:				
Accrued Interest	14,179	1	68	-
Investment Sales Pending	29,335	-	168	-
Employer Contributions	13,198	10,567	-	-
Member Contributions	4,162	47	-	-
Other Receivables	-	-	-	28,400
Investments, at Fair Value:				
Domestic Fixed Income	772,212	117,489	10,068	-
Domestic Equities	1,913,957	113,795	16,416	-
Pooled Equity and Fixed Income	3,268,875	-	18,582	-
Alternative Investments	1,959,309	-	11,196	-
Short Term Investments	-	-	-	1,795
Foreign Fixed Income	152,937	-	874	-
Foreign Equities	466,643	58,850	5,500	-
<b>Total Assets</b>	<u>8,835,353</u>	<u>324,901</u>	<u>64,508</u>	<u>\$ 139,941</u>
<b>Liabilities:</b>				
Accounts Payable	-	-	-	\$ -
Investment Purchase Payable	7,345	-	42	-
Benefits/Claims Payable	1,310	14,910	-	-
Accrued Investment Expense	4,542	16	26	-
Accrued Administrative Expenses	296	-	-	-
Funds Held in Escrow	-	-	-	139,941
<b>Total Liabilities</b>	<u>13,493</u>	<u>14,926</u>	<u>68</u>	<u>\$ 139,941</u>
<b>Net Position:</b>				
Net Position Restricted for Pensions	8,821,860	-	-	
Net Position Held in Trust for OPEB Benefits	-	309,975	-	
Net Position Held in Trust for Pool Participants	-	-	64,440	
<b>Total Net Position</b>	<u>\$ 8,821,860</u>	<u>\$ 309,975</u>	<u>\$ 64,440</u>	

**STATE OF DELAWARE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
(Expressed in Thousands)

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>Investment Trust</u>
<b>Additions:</b>			
Contributions:			
Employer Contributions	\$ 279,436	\$ 217,658	\$ -
Transfer of Contributions from Post-Retirement Increase Fund	39,808	-	-
Transfer of Assets from Outside the System	3,156	154	785
Member Contributions	70,331	9,575	-
Other	4	-	-
Total Contributions	<u>392,735</u>	<u>227,387</u>	<u>785</u>
Investments:			
Investment Earnings	132,946	6,411	1,061
Net Change in Fair Value of Investments	<u>(260,811)</u>	<u>(1,873)</u>	<u>(1,548)</u>
Total Investment Earnings (Loss)	(127,865)	4,538	(487)
Less Investment Manager/Advisor/Custody Fees	(22,196)	(100)	(130)
Less Investment Administrative Expenses	<u>(682)</u>	<u>-</u>	<u>-</u>
Net Investment Earnings (Loss)	<u>(150,743)</u>	<u>4,438</u>	<u>(617)</u>
Securities Lending Income	867	-	3
Securities Lending Expense	<u>(130)</u>	<u>-</u>	<u>-</u>
Total Net Securities Lending Income	<u>737</u>	<u>-</u>	<u>3</u>
Total Additions	<u>242,729</u>	<u>231,825</u>	<u>171</u>
<b>Deductions:</b>			
Transfer of Assets from Post-Retirement Increase Fund	39,808	-	-
Transfer of Assets from Outside the System	8,794	-	1,117
Pension/Claim Payments	609,151	234,230	-
Refunds of Contributions to Members	5,398	-	-
Burial Benefit Payments	5,990	-	-
Administrative Expenses	<u>6,330</u>	<u>31</u>	<u>1</u>
Total Deductions	<u>675,471</u>	<u>234,261</u>	<u>1,118</u>
<b>Change in Net Position</b>	<u>(432,742)</u>	<u>(2,436)</u>	<u>(947)</u>
<b>Net Position - Beginning</b>	<u>9,254,602</u>	<u>312,411</u>	<u>65,387</u>
<b>Net Position - Ending</b>	<u>\$ 8,821,860</u>	<u>\$ 309,975</u>	<u>\$ 64,440</u>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2016**  
(Expressed in Thousands)

	Delaware State Housing Authority	Diamond State Port Corporation	Riverfront Development Corporation	Delaware State University	Delaware Charter Schools	Delaware Agricultural Lands Preservation Foundation	Total
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 49,510	\$ 10,155	\$ 570	\$ 3,488	\$ 1,544	\$ -	\$ 65,267
Cash and Pooled Investments	20,364	-	5	8,036	47,023	3,852	79,280
Accounts and Other Receivables, Net	59,559	2,404	1,170	11,644	3,034	168	77,979
Loans and Notes Receivable, Net	269,799	-	1,946	-	-	6,326	278,071
Inventories	-	975	-	-	-	-	975
Prepaid Items	3,743	304	53	-	353	-	4,453
Investments	425,618	-	-	13,072	1,037	-	439,727
Other Assets	-	-	367	8	869	-	1,244
Restricted Assets:							
Cash and Cash Equivalents	840	3,082	-	4,162	6,419	-	14,503
Restricted Investments	-	17,672	-	21,446	-	-	39,118
Net OPEB Asset	110	-	-	-	-	-	110
Other Restricted Assets	-	-	-	2,923	-	-	2,923
Capital Assets:							
Capital Assets - Non-Depreciable	4,204	51,362	18,211	7,520	33,032	233,587	347,916
Capital Assets - Depreciable, Net	10,431	136,427	89,751	229,789	118,631	1	585,030
<b>Total Capital Assets, Net</b>	<b>14,635</b>	<b>187,789</b>	<b>107,962</b>	<b>237,309</b>	<b>151,663</b>	<b>233,588</b>	<b>932,946</b>
<b>Total Assets</b>	<b>844,178</b>	<b>222,381</b>	<b>112,073</b>	<b>302,088</b>	<b>211,942</b>	<b>243,934</b>	<b>1,936,596</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>270</b>	<b>2,552</b>	<b>60</b>	<b>11,133</b>	<b>12,627</b>	<b>16</b>	<b>26,658</b>
<b>LIABILITIES</b>							
Accounts Payable	959	167	727	5,231	4,753	8	11,845
Accrued Liabilities	5	3,075	480	2,911	16,791	18	23,280
Accrued Interest Payable	-	137	-	1,264	1,863	-	3,264
Unearned Revenue	11,468	35	72	1,563	30	-	13,168
Net Pension Liability	308	5,351	1	16,953	21,332	31	43,976
Due Within One Year	7,625	1,879	3,911	4,214	29,431	-	47,060
Due in More Than One Year	342,209	19,678	12,577	124,461	118,124	-	617,049
<b>Total Liabilities</b>	<b>362,574</b>	<b>30,322</b>	<b>17,768</b>	<b>156,597</b>	<b>192,324</b>	<b>57</b>	<b>759,642</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>488</b>	<b>579</b>	<b>43</b>	<b>12,547</b>	<b>7,279</b>	<b>12</b>	<b>20,948</b>
<b>Net Position</b>							
Net Investment in Capital Assets	14,635	166,366	91,475	121,946	9,720	233,588	637,730
Restricted for:							
Federal and State Regulations	369,951	20,754	-	86	-	10,293	401,084
Bond Covenants	57,706	-	-	-	-	-	57,706
Other Purposes	4,714	-	-	22,321	10,310	-	37,345
Unrestricted (Deficit)	34,380	6,912	2,847	(276)	4,936	-	48,799
<b>Total Net Position</b>	<b>\$ 481,386</b>	<b>\$ 194,032</b>	<b>\$ 94,322</b>	<b>\$ 144,077</b>	<b>\$ 24,966</b>	<b>\$ 243,881</b>	<b>\$ 1,182,664</b>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
(Expressed in Thousands)

	Net (Expenses) Revenues and Changes in Net Position										
	Program Income				Delaware State Housing Authority	Diamond State Port Corporation	Riverfront Development Corporation	Delaware State University	Delaware Charter Schools	Delaware Agricultural Lands Preservation Foundation	Total
	Expenses	Charges for Services	Grants and Contributions								
			Operating	Capital							
Discretely Presented Components Units											
Delaware State Housing Authority	\$ 90,322	\$ 32,156	\$ 80,059	\$ 774	\$ 22,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,667
Diamond State Port Corporation	40,969	38,418	-	19,049	-	16,498	-	-	-	-	16,498
Riverfront Development Corporation	9,804	3,738	219	4,095	-	-	(1,752)	-	-	-	(1,752)
Delaware State University	131,560	80,328	12,930	6,000	-	-	-	(32,302)	-	-	(32,302)
Delaware Charter Schools	173,357	2,806	17,124	479	-	-	-	-	(152,948)	-	(152,948)
Delaware Agricultural Lands Preservation Foundation	778	536	3,440	152	-	-	-	-	-	3,350	3,350
	<u>\$ 446,790</u>	<u>\$ 157,982</u>	<u>\$ 113,772</u>	<u>\$ 30,549</u>	<u>22,667</u>	<u>16,498</u>	<u>(1,752)</u>	<u>(32,302)</u>	<u>(152,948)</u>	<u>3,350</u>	<u>(144,487)</u>
General Revenues											
Unrestricted Payments from Primary Government					-	-	-	35,208	150,792	-	186,000
Investment Income					3,520	62	-	(96)	578	3	4,067
Miscellaneous					-	-	-	-	2,979	-	2,979
Total General Revenues					<u>3,520</u>	<u>62</u>	<u>-</u>	<u>35,112</u>	<u>154,349</u>	<u>3</u>	<u>193,046</u>
Change in Net Position					26,187	16,560	(1,752)	2,810	1,401	3,353	48,559
Net Position - Beginning As Restated (Note 1)					<u>455,199</u>	<u>177,472</u>	<u>96,074</u>	<u>141,267</u>	<u>23,565</u>	<u>240,528</u>	<u>1,134,105</u>
Net Position - Ending					<u>\$ 481,386</u>	<u>\$ 194,032</u>	<u>\$ 94,322</u>	<u>\$ 144,077</u>	<u>\$ 24,966</u>	<u>\$ 243,881</u>	<u>\$ 1,182,664</u>

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the State of Delaware (the State) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

**(a) Reporting Entity**

The accompanying financial statements present the State's primary government and include all funds, offices of elected officials, departments and organizations, bureaus, boards, commissions, and authorities that comprise the State's legal entity. Also included in the State's primary government are the State's 16 local school districts and 3 vo-tech schools (collectively referred to as the local school districts). The local school districts have separately elected boards, but they have not been specifically granted power by legislation to be legally separate. Based on the powers and authority granted in Title 14 of the State of Delaware code, the primary government holds sufficient power and responsibility that the local school districts have been accounted for as not being legally separate and as a result have been reported in the primary government. The financial activity of the local school districts is reported in the General Fund, Local School District Fund (for real estate taxes levied by the Schools), Federal Fund, and the Capital Projects Fund.

The Delaware Technical and Community College (DTCC) was established by 14 Del. C. 91 as a state organization to operate or make available public institutions of learning for persons who have graduated from high school or who are unable to attend public high schools and offer a 2-year college parallel program or associate degree program. The Governor with the consent of the Senate appoints all seven members of the Board of Trustees. DTCC is considered part of the primary government and its activity is shown in the Education function in the General Fund, Federal Fund and Capital Projects Fund of the primary government.

The DelDOT enterprise fund is also included in the reporting entity of the primary government. DelDOT has the overall responsibility for coordinating and developing transportation policies for the state along with the maintenance and operation of roadways and bridges that fall under its jurisdiction. To assist DelDOT in their mission, the State and DelDOT created the Delaware Transportation Authority (the Authority), which includes the activities of the Transportation Trust Fund (the Trust Fund) and the Delaware Transit Corporation (DTC). The Authority is a body politic and corporate whose actions are overseen by the Secretary of Transportation, the Director of the Office of Management and Budget, and the Administrator of the Trust Fund. The Authority's principal role is to provide financing to DelDOT and as a result is a blended component unit of DelDOT.

Fiduciary funds, although legally separate entities, are in substance part of the State's operations. The State's reporting entity also comprises its component units, entities for which the State is considered either financially accountable or the nature and the significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading. Blended component units are reported within the primary government. Discretely presented component units are reported in a separate column in the

government-wide financial statements (see note below for description) to emphasize that such are legally separate from the State.

The decision to include and how to report a component unit in the State's reporting entity is based on several criteria, including legal standing, debt responsibility, fiscal dependency, and financial accountability. The State is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. The State may also be financially accountable if an organization is fiscally dependent on the State and there is a potential for the organization to provide specific benefits to or impose specific financial burdens on the State, regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

### **Blended Component Units**

The Delaware Public Employees' Retirement System (DPERS) is a public employee retirement system, which covers substantially all State employees. The DPERS is a legally separate entity. DPERS' Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex-officio members. It provides services and benefits almost exclusively to the primary government, and it is considered a blended fiduciary fund component unit and is shown in the financial statements as part of the primary government as a pension trust fund. The financial report of DPERS for the fiscal year ended June 30, 2016 may be obtained by writing to the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

The Delaware Other Post Employment Benefit Fund Trust (OPEB Trust) is a trust, which provides retirement medical coverage to pensioners and their eligible dependents in the State's Employees', Judiciary, New State Police, and Closed State Police Pension Plans. The OPEB Trust is a legally separate entity and by legislative code the Board of DPERS serves as the Board of the OPEB Trust. It provides services and benefits almost exclusively to the primary government. The OPEB Trust is considered a blended fiduciary funds component unit and is shown in the financial statements as part of the primary government as the OPEB Trust Fund.

The Delaware Economic Development Authority (DEDA) was established by 29 Del. C. 50, Subchapter IV as a legally separate entity to assist the State in the financing of citizens and activities of exempt persons in order to contribute to the prosperity, health, and general welfare of the citizens of the State by acting as the financing vehicle. DEDA is considered to be a blended component unit due to the board being the same as the primary government. It is funded almost exclusively by State appropriations and is under the direction of the Governor appointed director who guides the operations of the State employees. It is reported as part of the General Government in the General Fund of the primary government.

The Sustainable Energy Utility, Inc. (SEU) is a legally separate 501(c)(3) nonprofit organization, which was established to reduce energy waste and foster a sustainable energy future for the State. The Governor appoints seven of the eleven members. It provides benefits almost exclusively to the primary government by developing and coordinating programs for the purpose of promoting sustainable use of energy by State departments and organizations. The SEU is considered a blended component unit and is shown as part of the Natural Resources and Environmental Control function in the General Fund of the primary government.

### **Discretely Presented Component Units**

The following component units are entities that are legally separate from the State, but are financially accountable to the State for reporting purposes or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading. The discretely presented component units' column of the basic financial statements includes the financial data of these entities. Each discretely presented component unit has a June 30, 2016 fiscal year-end.

Complete financial statements for each of the discretely presented component units may be obtained from their respective administrative offices.

#### *Delaware State Housing Authority (DSHA)*

The Delaware State Housing Authority is a public corporation whose Director is appointed by the Governor with the consent of the State Senate and serves at the Governor's pleasure. The DSHA is governed by the Council on Housing whose eleven members are appointed by the Governor. The DSHA administers the role of providing affordable housing as a key aspect of State policy. The State provides both General Fund appropriations and capital funding to assist DSHA in its mission. Certain transactions of the DSHA require the approval of the primary government. The DSHA is authorized, among other things, to (1) make mortgage, construction and other loans to not-for-profit and limited for-profit housing sponsors; (2) make loans to mortgage lenders, requiring the proceeds thereof to be used for making newly qualified residential mortgage loans; (3) purchase qualified mortgage loans from mortgage lenders; and (4) apply for and receive assistance and subsidies under programs from the federal government and others.

#### *Diamond State Port Corporation (DSPC)*

The Diamond State Port Corporation was organized as a body corporate and politic constituting a public instrumentality of the State. The DSPC is empowered to operate, improve and maintain the Port of Wilmington and related facilities. The Governor appoints eight of the fifteen members of the board of directors, with the advice and consent of the Senate. Certain transactions of the DSPC require the approval of the primary government.

*Riverfront Development Corporation (RDC)*

The Riverfront Development Corporation was formed to plan, develop and manage programs and projects intended to foster economic development along the Brandywine and Christina Rivers. The Governor appoints seven of the eighteen board members; however, seven of the remaining eleven directors consist of the Governor and six State officials. Authorization by the State's Budget Director and Controller General is required before funds of the RDC may be expended, which indicates imposition of will.

*Delaware State University (DSU)*

Delaware State University is a public institution of higher education. Funding is primarily through State appropriations. State appropriations, without restrictions as to use by DSU are reported in general revenue. Additional funding is derived from tuition, federal grants, private donations and grants. The Board of Trustees is comprised of fifteen members, eight appointed by the Governor of Delaware and seven elected by the Trustees. The President of DSU and the Governor of the State of Delaware serve as ex-officio members of the Board. Delaware State University financial data includes its component unit, the Delaware State University Foundation, Inc. The State annually appropriates funding for DSU, which totaled more than \$35.2 million in fiscal year ending June 30, 2016, which is twenty seven percent of DSU's total revenues.

*Delaware Charter Schools*

The State's 27 Charter Schools are public schools funded primarily through State appropriations. Additional funding is derived from federal grants passed through from the primary government, private donations and funds received from local school districts on a tax portion per child basis. State funding for the Charter Schools totaled \$150.8 million for the fiscal year ending June 30, 2016 which represents over eighty-six percent of the Charter Schools' total revenues. Each Charter School is a separate legal entity managed by its own separate board of directors and operates independently under a charter granted by the State Department of Education with the approval of the State Board of Education. Charters are granted for an initial period of three years and renewable every five years thereafter. Charter Schools issue their own debt but are dependent on the State for their primary funding. Financial information for Delaware Charter Schools is presented in the aggregate as they are individually immaterial to the State's basic financial statements but each represents a discretely presented component unit.

*Delaware Agricultural Lands Preservation Foundation (DALPF)*

The Delaware Agricultural Lands Preservation Foundation was established to provide comprehensive agricultural lands preservation programs to serve the long-term needs of the agriculture community and the citizens of Delaware. State appropriations fund DALPF for their specific programs. DALPF is comprised of twelve trustees and the Governor of the State of Delaware appoints ten of them. DALPF shall continue until its existence is

terminated by law, whereby all of its rights, properties and liabilities shall pass to and be assumed by the State.

### **Related Organizations**

Organizations in which the State appoints the voting majority of the board but the State is not financially accountable for the organizations are considered related organizations.

The Delaware Solid Waste Authority (DSWA) is a legally separate entity and the primary government appoints all seven members of its governing board. The primary government's accountability for DSWA does not extend beyond making the appointments. The DSWA is responsible for implementing solid waste disposal, recycling, and resource recovery systems, facilities and services for the State of Delaware. The financial activities of DSWA are not included in the State's financial statements.

The Delaware Health Facilities Authority (DHFA) was established by 16 Del. C.92 for the benefit of the people of the State, the increase of their commerce, welfare and prosperity and the improvement of their health and living conditions and provides a measure of assistance and an alternative method to enable facilities to provide structures needed to accomplish this purpose. All of the seven members of the board are appointed by the Governor. The primary government's accountability for DHFA does not extend beyond making the appointments. The financial activities of DHFA are not included in the State's financial statements.

Complete financial statements for each of the related organizations may be obtained from their respective administrative offices.

### **Jointly Governed Organization**

The Delaware River and Bay Authority (DRBA), a body politic, was created with the intention of advancing the economic growth and development of those areas in the State of Delaware and the State of New Jersey, which border the Delaware River and Delaware Bay. DRBA is governed by twelve commissioners: six appointed by the State of Delaware and six appointed by the State of New Jersey. DRBA is autonomous from a day-to-day operations perspective and neither State is obligated for the DRBA's debt. DRBA is not included in the basic financial statements as the State of Delaware has no ongoing financial interest or financial responsibility. Complete financial statements for the DRBA may be obtained from its administrative office.

### **Other Organization**

The Governor appoints eight members of the governing board of the University of Delaware (the University). The remaining twenty members are elected separately. Since the primary government's accountability does not extend beyond State grants to the University and there is a lack of fiscal dependency, the financial activities of the University are not included in the State's basic financial statements.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is separately presented from certain legally separate component units for which the State is financially accountable.

The statement of net position measures not just current assets and liabilities, but also long-term assets and liabilities such as capital assets (including infrastructure assets) and general long-term debt. The difference between the State's assets, deferred outflows of resources and its liabilities and deferred inflows of resources is its net position. Net position is displayed in three components – net investment in capital assets (capital assets, net of accumulated depreciation and related debt); restricted; and unrestricted. Net position is restricted when constraints are placed that are either externally imposed or are imposed by constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements.

**(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds reported as part of the fiduciary fund financial statements are custodial in nature and do not present results of operations and, therefore, do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and

other taxes are recognized when the transaction occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the State's enterprise operations and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Intrafund non-exchange transactions between the primary government and component units are reported as operating or capital grants as appropriate for restricted amounts. Unrestricted amounts are reported as general revenue.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other long term liabilities including compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, grants, fees, sales, rents, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period to the extent earned and available. All other revenue items are considered to be measurable and available only when cash is received by the State. Revenue related to expenditure driven grants is recognized when the qualifying expenditures have been incurred and all other requirements for recognition have been met.

### **Governmental Funds**

The State reports the following major governmental funds:

*General Fund* – The General Fund is the State's primary operating fund. It accounts for all financial resources obtained and used for those services traditionally provided by a state government, which are not required to be accounted for in other funds. These services include, among others, education, and health and social services.

*Federal Fund* – The Federal Fund accounts for all activities relating to the State's federal grant programs.

*Local School District Fund* – The Local School District Fund is used to account for aggregate financial activity of the State's local school districts that is funded by locally-raised real estate taxes, interest, and minor miscellaneous revenue. All other financial activity that is funded from sources, such as federal grant programs, major and minor capital project

programs, and subsidized government programs are accounted for in the General Fund, Federal Fund, and Capital Projects Fund.

*Capital Projects Fund* – Transactions related to resources obtained and used for the acquisition or construction of major capital facilities (other than those financed by Proprietary and Fiduciary Funds), are accounted for in the Capital Projects Fund. Such resources are derived principally from proceeds of general obligation bond issues, federal grants, and transfers from the General Fund.

### **Proprietary Funds**

Proprietary funds are used to account for those activities which are financed and operated in a manner similar to private business enterprises. The costs of providing services to the public on a continuing basis are financed by or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the unemployment fund are charges to employers for taxes against wages. The principal operating revenues of the lottery fund and DelDOT fund are charges to customers for sales and services.

The Lottery fund recognizes revenue from online games on the day of the drawing. Revenue from the sale of instant tickets is recognized when the book has been activated and 85% of the related prizes of an activated book are paid, 90 days from the date of activation, or when the next pack of the same game is activated. Revenue from the video lottery and table games is recognized, net of prizes paid, at the time the public plays the game. Revenue from the sports lottery is also recognized at the time the public plays the game.

Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. For the unemployment fund, expenses are payments of benefits to recipients. All expenses not meeting this definition are reported as non-operating expenses.

The State reports the following major proprietary funds:

*DelDOT Fund* – The DelDOT Fund accounts for the activities relating to the operation of the State's Department of Transportation, including the Delaware Transportation Authority, which is comprised of the Transportation Trust Fund and Delaware Transit Corporation.

*Unemployment Fund* – The Unemployment Fund accounts for the activities relating to the State's Unemployment Insurance Trust Fund.

*Lottery Fund* – The Lottery Fund accounts for the activities relating to the State's Lottery program.

## Fiduciary Funds

The fiduciary funds account for assets held by the State in a trustee capacity or as an agency for other individuals or organizations. The fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The State reports the following fiduciary funds:

*Pension Trust Funds* – The Delaware Public Employees' Retirement System (DPERS) is a public employee retirement system, which covers substantially all State employees. It provides services and benefits almost exclusively to the primary government and it is considered a fiduciary fund and is shown in the financial statements as part of the primary government as a pension trust fund. Pension trust funds account for transactions, assets, liabilities and net position available for plan benefits (Note 17). For pension trust funds, employee contributions are recognized as revenue in the period in which the employee services are performed. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

*OPEB Trust Fund* – The OPEB Trust Fund is a trust administered by DPERS. In addition to providing pension benefits, the State is statutorily required to provide health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the State's employees may become eligible for these benefits if they reach normal retirement age while working for the State. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the State and the retired employee.

*Investment Trust Funds* – Investment Trust Funds are used to account for external investment pools where a government commingles the monies of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsor's reporting entity. The Investment Trust Fund accounts for the transactions, assets, liabilities and net position for the DPERS's external investment pool and for the OPEB Fund Investment Trust Fund.

*Agency Funds* – Agency funds are custodial in nature and do not involve measurement of the results of operations. They account for the receipt of various taxes, deposits, deductions, and certain property collected by the State, acting in the capacity of an agent, and for the distribution to other governmental units or designated beneficiaries.

## New Accounting Pronouncements

During fiscal year ending June 30, 2016, the State adopted GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 improves financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and

enhancing disclosures about fair value measurements. This Statement established general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. The adoption of this statement resulted in the \$2.0 million write down of an asset held for sale to its appraised value and increased financial statement disclosures through the addition of the fair value hierarchy.

During fiscal year ending June 30, 2016, the State adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statement No. 73 improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement established requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. The adoption of this statement required the State to disclose additional information in the notes to the schedules included in the Required Supplementary Information for investment policy changes for the pension plans.

During fiscal year ending June 30, 2016, the State adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement redefined the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduced the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Since the State has historically utilized the established accounting principles followed by the technical standards and other literature in preparation of its financial statements, the adoption of this statement had no impact on the financial statements.

During fiscal year ending June 30, 2016, the State adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 79 addresses the accounting and financial reporting implication for certain external investment pools and their participants that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. It established accounting and financial reporting standards for qualifying external investment pools that elect to measure their investments at amortized cost and governments that participate in qualifying external investment pools that measure their investments at amortized cost. The adoption of this statement had no impact on the financial statements of the State.

### Impact of Future Accounting Pronouncements

In June of 2015, the GASB issued Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2016. The State is currently evaluating the future impact of this statement.

In June of 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting for state and local governments for postemployment benefits other than pensions (OPEB). It improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local government employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. The State is currently evaluating the future impact of this statement.

In August of 2015, the GASB issued Statement No. 77 *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess whether current-year revenues were sufficient to pay for current-year services, compliance with finance-related legal or contractual requirements, where a government's financial resources come from and how it uses them, and financial position and economic condition and how they have changed over time. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2015. The State is currently evaluating the future impact of this Statement.

In December of 2015, the GASB issued Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address an issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement establishes accounting and financial reporting standards for defined benefit pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that is not a state or local governmental pension plan, is used to provide defined benefit pensions both to employees of state or local government employers and to employees of employers that are not state or local governmental employers, and has no predominant state or local governmental employer (either individually or collectively with other state and local governmental employers that provide pensions through the pension plan). The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2015. The State is currently evaluating the future impact of this Statement.

In January of 2016, the GASB issued Statement No. 80 *Blending Requirements for Certain Component Units*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The State is currently evaluating the future impact of this Statement.

In March of 2016, the GASB issued Statement No. 81 *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting by establishing recognition and measurement requirements for irrevocable split-interest agreements. This Statement establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts or other legally enforceable agreements with characteristics equivalent to irrevocable split-interest agreements where the resources are for the unconditional benefit of the government and other beneficiaries. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. The State is currently evaluating the future impact of this Statement.

In March of 2016, the GASB issued Statement No. 82 *Pension Issues*. The objective of this Statement is to improve consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that have been raised with respect to Statements No. 67 *Financial Reporting for Pension Plans*, No. 68 *Accounting and Financial Reporting for Pensions*, and No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statements 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The State is currently evaluating the future impact of this Statement.

**(c) Assets, Liabilities, and Net Assets or Equity**

**Cash Equivalents, Cash and Pooled Investments, and Investments**

Cash equivalents consist of demand deposits, short-term money market securities, and other deposits held by financial institutions, generally with original maturities of three months or less at the time of purchase.

Cash and Pooled Investments consist of cash equivalents, commercial paper, certificates of deposit, short-term (12 to 18 months) and long-term investments, which comprise corporate, municipal and U.S. government obligations, held and managed by the State Treasurer.

Investment securities are stated at quoted market prices, except that investment securities with a remaining maturity at time of purchase of one year or less are stated at cost or amortized cost.

All of the investment assets of the Pension and Investment Trust Funds, with the exception of the Closed State Police Pension Plan (which is a pay-as-you-go plan) and the Delaware Volunteer Firemen's Fund (which is a length of service award plan), are pooled and invested in a common Master Trust. Investments are presented at fair value or net asset value. Fair values for fixed income and equity securities are determined by quoted market prices based on national exchanges when available. Pooled investments are funds wherein the System owns units or shares of commingled equity, fixed income, and cash funds. Pooled investments are redeemable with the underlying funds at net asset values under the terms of the partnership agreements and/or subscription agreements. Alternative investments are ownership interests in investment limited partnerships or private LLCs, some of which may be illiquid.

The valuation method for pooled and alternative investments that do not have a readily determinable fair value is such that the DPERS establishes fair value by using the net asset value (NAV) per share (or its equivalent), such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. These values are calculated by the management of each investment fund as of DPERS' measurement date, generally in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. The NAV received from each investment fund are reviewed by DPERS management and its investment advisor; both management and the custodian receive periodic and audited annual financial reports from the management of each investment fund.

**Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the

current portion of interfund loans). All trade and property tax receivables, including those for the component units, are shown net of an allowance for uncollectibles and refunds.

### **Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **Restricted Assets**

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, and then unrestricted resources as needed. In the government-wide financial statements, restricted net assets represent balances that are subject to external restrictions or were created by enabling legislation.

The State has the following restricted assets:

- The Delaware Transportation Authority restricts revenue bond proceeds that are accounted for in the Transportation Trust Fund.
- The Unemployment Fund restricts the entire net position for unemployment benefits.
- The governmental activities have funds that are required to be restricted as disclosed in Note 18.

The discretely presented component units have the following restricted assets:

- Diamond State Port Corporation has restricted investments for capital project outlays.
- Delaware State University has restricted assets for capital projects, grants, and college endowment funds.
- Delaware State Housing Authority has restricted assets used for the specific purpose of housing development fund activities per enabling legislation.

### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (which are normally immovable and of value only to the State, such as roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, the proprietary funds and discretely presented component units.

Capital assets are defined by the State as assets with estimated useful lives in excess of one year at the date of acquisition. Such assets are recorded at historical cost if purchased or constructed, or estimated historical cost if the original cost is not determinable. Donated capital assets are recorded at estimated fair market value at the date of donation.

All land and buildings are capitalized, regardless of cost. Equipment and vehicles are capitalized when the cost of individual items exceeds \$25,000. Building and land improvements are capitalized when the cost of the project exceeds \$100,000. Infrastructure and software are capitalized when the costs of individual items or projects exceed \$1.0 million. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized, but rather expensed as incurred.

The State possesses certain capital assets that have not been capitalized and depreciated, because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These assets include works of art and historical treasures, such as statues, monuments, historical documents, paintings, forts, miscellaneous State capitol-related artifacts and furnishings. These assets are held for public exhibition, education or research in the furtherance of public service rather than for financial gain; they are protected, kept unencumbered, cared for and preserved; and they are subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, equipment, and software of the primary government and component units is depreciated using the straight line method over the following estimated useful lives:

<b>Asset</b>	<b>Primary Government Years</b>	<b>Discretely Presented Component Unit Years</b>
Buildings and Building Improvements	10 - 40	15 - 75
Land Improvements	20	15 - 45
Furniture and Equipment	3 - 12	3 - 40
Vehicles	7	3 - 6
Software	5	5 - 10

The State has elected to use the modified approach to account for certain infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the State, 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. Roads and bridges maintained by the Department of Transportation are accounted for using the modified approach.

### **Deferred Outflows of Resources and Deferred Inflows of Resources**

Deferred outflows of resources are defined as consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as acquisition of net assets by the government that is applicable to a future reporting period.

Deferred outflows increase net position, similar to assets and deferred inflows decrease net position, similar to liabilities.

**Advances from Federal Government**

For the year ended June 30, 2016, the State has recorded an advance of \$6.6 million for the Delaware Economic Development Office (DEDO) federal State Small Business Credit Initiative program. This program supports lending to small businesses and small manufacturers and will be expended as qualified applicants are approved for the program. The advance amount is recorded in the Federal Fund.

**Compensated Absences**

It is the State's policy to permit employees to accumulate earned, but unused vacation and sick pay benefits. In the governmental fund financial statements, liabilities for compensated absences are accrued when they are considered "due and payable" and recorded in the fund only for separations or transfers that occur before year-end. In the government-wide and proprietary fund financial statements, the State has accrued a liability for compensated absences, recognizing the obligation to make future payments.

**Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Delaware Public Employees' Retirement System (DPERS) and additions to/deductions from DPERS' fiduciary net position have been determined on the same basis as they are reported by DPERS. 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.

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**Fund Equity**

In governmental fund types, fund equity is called "fund balance." Fund balances are reported as nonspendable, restricted, committed, assigned, or unassigned as described in Note 18.

The State Constitution provides that certain excess unencumbered budgetary general funds at the end of a fiscal year must be placed in a reserve account (the Budgetary Reserve Account). This account, designed to mitigate the operational impact of any future unanticipated deficits may not exceed 5% of the estimated general fund revenue for the ensuing fiscal year. Total funding of the budgetary reserve account was \$214.7 million at June 30, 2016.

When resources meeting more than one of the classifications (excluding nonspendable) are commingled in an account, assuming that expenditure meets the constraints of the classification, the assumed order of spending is restricted first, committed second, assigned third and finally unassigned.

In proprietary funds, fund equity is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted as defined on page 38.

#### **(d) Grants**

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables when entitlement occurs. All other federal reimbursement type grants are recorded as accounts receivable when the related expenditures or expenses are recognized. Related revenue is recorded subject to availability in the governmental funds.

#### **(e) Litigation Revenue**

In 1997, several states began litigation against defendant tobacco product manufacturers to recover certain amounts the states expended to provide health care to the users of tobacco products. In 1998, a settlement was reached which provided that the states cease litigation against the manufacturers. As part of the Master Settlement Agreement, certain manufacturers agreed to remit periodic payments to the states until 2025. The State's share of the estimated \$200 billion settlement amounted to \$774.5 million. Amounts to be remitted are calculated based on a variety of specific settlement provisions. Future tobacco product sales are one key factor used in determining periodic payment amounts. A receivable of \$14.0 million has been recorded pursuant to the settlement. The Master Settlement agreement receipts of \$27.2 million are recorded in the general fund as part of other revenue and as miscellaneous general revenue on the government-wide statement of activities. Expenditures of monies received under the Master Settlement Agreement are authorized by legislation and are dedicated to health care and related programs.

#### **(f) Management Estimates**

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also

affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## Restatements

Net position of the Discretely Presented Components Units was restated from the fiscal year 2015 ending balance of \$1,132.1 million to \$1,134.1 million at the beginning of fiscal year 2016, an increase of \$2.0 million. Net position increased by \$5.9 million due to the Delaware Agricultural Lands Preservation Foundation understatement of loans receivable of \$2.8 million and the implementation of GASB 72 for recording land easements at fair value in the amount of \$3.1 million. This increase was offset by a decrease of \$3.9 million largely as a result of one of the Charter Schools removing its component unit foundation from its reporting balances.

## NOTE 2 CASH, INVESTMENTS AND RESTRICTED ASSETS

### Cash Management Policy and Investment Guidelines

The State Treasurer maintains the majority of the deposits and investments of the primary government and uses professional money managers to invest the State's deposits according to guidelines set in the *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* (the Policy) by the State's Cash Management Policy Board (the Board). The Board, created by State law, establishes policies for, and the terms, conditions, and other matters relating to, the investment of all money belonging to the State except money in DPERS and the OPEB Trust and money held under the State deferred compensation program. By law, all deposits and investments belonging to the State are under the control of the State Treasurer in various pooled investment funds (State Investment Pool), except for those that, by specific authority, are under the control of other agencies or component units, as determined by the Board. The deposit and investment policies of those entities may differ from those of the State Treasurer. Typically, these agencies follow the deposit and investment policies of the State Treasurer in an effort to minimize deposit and investment risks.

As mandated by State statutes, the State's funds shall be invested pursuant to the prudent person standard as defined in the Policy. The prudent person standard allows the Board to establish investment policies based on investment criteria that it defines, and it allows the Board to delegate investment authority to investment professionals. This standard of care not only permits but also encourages diversifying investments across various asset classes.

The objectives and guidelines, as outlined in the Policy, apply to all cash and special purpose funds for which the State is financially accountable. These funds are categorized as outlined below:

- Cash Accounts - Cash accounts divide the State's available cash into three parts:
  - Collection and Disbursement Accounts - The State maintains an amount of cash in its general collection and disbursement accounts sufficient to meet its outstanding obligations.

- Cash and Liquidity Accounts - The majority of the State's cash balance available for investment is maintained in the cash and liquidity accounts. These accounts are managed and invested by investment managers, selected by the Board through competitive bid, in order to maximize the return to the State while, at the same time, providing for safety of principal and sufficient liquidity for the State to meet its cash needs. The State manages its short-term investments to ensure sufficient liquidity and prevent their premature sale for the purpose of covering expenditures. Short-term investments should mature at face value in sufficient amounts to meet any needs.
- Reserve Cash (Intermediate) Account - To the extent cash is not expected to be needed on short notice, the Board directs the funding of a third part. This account is managed and invested by an investment manager or managers, selected by the Board after a competitive bid, in order to maximize the return on said money to the State while providing for the safety of principal. The State manages its intermediate investments to ensure such investments are made under circumstances and in amounts in which the State would not be forced to liquidate them at a loss.
- Special Purpose Accounts - There are two primary types of special purpose accounts:
  - Endowment Accounts – Endowment accounts consist of funds set-aside for specified purposes.
  - Authority Accounts - The State's Authorities (state agencies, local school districts and component units) maintain a variety of fund types, including various operating funds, bond funds and debt service reserve funds.

The Policy specifies the types of investments these 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. The Policy provides, among other things, the percentage limits of the entire portfolio, ranging from 5% to 20% that may be invested in obligations of any one issuer, other than the U.S. Government which has no restrictions. The following investments are permissible for all funds under the review of the Board, subject to percentage limitations of the account:

- U.S. Government securities
- Government agency securities
- Certificates of deposit, time deposits, and bankers acceptances
- Corporate debt instruments
- Repurchase agreements
- Reverse repurchase agreements
- Money market funds
- Canadian treasury bills
- Canadian agency securities
- Mortgage-backed and asset-backed securities
- Municipal obligations

Additional permissible investments for special-purpose accounts only:

- Guaranteed investment contracts
- Asset-backed securities and trust certificates

The primary government's accounts are categorized as "authority accounts". At June 30, 2016, investments of the primary government were primarily in commercial paper, corporate obligations, government agency bonds and notes, and municipal obligations. All of these meet the objectives defined by the Policy. The State's Cash Management Policy Board *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* is available by request through the Office of the State Treasurer.

## Risks

The following deposits and investments disclosure of the primary government excludes the OPEB Trust and DPERS, which are described on pages 58 - 63.

### *Custodial Credit Risk*

#### Deposits

For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party.

All State deposits are required by law to be collateralized by direct obligations of, or obligations, which are guaranteed by, the United States of America, or other suitable obligations as determined by the Board, unless the Board shall find such collateralization not in the best interest of the State. The Board has determined that certificates of deposit and time deposits must be collateralized, unless the bank issuing the certificate has assets of not less than \$5 billion and is rated not lower than "II" by Fitch, Inc. "Peer Group Rating". The Board has also determined that State demand deposits need not be collateralized, provided that any bank that holds these funds has had for the last two years a return on average assets of 0.5% or greater and an average equity-capital ratio of at least 1:20. If the bank does not meet the above criteria, collateral must consist of one or more of the following:

- U.S. Government securities;
- U.S. Government agency securities;
- Federal Home Loan Board letters of credit;
- State of Delaware securities; or
- Securities of a political subdivision of a State with a Moody's Investors Service rating of "A" or better.

At June 30, 2016, the carrying amount of the primary government's deposits was \$491.2 million and the bank balance was \$545.0 million. Of the \$545.0 million bank balance, \$126.4 million

was fully insured; \$102.6 million represents unemployment insurance taxes collected from Delaware employers that are held in escrow by the U.S. Treasury; and the remaining \$316.0 million was subject to custodial credit risk because they were uninsured and uncollateralized. Included in the primary government's deposits are agency funds. The carrying amount of the agency fund's deposits was \$28.6 million and the bank balance was \$30.5 million. The \$30.5 million bank balance was subject to custodial credit risk because the deposits were not covered by depository insurance or the deposits were uncollateralized, collateralized with securities held by the pledging financial institutions, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name.

Of the primary government's bank balance of \$545.0 million, \$254.6 million is part of the Treasurer's cash pool and the remaining balance represents outside bank accounts of the primary government.

State law permits the Treasurer to deposit in a financial institution in the State in which the Treasurer has custody if the deposit is interest bearing; the financial institution provides collateral that has a market value that exceeds the amount by which a deposit exceeds the deposit insurance, and a custodian holds the collateral.

### Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the government's name.

At June 30, 2016, the primary government's investments were \$2,421.1 million. Of the primary government's investments, \$390.1 million was fully insured and collateralized. Included in the primary government's investments of \$2,421.1 million are agency funds. The amount of the agency funds' investments was \$82.9 million.

The following table provides information on \$2,031.0 million of the primary government's investments that are exposed to custodial credit risk; \$81.1 million of this amount represents the agency funds' investments:

Investment Type	Fair Value (Expressed in Thousands)
Certificates of Deposit	\$ 147,306
Commerical Paper	103,385
Corporate Obligations	574,737
U.S. Government Obligations	817,744
Municipal Obligations	14,251
Money Market	54,171
Mutual Funds	59,698
Equity Securities	99,345
Other Pooled	9,132
Other Obligations	151,203
	<u>\$ 2,030,972</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Also, the terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. The State manages interest rates using the segmented time distribution and effective duration methods. The State approves and contracts with different investment managers of fixed income securities in order to manage the exposure to interest rate risk with each different manager focusing on different goals of yield periods or duration of maturities of their particular portion of the investment pool. The Policy provides either maturity or duration limitations for the various investment pools. The interest rate risk inherent in the portfolio is monitored by measuring the weighted average maturity and/or duration.

Effective duration measures the expected change in value of a fixed income security for a given change in interest rate. This method takes into account the likely timing and amounts of variable cash flows for bonds with call options and prepayment provisions.

The following table presents the fair value and effective duration of the primary government and agency fund investments by investment type at June 30, 2016:

Investment Type	Total			Effective Duration (In Years)
	Treasurer's Pool	Outside Treasurer's Pool	Investments (Expressed in Thousands)	
Corporate Obligations	\$ 566,498	\$ 8,239	\$ 574,737	1.61
Municipal Obligations	14,251	-	14,251	2.24
U.S. Government Obligations	817,744	287,443	1,105,187	1.56
Other Obligations	151,203	-	151,203	1.59
Other Pooled	-	9,132	9,132	N/A
Equity Securities	-	99,345	99,345	N/A
Mutual Funds	59,305	393	59,698	N/A
Money Market	48,411	5,760	54,171	N/A
Commercial Paper	103,385	102,144	205,529	0.01
Certificates of Deposit	146,414	1,407	147,821	0.60
	<u>\$ 1,907,211</u>	<u>\$ 513,863</u>	<u>\$ 2,421,074</u>	

Although the Policy does not limit total portfolio maturities, it provides maximum maturity restrictions for each of the investment account types as described below:

- Cash Account Investment - The maximum maturity for any investment at the time of purchase for the cash account is one year.
- Liquidity Accounts - The maximum maturity for any investment at the time of purchase shall be two years for the Liquidity Accounts; notwithstanding the foregoing, the term for corporate debt instruments and both mortgage backed and asset backed securities that are subject to periodic reset of coupon or interest rate may

have an average life not to exceed three years.

- Reserve Cash (Intermediate) Account - The maximum maturity for any investment at the time of purchase shall be ten years. The maximum average maturity of the portfolio shall be seven years.
- Endowment Accounts - The maximum maturity for any investment at the time of purchase is ten years. The maximum average maturity of the portfolio is seven years. The Board shall consider tailoring maturity restrictions to meet specific purposes for endowment accounts to be established in the future.
- Authority Operating, Bond and Debt Service Reserve Fund Accounts - The maximum maturity for any investment at the time of purchase is ten years, except when prudent to match a specific investment instrument with a known specific future liability, in which case the maturity limitation shall match the maturity of the corresponding liability.

As of June 30, 2016, the primary government and agency funds had the following debt investments and maturities:

		<b>Investment Maturity</b> (Expressed in Thousands)				
		<b>Investment Maturities</b>				
	<b>Fair Value</b>	<b>Less Than 1</b>	<b>1 to 5</b>	<b>6 to 10</b>	<b>More than 10</b>	
Corporate Obligations	\$ 574,737	\$ 227,676	\$ 329,798	\$ 17,263	\$ -	
Municipal Obligations	14,251	117	14,067	67	-	
U.S. Government Obligations						
U.S. Treasury Bonds, Notes	686,257	221,384	440,266	24,607	-	
U.S. Agency Bonds, Notes	418,930	170,976	191,199	47,504	9,251	
Other Obligations						
Private Placements	151,203	53,384	97,329	490	-	
Pooled Investments	9,132	9,132	-	-	-	
<b>Total Debt Investments</b>	<b>\$ 1,854,510</b>	<b>\$ 682,669</b>	<b>\$ 1,072,659</b>	<b>\$ 89,931</b>	<b>\$ 9,251</b>	

### ***Credit Risk***

Credit risk of investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Policy requires that the State's investments in asset-backed securities be rated AAA by a major rating agency. Corporate debt instruments must be rated by Standard and Poor's Ratings Services (S & P) and/or Moody's Investor Service (Moody's) and/or Fitch Ratings (Fitch) as follows:

<b><u>Investment</u></b>	<b><u>S &amp; P</u></b>	<b><u>Moody's</u></b>	<b><u>Fitch</u></b>
Commercial Paper	A-1	P-2	F2
Senior Long-Term Debt	A	A	A
Corporate Bonds	A-	A3	A-

Additionally, the State has multiple non-rated/pooled accounts which represent immaterial

amounts when treated individually. The Board permits the types of investments which are held in these accounts.

The following table presents the State's investments which were rated by S & P as of June 30, 2016 the ratings are presented using S & P's rating scale:

Credit Risk - Quality Ratings (Expressed in Thousands)						
Investment Type	TOTAL	AAA	AA	A	A-1	NR
Corporate Obligations	\$ 574,737	\$ 60,620	\$ 183,759	\$ 295,276	\$ -	\$ 35,082
Municipal Obligations	14,251	-	14,251	-	-	-
U.S. Government Obligations						
U.S. Treasury Bonds, Notes	686,257	-	686,257	-	-	-
U.S. Agency Bonds, Notes	418,930	10,872	395,580	11,037	-	1,441
Other Obligations						
Private Placements	151,203	12,239	73,069	65,895	-	-
Pooled Investments	9,132	-	-	-	-	9,132
Money Market	54,171	-	-	-	-	54,171
Equity Securities	99,345	-	-	-	-	99,345
Mutual Funds	59,698	-	-	-	-	59,698
Certificate of Deposit	147,821	-	60,360	86,569	-	892
Commercial Paper	205,529	-	-	-	165,657	39,872
<b>Total Investments</b>	<b>\$ 2,421,074</b>	<b>\$ 83,731</b>	<b>\$ 1,413,276</b>	<b>\$ 458,777</b>	<b>\$ 165,657</b>	<b>\$ 299,633</b>

NR = Non-Rated Pooled accounts

### ***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of the State's investments in a single issuer (5% or more of total investments). When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The investments in obligations explicitly guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure.

The Policy provides the following percentage of account limitations, valued at market. Investments due to mature in one business day may be excluded from the computation of said limitations.

- A. U.S. Government - no restrictions.
- B. Government Agency - 50% total, 20% in any one agency.
- C. Certificates of Deposits, Time Deposits and Bankers Acceptances - 50% total, 5% in any one issuer
  - a. Domestic - no additional restrictions.

- b. Non-Domestic - 25%.
- c. Delaware Domiciled - Not more than the lesser of \$10 million or 25% of an issuer's total equity capital may be invested in any one issuer. (Investments due to mature in one business day may be excluded from the computation of this percentage.)
- D. Corporate Debt - 50% total, 25% in any one industry, 5% in any one issuer, 5% of any issuer's total outstanding securities.
  - a. Domestic - no additional restrictions.
  - b. Non-Domestic - 25%, 5% in any one issuer.
- E. Repurchase Agreements - 50% total.
- F. Reverse Repurchase Agreements - 25% total.
- G. Money Market Funds - 25% total, 10% in any one fund.
- H. Canadian Treasuries - 25% total, 10% in any one agency.
- I. Canadian Agency Securities - 25% total, 10% in any one agency.
- J. Mortgage-backed and asset backed securities - 10% total (when combined with asset backed securities and trust certificates).
- K. Municipal Obligations - 5% in any one issuer.
- L. Guaranteed Investment Contracts - Permitted where it is prudent to match a specific investment instrument with a known specific future liability, subject to the credit quality guidelines for commercial paper and corporate bonds and debentures and with adequate exit provisions in the event of the future downgrade of the issuer.
- M. Asset Backed Securities and Trust Certificates - 10% total (when combined with mortgage-backed and asset backed securities).

At June 30, 2016, as required by the State's laws and policies, there were no obligations that represented 5% or more of the primary government's investments, except for U.S. government securities, pooled and mutual funds.

### ***Foreign Currency Risk***

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely impact

the fair value of an investment or deposit.

The Policy only permits investments denominated in U.S. dollars; therefore, the State's investments are not exposed to foreign currency risk.

### **Commitments**

At June 30, 2016, the State did not enter into any commitment agreements with any investment managers for future funding of various asset classes.

### **OPEB Trust Fund (OPEB Trust)**

#### **Investment Policy**

The State Board of Pension Trustees is responsible for the management and investment of the funds in the OPEB Trust. The Board authorized its Investment Committee to select the investment managers of the OPEB Trust following the established investment guidelines for the Delaware Public Employees' Retirement System (System) until a separate investment policy is adopted for the OPEB Trust. The System follows the prudent person standard, which requires fiduciaries to discharge their duties solely in the interests of participants and their beneficiaries with such care, skill, prudence, and diligence as a person acting in like circumstances would exercise in the conduct of an enterprise with similar character and with similar aims. The OPEB Trust investment objectives and policies currently include indexed exposure to approximate the System's policy benchmark. The Investment Committee regularly reviews the OPEB investment performance, and considers investment vehicles which strike a balance between risk and return while being mindful of the government's time horizon for the OPEB investments. Of the OPEB trust's investment balance of \$290.1 million, all is invested in three mutual funds and are not in individual investments registered in the Trust's name. For the fixed income type of mutual fund, the investments in maturities is in government agencies and hold a maturity of six to ten years at a fair market value of \$117.5 million with a AA credit rating. The foreign equities type of mutual fund represents \$58.8 million of balance of the trust. These are denominated in U.S. Dollars and are invested in no individual country, but an international region. The other \$113.8 million is in an index fund. The OPEB Trust also has \$18.8 million held in cash and pooled investments with the State Treasurer's Office and \$5.3 million in cash held in accounts outside of the State Treasurer's Office.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party. At June 30, 2016, the \$5.3 million held outside of the State Treasurer's Office is subject to custodial credit risk because it was uninsured and uncollateralized.

### **Delaware Public Employees' Retirement System (DPERS or System)**

#### **Investment Policy**

There are no State statutes limiting allowable investments for the System. The investment decisions are dictated by the prudent person rule and the internal investment guidelines

established by the Board as outlined below:

- Allocate a minimum of 20% of assets to fixed income investments such as bonds, cash equivalents and certain real estate investments
- Maintain a diversified portfolio, to minimize the risk of overexposure in any one market segment or investment style
- Monitor the performance of all investment managers using specific benchmarks
- Control exposure to illiquid asset classes
- Review, re-examine, and reconfirm the operation of results of the investment process regularly
- Identify new long-term opportunities for risk reduction and improved investment returns
- Review actuarial assumptions to ensure consistency with capital market expectations

For the fiscal year ended June 30, 2016, management of the System has operated in accordance with these policies, in all material respects.

### **Securities Lending**

The System entered into a security lending agreement with its custodian bank, which acts as a security lending agent for the System. The objective of securities lending is to earn income through a conservatively operated and well-controlled program. The custodian is authorized to lend securities within the borrower limits and guidelines established by the System. The System lends fixed income, domestic equity, and international equity securities to approved broker/dealers. Collateral for securities loaned equals 102 percent of fair market value for domestic securities and 105 percent for international securities.

The only types of collateral received from borrowers are obligations issued by the U.S. Government. All rights of ownership to securities pledged as collateral remain with the borrower except in the event of default. The System has the authority to sell collateral securities only upon a borrower default. As of June 30, 2016, there were no violations of legal or contractual provisions. The System has not experienced any losses resulting from the default of a borrower or lending agent during the year ended June 30, 2016.

At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the System's custodian requires it to indemnify the System if the borrowers fail to return the securities or fail to pay the System for income distributions by the securities' issuers while the securities are on loan. The System manages its market risk by recording investments at fair value daily and maintaining the value of the collateral held by the System in excess of the value of the securities loaned. As of June 30, 2016, the fair value of securities on loan was \$87.7 million. The associated collateral was \$89.0 million.

All open security loans can be terminated on demand by either the System or borrower. The collateral is valued at fair value obtained from independent pricing services.

## Investments

The following is a listing of fixed income investments and cash equivalents and related maturity schedule which shows the System's exposure to interest rate risk as of June 30, 2016. It is the System's policy to classify corporate convertible bonds as equity securities because those securities generally convert to preferred equity interests upon maturity. The System holds \$776.6 million in domestic fixed income and \$153.8 million in foreign fixed income instruments. Also included is \$40.1 million of corporate convertible bonds, \$148.2 million in pooled cash equivalents and \$1,804.3 million in pooled fixed income investments.

**Delaware Public Employees' Retirement System (DPERS or System)**  
**Investment Maturities (in Years)**  
 (Expressed in Thousands)

<b>Investment Type/Sector</b>	<b>Fair Value</b>	<b>Less than 1</b>	<b>1 - 6</b>	<b>6 - 10</b>	<b>10 +</b>
Asset Backed Securities	\$ 27,316	\$ -	\$ 8,403	\$ 607	\$ 18,306
Bank Loans	16,333	-	15,447	886	-
Cash Equivalents	148,210	148,210	-	-	-
Commercial Mortgage-Backed	8,124	-	-	-	8,124
Corporate Bonds	468,463	3,252	177,060	150,613	137,538
Corporate Convertible Bonds	40,097	810	17,080	-	22,207
Government Agencies	14,366	-	14,366	-	-
Government Bonds	383,051	33,078	178,317	80,250	91,406
Municipal/Provincial Bonds	12,783	98	8,396	-	4,289
Pooled Investments	1,804,332	-	604,385	1,199,947	-
Total	<u>\$ 2,923,075</u>	<u>\$ 185,448</u>	<u>\$ 1,023,454</u>	<u>\$ 1,432,303</u>	<u>\$ 281,870</u>

## Interest Rate Risk

The State has delegated investment policy for the System to the Board and its Committees. The Investment Committee sets its own guidelines in conjunction with the Board to manage and review the System's exposure to fluctuating interest rates. Interest rate risk is a consideration when establishing and reviewing investment manager guidelines and asset allocation. Both topics are included in the Statement of Investment Policies and Objectives which is published on the System's website.

## Credit Risk

The System's general investment policy is to apply the prudent-person rule to all risks incurred by the fund. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The System has no investment policy that would further limit its investment choices related to credit risk. As of June 30, 2016, the System's fixed income investments and cash equivalents had the following credit risk characteristics (expressed in thousands):

<b>Moody's Ratings or Comparable</b>	<b>Percent of Total Net Position</b>	<b>Market Value</b>
AAA to A	23.8%	\$ 2,115,073
BBB to B	8.6%	757,403
CCC to C	0.2%	17,478
Less than C	0.1%	7,329
Not Rated	0.3%	25,792
Total	33.0%	\$ 2,923,075

### **Custodial Credit Risk**

For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party. At June 30, 2016, the \$241.9 million carrying amount of the System's cash and cash equivalents was comprised of \$148.2 million of short-term investments and \$93.7 million in deposits. Of the \$93.7 million in deposits, \$93.2 million was subject to custodial credit risk because it was uninsured and uncollateralized. The remaining \$0.5 million was held as pooled deposits by the State Treasurer's Office.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the government's name. The System's investments are not exposed to custodial credit risk as they are held by the System's custodian in the name of the System or its nominee.

### **Investment Concentration Risk**

As of June 30, 2016, the System held no concentration of investments (except pooled investments) in an individual issuer in excess of 5% of the fair value of the System's net position.

### **Management Fees**

The System paid \$27.7 million in management fees to the alternative investment funds and partnerships for the fiscal year ended June 30, 2016. These fees are netted against investment income.

### **Foreign Investments**

Foreign investments include equity securities, bonds, cash, and cash equivalents. The following is a listing of the System's foreign assets as of June 30, 2016. The listing includes \$8.4 million

of investments of domestic issuers which have been classified as domestic, but are denominated in a foreign currency.

Investment Types (Expressed in Thousands)				
Currency	Fair Value in U.S. Dollars	Equities	Fixed Income	Cash and Cash Equivalents
Australian Dollar	\$ 16,475	\$ 7,216	\$ 9,259	\$ -
Brazilian Real	6,348	3,234	3,114	-
British Pound Sterling	71,765	68,821	2,918	26
Canadian Dollar	43,611	23,913	19,445	253
Danish Krone	9,907	9,907	-	-
Euro	67,843	67,790	-	53
Hong Kong Dollar	44,949	44,949	-	-
Indonesian Rupiah	25,484	25,337	-	147
Japanese Yen	19,580	19,518	-	62
Malaysian Ringgit	1,353	1,335	-	18
Mexican Peso	24,091	9,168	14,923	-
New Zealand Dollar	17,455	-	17,455	-
Nigerian Naira	867	867	-	-
Norwegian Krone	10,080	657	9,420	3
Philippine Peso	16,394	16,394	-	-
South African Rand	1,528	1,528	-	-
South Korean Won	3,991	3,991	-	-
Swedish Krona	21,349	19,766	1,583	-
Swiss Franc	25,034	24,200	834	-
Thai Baht	4,016	4,016	-	-
Turkish Lira	4,823	4,823	-	-
Total Foreign Currencies	436,943	357,430	78,951	562
Foreign Issued Investments				
Denominated in U.S. Dollars	195,180	114,084	81,096	-
Pooled International Investments				
Denominated in U.S. Dollars	766,793	766,793	-	-
<b>Total</b>	<b>\$ 1,398,916</b>	<b>\$ 1,238,307</b>	<b>\$ 160,047</b>	<b>\$ 562</b>

## Derivatives

Derivatives are instruments (securities or contracts) whose value is dependent on such things as stock or bond prices, interest rate levels, or currency exchange rates. The Board adopted a formal written policy on the use of derivatives which is reviewed periodically and this policy, as amended, was incorporated in the formalized investment policy adopted by the Board. Some selected managers are permitted to use derivatives. In every case, the types of derivatives used and limits on their use are stated in the manager's contract and are monitored on an ongoing basis. Derivatives serve a variety of useful purposes for the System, including the reduction of

foreign exchange risk, the minimization of transaction costs and as a means of implementing value added strategies to enhance returns. If the use of derivatives in a portfolio strategy results in some leverage, that leverage is never permitted to expose the Fund to a loss greater than the amount committed to that strategy.

The following lists principal categories of derivatives and their uses during the year:

<u>Category</u>	<u>Purpose</u>
Foreign exchange forward contracts	Hedge currency risk of investments denominated in foreign currencies; enhance return
Exchange traded futures contracts	Reduce transaction costs; hedge equity market risk; control fixed income; counterbalance portfolio duration; enhance return
Exchange traded options contracts	Enhance return; reduce transaction costs
Total return equity swaps	Hedge equity market risk exposure

Generally, derivatives are subject both to market risk and counterparty risk. The derivatives utilized by the System typically have no greater risk than their physical counterparts, and in many cases are offset by exposures elsewhere in the portfolio (for example, a short S&P 500 futures contract partially hedging a long position in S&P 500 securities). Counterparty risk, the risk that the “other party” to a contract will default, is managed by utilization of exchange traded futures and options where practical (in which case the futures exchange is the counterparty and guarantees performance) and by careful screening of counterparties where use of exchange traded products is impractical or uneconomical.

Derivative securities are priced and accounted for at their fair value. For exchange traded securities such as futures and options, closing prices from the securities exchanges are used. Foreign exchange contracts are valued at the price at which the transaction could be settled by offset in the forward markets.

The Investment Committee monitors the System’s derivative holdings on a regular basis to ensure that the derivatives used by managers of the System will not have a material adverse impact on its financial condition. Total derivative instruments at June 30, 2016 were not material to the system.

### **Risk and Uncertainty**

The System 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 inherent in investment securities, it is possible that changes in the values of investment securities will occur in the near term and that such change could affect the amounts reported.

**Discretely Presented Component Units***Delaware State Housing Authority (DSHA)*

As of June 30, 2016, the carrying value and bank balances of DSHA's deposits were \$50.4 million and \$51.2 million, respectively, all of which are insured by the FDIC.

Investment Policies

DSHA has an investment policy that encompasses all moneys related to the issuance of bonds, as well as all funds otherwise held by DSHA. DSHA seeks first and foremost to ensure safety of principal, and secondly, to attain the highest possible return available given the risk constraints.

DSHA is allowed to invest in certain qualified investments as defined by amended Subchapter II, Section 4013, Chapter 40, Title 31, of the Delaware Code and DSHA's formal investment policy.

Investments

Investments are presented at fair value. Fair values are determined by quoted market prices based on national exchange prices for all investments, except for the State of Delaware Investment Pool. The State pool is valued based on the pool's share price. The table below lists the DSHA's investments and the related maturities:

Investment Type	Investment Maturities (in Years) (Expressed in Thousands)					
	Fair Value	Less than 1	1 - 5	5 - 10	10 - 20	20 - 30
U.S. Treasury Notes	\$ 19,377	\$ 5,637	\$ 13,560	\$ 180	\$ -	\$ -
US Treasury Strips	224	-	-	224	-	-
U.S. Treasury Bonds	28	-	-	-	28	-
U.S. Agencies	26,920	7,801	19,119	-	-	-
Commercial Paper	2,566	2,566	-	-	-	-
Corporate Notes	24,347	6,838	17,509	-	-	-
Investment Agreements	50	-	-	-	-	50
Money Market Savings Accounts	4,353	4,353	-	-	-	-
Bank Money Market Accounts	41,163	41,163	-	-	-	-
State of Delaware Investment Pool	20,364	20,364	-	-	-	-
Total Investments	139,392	88,722	50,188	404	28	50
Securitized Mortgage Loans	306,590	-	-	-	-	306,590
Total Investments & Securitized Mortgage Loans	\$ 445,982	\$ 88,722	\$ 50,188	\$ 404	\$ 28	\$ 306,640

*Credit Risk*

DSHA's general investment policy is to make investments with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived. As of June 30, 2016, DSHA's investments were rated as follows:

Investment Type	Ratings (S & P) (Expressed in Thousands)								U.S. Government Guaranteed
	Fair Value	AAA	AA+	AA	AA-	A1+	A1	A+	
U.S. Treasury Notes	\$ 19,377	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	19,377
U.S. Treasury Strips	224	-	-	-	-	-	-	-	224
U.S. Treasury Bonds	28	-	-	-	-	-	-	-	28
U.S. Agencies	26,920	-	26,920	-	-	-	-	-	-
Corporate Notes	24,347	1,755	1,692	3,625	14,622	-	-	2,653	-
Commercial Paper	2,566	-	-	-	-	1,501	1,065	-	-
Securitized Mortgage Loans	306,590	-	-	-	-	-	-	-	306,590
Total	\$ 380,052	\$ 1,755	\$ 28,612	\$ 3,625	\$ 14,622	\$ 1,501	\$ 1,065	\$ 2,653	\$ 326,219

**NOTE 3 FAIR VALUE MEASUREMENT**

The State categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability – either directly or indirectly
- Level 3: Unobservable inputs – market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The State has the following recurring fair value measurements as of June 30, 2016:

		Investments by Fair Value (expressed in thousands)			
		Fair Value Measurement			
	6/30/2016	Level 1	Level 2	Level 3	
<b>Fixed Income Securities:</b>					
U.S. Government Obligations					
U.S. Treasury Notes	\$ 686,257	\$ -	\$ 686,257	\$ -	
U.S. Agency Notes	418,930	-	418,930	-	
Municipal Obligations	14,251	-	14,251	-	
Corporate Obligations	574,737	-	574,737	-	
Commercial Paper	205,529	-	205,529	-	
Other Pooled & Obligations	160,335	-	159,611	724	
<b>Equity Securities:</b>					
Equity Securities	99,345	99,345	-	-	
Mutual Funds	59,698	59,698	-	-	
<b>Total Investments by Fair Value Level</b>	<b>\$ 2,219,082</b>	<b>\$ 159,043</b>	<b>\$ 2,059,315</b>	<b>\$ 724</b>	
Investments not subject to measurement	201,992				
<b>Total Investments</b>	<b>\$ 2,421,074</b>				

Equity securities and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income securities classified in Level 2 of the fair value hierarchy are valued using inputs other than quoted prices that are observable. Fixed income securities classified in Level 3 of the fair value hierarchy are the State's proportional investments held in an investment pool.

The State also has a nonrecurring fair value measurement as of June 30, 2016, for a building that was initially purchased for renovation as a school facility. The project is no longer feasible and the building will no longer be used by the State and is listed for sale. The building's fair value is \$6.5 million based on an appraisal of the property (Level 3 inputs).

### OPEB Trust Fund (OPEB Trust)

OPEB investments are measured at fair value and the total investments of \$290.1 million are Level 1 investments as they are in mutual funds that are publicly traded in an active market.

### Delaware Public Employee's Retirement System (DPERS)

DPERS has both investments measured at fair value and investments that are measured using the net asset value (NAV) per share (or its equivalent) as a practical expedient to fair value which is not classified in the fair value hierarchy. DPERS has the following recurring fair value measurements as of June 30, 2016:

**Investments by Fair Value**  
(expressed in thousands)

	6/30/2016	Fair Value Measurement		
		Level 1	Level 2	Level 3
<b>Fixed Income Securities:</b>				
Government Bonds	\$ 383,051	\$ -	\$ 383,051	\$ -
Government Agencies	14,366	-	14,366	-
Municipal Obligations	12,783	-	12,783	-
Corporate Bonds	508,560	-	503,199	5,361
Asset-Backed Securities	27,316	-	27,316	-
Bank Loans	16,333	-	16,333	-
Commerical Mortgage-Backed	8,124	-	8,124	-
<b>Equity securities:</b>				
Common & Preferred Stock	2,346,628	2,341,951	4,677	-
Equity Funds	7,480	6,890	590	-
<b>Pooled Investments:</b>				
Equity Funds	26,051	26,051	-	-
Fixed Income Funds	604,385	604,385	-	-
<b>Total Investments by Fair Value Level</b>	<b>\$ 3,955,077</b>	<b>\$ 2,979,277</b>	<b>\$ 970,439</b>	<b>\$ 5,361</b>
<b>Total Investments Measured at NAV</b>	<b>4,627,526</b>			
<b>Total Investments</b>	<b>\$ 8,582,603</b>			

The valuation method for pooled and alternative investments that do not have a readily determinable fair value is such that DPERS establishes fair value by using the NAV per share (or its equivalent), such as member units or ownership interest in partners' capital to which a proportionate share of net assets is attributed. These values are calculated by the management of each investment fund as of DPERS' measurement date, generally in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. The NAV received from each investment fund are reviewed by DPERS' staff and its investment advisor; and both DPERS' management and the custodian receive periodic and audited annual financial reports from the management of each investment fund.

The DPERS has the following recurring NAV measurements as of June 30, 2016, including unfunded commitments and redemption terms as follows:

**Investments Measured at NAV**  
(expressed in thousands)

	Fair Value	Unfunded Commitments (1)	Redemption Frequency	Redemption Notice Period
<b>Pooled Investments:</b>				
Equity Funds	\$ 1,457,074	-	Daily, Monthly	1 to 12 days
Fixed Income Funds	<u>1,199,947</u>	-	Daily	1 day
<b>Total Pooled Investments (2)</b>	<u>\$ 2,657,021</u>			
<b>Alternative Investments:</b>				
<b>Funds Primarily Invested in Public Securities</b>				
Credit/Distressed Debt Focused Strategy (3)	\$ 175,162	\$ 30,000	Annual	60 to 90 days
Equity Focused Strategy (4)	245,549	-	Quarterly, Annual	45 to 90 days
<b>Funds Primarily Invested in Private Securities (5)</b>				
Buyout	152,427	144,111		
International	275,586	70,830		
Private Debt	78,855	21,956		
Private Equity	735,476	305,561		
Real Assets	<u>307,450</u>	<u>111,294</u>		
<b>Total Alternatives</b>	<u>\$ 1,970,505</u>			
<b>Total Investments Measured at NAV</b>	<u><u>4,627,526</u></u>			

(1) *Unfunded Commitments.* DPERS has commitments to invest additional amounts, to be drawn down as called upon at any time during the term of each relationship. The lengths of these terms are discussed below. Generally, these commitments are self-funding; in that the capital calls are met using cash flows generated by distributions received from alternative investment funds as the underlying investments of the funds are liquidated.

(2) *Pooled Investments.* This type includes three index tracking funds, two global value equity funds, and one short-term investment fund. The index funds maintain a portfolio constructed to match or track the components of the following market indices: S&P 500, Russell 1000 Value, and the Barclays Capital U.S. Aggregate. The global value equity funds invest in both U.S. and non-U.S. equities, seeking quality companies that are attractively valued and have growth potential. The short-term investment fund is a stable-value (money market-like) investment vehicle for cash reserves, which DPERS classifies as Cash Equivalents. It is managed by DPERS' Custodian to offer a competitive rate of return through a portfolio of obligations of the U.S. Government, its agencies or instrumentalities, and related money market instruments. Principal preservation and liquidity management are the prime objectives.

(3) *Credit/Distressed Debt Focused Strategy.* This type includes three funds that engage in multiple investment strategies across the credit spectrum, with the objective of achieving superior risk-adjusted returns through opportunistic investment. The composite portfolio for this type includes investments in distressed corporate securities, convertible hedging, residential and consumer debt, real estate debt, merger arbitrage, and real estate. In limited circumstances, these funds have the ability to impose a suspension or postponement of redemptions (a "gate"), or in

the case of a withdrawal greater than 90% they may hold up to 10% of the redemption amount (a “holdback”) until the completion of the funds’ annual audit. There have been no gates imposed during the reporting period. These funds may also segregate a portion of the portfolio, commonly illiquid securities with no active market, from other investments of the portfolio (a “side pocket”). Investments in a side pocket are redeemable only upon liquidation of the underlying assets in the side pocket. Investments representing approximately 9% of the value of the investments in this type are held in side pockets. Investments representing approximately 21% of the value of the investments in this type cannot be redeemed because the investments include restrictions (a “lock-up”) that do not allow for initial redemption in the first 24-36 months after acquisition, with a rolling two-year lock-up thereafter. The remaining restriction period for these investments ranged from 15 to 36 months at June 30, 2016.

(4) *Equity Focused Strategy*. This type includes five funds that engage in a fundamental equity investing strategy. The composite portfolio for this type invests both long and short primarily in global common stocks, but also in debt, credit, private equity, derivative and other financial instruments. In limited circumstances, these funds have the ability to impose a gate, or in the case of a withdrawal greater than 90% they may hold back up to 10% of the redemption amount until the completion of the funds’ annual audit. There have been no gates imposed during the reporting period. These funds may also segregate a portion of the portfolio in a side pocket. Investments in a side pocket are redeemable only upon liquidation of the underlying assets in the side pocket. Investments representing approximately 3% of the value of the investments in this type are held in side pockets. Investments representing approximately 18% of the value of the investments in this type cannot be redeemed because the investments include an initial lock-up that does not allow for redemption in the first five years after acquisition. The remaining restriction period for these investments is approximately 51 months at June 30, 2016.

(5) *Funds Primarily Invested in Private Securities*. These investments can never be redeemed with the funds. Instead, the nature of the investments in these types is that distributions are received through the liquidation of the underlying assets of the funds. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 12 years. The strategy of each type is as follows:

*Buyout*. This type includes three funds that make equity investments in mature, private companies.

*International*. This type includes 11 funds that invest in private equity and buyout strategies operating principally outside of the U.S.

*Private Debt*. This type includes six funds that invest in debt or equity securities of financially stressed (distressed) companies, as well as convertible bonds and subordinated debt in private companies.

*Private Equity*. This type includes 47 funds that invest in the equity securities of growing private companies, primarily in the technology and healthcare sectors.

*Real Assets*. This type includes six funds that invest in commercial real estate and private energy companies including commercial real estate, exploration and production, midstream, power and services businesses.

**Discretely Presented Component Unit***Delaware State Housing Authority (DSHA)*

At June 30, 2016, the Delaware State Housing Authority (DSHA), a component unit of the State of Delaware has \$446.0 million of investments with \$400.5 million classified in Level 2 of the fair value hierarchy and the remaining \$45.5 million not measured at fair value since they are money market accounts and are not subject to measurement.

**NOTE 4 RECEIVABLES**

All trade, loan and tax account receivables are recorded net of an allowance for uncollectible accounts. In the governmental fund financial statements, receivables that will not be available within 60 days of year-end are recorded as deferred inflows of resources.

Taxes receivable represent the amount of personal, business, and other taxes determined to be measurable at June 30, 2016. Uncollectibility for taxes receivable primarily results from identified assessment problems, inability to locate taxpayers, and accounts of decedents.

The State levies taxes on real property through its school districts. Each of the three counties of the State establishes the assessed values of real estate and bills and collects its own property taxes. Local school property taxes are levied by local school districts based on the assessed value of real estate, as determined by county taxation formulas. Taxes are levied on July 1 and are payable on or before September 30. Taxes paid after the payable date are assessed a 6% penalty for nonpayment and 1% interest per month thereafter. Taxes are billed and collected by the counties with funds remitted to the local school district to be used for the local share of school operating costs and debt service on general obligation bonds issued for capital improvements. Receivables as of year-end for the State's individual funds, including the applicable allowances for uncollectible accounts, are as follows:

**Receivables - Primary Government  
Governmental Activities/Governmental Funds**  
(Expressed in Thousands)

	<b>General Fund</b>	<b>Federal Fund</b>	<b>Local School District Funds</b>	<b>Total Receivables</b>
Receivables:				
Taxes	\$ 208,186	\$ -	\$ 39,640	\$ 247,826
Accounts	339,978	100,730	169	440,877
Loans and Notes	34,741	281,956	-	316,697
Intergovernmental	-	166,406	-	166,406
Total Receivables	582,905	549,092	39,809	1,171,806
Allowance for Doubtful Accounts	(386,884)	(89,913)	(192)	(476,989)
Total Receivables, Net	\$ 196,021	\$ 459,179	\$ 39,617	\$ 694,817
Amounts not Scheduled for Collection During the Subsequent Year	\$ 51,806	\$ 265,704	\$ 27,446	\$ 344,956

**Receivables - Primary Government  
Business-Type Activities/Proprietary Funds**  
(Expressed in Thousands)

	<b>Unemployment</b>	<b>Lottery</b>	<b>DelDOT</b>	<b>Total Receivables</b>
Receivables:				
Taxes	\$ 66,578	\$ -	\$ -	\$ 66,578
Accounts	17,266	6,970	25,397	49,633
Interest	-	-	837	837
Intergovernmental	-	-	29,074	29,074
Intergovernmental	-	-	-	-
Total Receivables	83,844	6,970	55,308	146,122
Allowance for Doubtful Accounts	(35,600)	(792)	-	(36,392)
Total Receivables, Net	\$ 48,244	\$ 6,178	\$ 55,308	\$ 109,730
Amounts not Scheduled for Collection During the Subsequent Year	\$ -	\$ -	\$ -	\$ -

**Discretely Presented Component Units***Delaware State Housing Authority (DSHA)*

Total receivables as of June 30, 2016 are as follows:

(Expressed in Thousands)

Receivables:	
Mortgage Loans	\$ 273,299
Accrued Interest	60,924
Other Receivables	881
Grants Receivable	325
Total Receivables	335,429
Allowance for Doubtful Accounts	(6,071)
Total Receivables, Net	\$ 329,358
Amounts not Scheduled for Collection During the Subsequent Year	\$ 323,156

Mortgage loans receivable which total \$273.3 million consist of single family and multi-family loans and are collateralized by first, second or third mortgages on the properties and in limited instances are guaranteed by corporate sponsors. Interest rates on the loans vary from 4.5% to 9.75% and loan maturities are between one and forty years depending on the type of mortgage loan issued.

**NOTE 5 INTERFUND BALANCES AND TRANSFERS****(a) Due To/From to Other Funds**

Receivables reported as “due from other funds” and the related payables reported as “due to other funds” represent amounts owed to State organizations by other organizations within the State primary government. Amounts receivable from or payable to other levels of government are reported as intergovernmental receivables or payables and are expected to be repaid within one year from the date of these financial statements. The composition of due from/due to balances at June 30, 2016 is as follows (expressed in thousands):

	Due To			
	General	DeIDOT	Lottery	Total
<b>Due From</b>				
General	\$ -	\$ 12,000	\$ 4,763	\$ 16,763
Federal	15,417	-	-	15,417
UI	15,000	-	-	15,000
Lottery	1,502	-	-	1,502
DeIDOT	4,478	-	-	4,478
<b>Total</b>	\$ 36,397	\$ 12,000	\$ 4,763	\$ 53,160

The amounts due from the Federal Fund are recorded for borrowings to eliminate negative balances in the State Investment Pool. The amount for the Federal Fund is created by expenditures relating to reimbursement type federal grant revenues. These costs result in a negative balance in the State Investment Pool.

The amount due from DelDOT represents payments made by the General Fund on behalf of DelDOT and the due to DelDOT represents Transportation Trust Fund deposits to the General Fund due to DelDOT.

The amount due from the Lottery Fund represents overpayments of profits required by law to be transferred to the General Fund. The amount due to the Lottery Fund represents future liabilities that require the State General Fund to pay as a result of the Lottery's transfer of profits as required by law.

The amount due from the Unemployment Fund represents a short-term loan from the General Fund.

#### **(b) Transfers In From/Out to Other Funds**

Transfers in and transfers out from/to other funds in the statement of revenues, expenditures and changes in fund balance and the statement of revenues, expenses and changes in fund net position, proprietary funds represent transfers between funds. Transfers are used to 1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 3) move profits from the Lottery Fund, as required by State law, and 4) move bond proceeds from Capital Projects to the General Fund or Local School District Fund to cover expenses paid by the General Fund.

A schedule of transfers in and transfers out for the year ended June 30, 2016 is presented below (expressed in thousands):

	<b>Transfers In</b>			
	<b>Local School</b>			<b>Total</b>
	<b>General</b>	<b>District Fund</b>	<b>DelDOT</b>	
<b>Transfers Out</b>				
General	\$ -	\$ 10,905	\$ 14,168	\$ 25,073
Federal	59,986	-	-	59,986
Local School District Fund	120,775	-	-	120,775
Capital Projects	81,526	66,956	-	148,482
Lottery	252,865	-	-	252,865
DelDOT	10,125	-	-	10,125
<b>Total</b>	<b>\$ 525,277</b>	<b>\$ 77,861</b>	<b>\$ 14,168</b>	<b>\$ 617,306</b>

## NOTE 6 DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources are defined as consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows increase net position, similar to assets and deferred inflows decrease net position, similar to liabilities.

The components of deferred outflows of resources and deferred inflows of resources reported in the government wide financial statements as of June 30, 2016 are as follows (expressed in thousands):

	Governmental Activities	Business-type Activities	Primary Government
<b>Deferred Outflows of Resources</b>			
Loss on Refundings of Debt	\$ -	\$ 36,409	\$ 36,409
Pensions -See Note 17	194,889	13,240	208,129
<b>Total Deferred Outflows of Resources</b>	<u>\$ 194,889</u>	<u>\$ 49,649</u>	<u>\$ 244,538</u>
<b>Deferred Inflows of Resources</b>			
Service Concession Arrangement	\$ -	\$ 18,312	\$ 18,312
Pensions -See Note 17	208,219	10,766	218,985
Gain on Refundings of Debt	36,161		36,161
<b>Total Deferred Inflows of Resources</b>	<u>\$ 244,380</u>	<u>\$ 29,078</u>	<u>\$ 273,458</u>

Deferred inflows of resources on the governmental funds balance sheet as of June 30, 2016 are unavailable revenues as follows (expressed in thousands):

	General Fund	Federal Fund	Local School District Fund	Total Governmental Funds
<b>Deferred Inflows of Resources</b>				
Accounts Receivable	\$ 48,009	\$ 10,659	\$ 169	\$ 58,837
Taxes Receivable	66,240	-	37,576	103,816
<b>Total Deferred Inflows of Resources</b>	<u>\$ 114,249</u>	<u>\$ 10,659</u>	<u>\$ 37,745</u>	<u>\$ 162,653</u>

## NOTE 7 GENERAL OBLIGATION BONDS

General obligation bonds have been authorized and issued primarily to provide funds for acquisition and construction of capital facilities for State administrative operations, public and

higher education, public and mental health, corrections and conservation purposes and for maintenance and construction of highway facilities.

The State Constitution provides that the State may issue general obligation bonds for specific purposes in amounts approved by the General Assembly. The enabling acts pursuant to which the bonds are issued provide that all bonds issued shall be direct obligations of the State; that is, the bonds are secured by the pledge of the full faith and credit of the State. General obligation bonds are redeemed over a period not to exceed 20 years, generally from available resources in the general fund. Accordingly, the State has generally issued 20-year serial bonds with equal amounts of principal maturing each year. Bonds outstanding have call provisions providing for early redemption at the option of the State, generally beginning 8 or 10 years following the date of issue in the inverse order of maturity, in whole or in part, at redemption prices not to exceed 100% of par value.

On March 16, 2016, the State issued \$236.1 million of general obligation bonds maturing between March 1, 2017 and March 1, 2036. Of the \$236.1 million issued, \$180.4 million was issued as Series 2016A representing new money, the proceeds of which were used to fund various capital projects as authorized by the General Assembly; \$20.2 million was issued as Series 2016B also representing new money, the proceeds of which were used to fund capital projects at the Port of Wilmington and were issued as bonds subject to Alternative Minimum Tax; and, \$35.5 million was issued as Series C representing refunding bonds the proceeds of which were used to advance refund existing bonds for a net present value savings of \$3.0 million, or 8.2% of the principal refunded. The bonds bear coupons between 2.125% and 5.0% and yield between 0.49% and 3.17%.

The refunding Series 2016C resulted in an economic gain of \$2.6 million and a debt service cash savings over the next ten years of \$2.9 million. The gain on refunding is recorded with the Deferred Inflows of Resources on the Statement of Net Position.

On June 30, 2016, the State issued \$85.5 million of general obligation bonds maturing between July 1, 2017 and July 1, 2031. Series 2016D bonds were issued as refunding bonds the proceeds of which were used to refund existing bonds for a net present value savings of \$7.3 million, or 8.2% of the principal refunded. The bonds bear coupons between 2.0% and 5.0% and yield between .62% and 2.06%.

The refunding Series 2016D resulted in an economic gain of \$8.5 million and a debt service cash savings over the next 15 years of \$7.8 million. The gain on refunding is recorded with the Deferred Inflows of Resources on the Statement of Net Position.

Bonds issued and outstanding totaled \$1,902.9 million at June 30, 2016. Of this amount, \$517.4 million is supported by property taxes collected by the local school districts. During fiscal year 2016, the local school district funds transferred \$66.6 million of property tax revenue to the State to meet the required debt service on their share of the debt.

The State is authorized to issue an additional \$175.6 million of general obligation bonds at June 30, 2016. Interest rates and maturities of the outstanding general obligation bonds are detailed as follows:

**General Obligation Bonds - Governmental Activities**

(Expressed in Thousands)

<b>Sale #</b>	<b>Description</b>	<b>Interest Rates</b>	<b>Maturity Date (Fiscal Year)</b>	<b>Balance Outstanding at June 30, 2016</b>
229	GO 2016D	2.00% - 5.00%	2032	\$ 85,470
227	GO 2016C	4.00% - 5.00%	2027	35,455
226	GO 2016B	5.00%	2019	20,220
225	GO 2016A	2.13% - 5.00%	2036	180,385
222	GO 2014B	2.00% - 5.00%	2035	295,025
221	GO 2014A	3.00% - 5.00%	2034	165,000
220	GO 2013B	2.00% - 5.00%	2033	174,025
219	GO 2013A	2.00% - 5.00%	2027	111,330
215	GO 2011A	2.00% - 5.00%	2032	100,428
214	GO 2010D	4.55%	2030	59,580
213	GO 2010C	3.10%-4.60%	2031	115,775
211	GO 2010B	2.00% - 5.00%	2025	81,585
209	GO 2010A	1.50% - 5.00%	2025	58,400
208	GO 2009D	3.70% - 5.30%	2030	169,950
206	GO 2009C	3.00% - 5.00%	2028	185,725
205	GO 2009B	4.75% - 5.00%	2026	13,935
203	GO 2009A	4.75% - 5.00%	2029	4,165
199	GO 2006C	0.25%	2023	1,433
195	GO 2005C	5%	2023	43,120
192	QZAB 2004B	0%	2021	224
190	QZAB 2003D	0%	2019	908
186	QZAB 2002B	0%	2017	760
Total, Gross				1,902,898
Plus: Unamortized Bond Premium				215,650
Total General Obligation Bonds				<u>\$ 2,118,548</u>

The following table sets forth the future debt service requirements on outstanding general obligation bonds at June 30, 2016:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 172,135	\$ 79,283	\$ 251,418
2018	165,535	73,339	238,874
2019	148,168	66,078	214,246
2020	130,875	59,698	190,573
2021	128,774	53,611	182,385
2022-2026	585,421	181,220	766,641
2027-2031	414,049	71,371	485,420
2032-2036	157,941	11,247	169,188
Total	<u>\$ 1,902,898</u>	<u>\$ 595,847</u>	<u>\$ 2,498,745</u>

Changes in general obligation bonded debt during the year ended June 30, 2016 are summarized in Note 12.

In prior years, the State has defeased certain general obligation bonds by creating separate irrevocable trust funds. New debt has been issued or cash appropriated and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt. Accordingly, the debt has been considered defeased and has been removed as a liability from the government-wide financial statements. At June 30, 2016, a total of \$233.2 million of defeased bonds were outstanding.

## **NOTE 8 REVENUE BONDS**

### **Revenue Bonds**

The State Constitution empowers certain State agencies and authorities to issue bonds that are not supported by the full faith and credit of the State. These bonds pledge income derived from acquired or constructed assets or some other stream of revenues to retire the debt and pay related interest.

### **Primary Government**

In August, 2011, pursuant to the Delaware Energy Act, 29 Del. C. §8059, the Sustainable Energy Utility, Inc. (SEU), a Delaware nonprofit corporation created by and for the benefit of the State, issued \$67.4 million of its Sustainable Energy Utility, Inc. Energy Efficiency Revenue Bonds, Series 2011 (the SEU Bonds). Of the total amount, \$56.2 million of the SEU Bonds were issued

to finance energy conservation measures for multiple State agencies and the remaining amount of \$11.2 million was issued on behalf of Delaware State University. Under separate Installment Payment Agreements, each agency and Delaware State University is obligated to make installment payments to the SEU in accordance with the Energy Performance Contracting Act, 29 Del. C. §6971. Further, each agency and Delaware State University separately entered into Guaranteed Energy Savings Agreements with various energy services companies, which guaranteed that the savings achieved will be sufficient to cover the financing costs associated with the SEU bonds upon completion of the energy conservation measures. In the event that savings are not realized, the energy services companies will be held responsible for the deficiency.

The SEU Bonds are limited obligations of the SEU, secured by the trust estate and payable only from amounts appropriated by the State that are eligible for payment under the Installment Payment Agreements. No funds appropriated to any agency for any purpose are available to pay the Installment Payments of any other agency or Delaware State University.

The final maturity of the SEU bonds is September 15, 2034 with future debt service requirements as follows as of June 30, 2016:

**Sustainable Energy Utility Revenue Bonds**  
(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,915	\$ 2,324	\$ 5,239
2018	3,055	2,179	5,234
2019	1,855	2,067	3,922
2020	1,920	1,982	3,902
2021	2,040	1,887	3,927
2022-2026	11,660	7,848	19,508
2027-2031	14,475	4,775	19,250
2032-2035	11,960	1,112	13,072
Total	<u>\$ 49,880</u>	<u>\$ 24,174</u>	<u>\$ 74,054</u>
Plus Unamortized Bond Premium	<u>3,716</u>		
Total including premiums	<u>\$ 53,596</u>		

## **DelDOT Fund**

### ***Delaware Transportation Authority (Authority)***

The Authority is subject to oversight by DelDOT and is included in the DelDOT fund. The Authority assists in the implementation of the State's plans and policies regarding the coordination and development of a comprehensive, balanced transportation system for the State.

It has the power to develop a unified system of air, water, vehicular and specialized transportation in the State. The Authority includes the Transportation Trust Fund and the Delaware Transit Corporation. The Secretary of the Department of Transportation, with consent of the Governor, appoints the Authority's Director.

To assist the Authority in financing a unified transportation system, the State created a Transportation Trust Fund (the Trust Fund) within the Authority which receives all receipts of the Authority. The primary sources of funding of the Trust Fund are motor fuel taxes and motor vehicles fees imposed and collected by the State and deposited in the Trust Fund, and revenue from the Delaware Turnpike, which the Authority owns and operates. The Authority also has the power to issue bonds, with legislative authorization, to finance improvements to the State's transportation system. Debt issued by the Authority does not constitute a debt of the State or a pledge of its general taxing power or of its full faith and credit. Rather, the outstanding revenue bonds are obligations of the Authority payable solely from and secured by a pledge and assignment of certain tolls and revenues such as motor fuel tax revenue, motor vehicle document fees, and motor vehicle registrations. The Authority may apply Trust Fund revenue in excess of debt service requirements for transportation projects, subject to legislative authorization, and may pledge any or all of this revenue to secure financing for these projects.

On December 16, 2015, the Authority issued \$212.5 million of US 301 Project Revenue Bonds, 2015 Series, maturing between June 1, 2021 and June 1, 2055. The bonds bear coupon rates between 3.25% and 5.0%. The bonds were issued to provide funding for the US 301 Project.

On January 1, 2016, the Authority issued \$181.5 million of Transportation System Senior Revenue Bonds, 2016 Series, maturing between July 1, 2019 and July 1, 2029. The bonds bear coupon rates between 2.0% and 5.0%. The bonds were issued as an advance refunding and resulted in an economic gain of \$24.2 million and reduction of \$28.9 million in future debt service payments.

The Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and is therefore not reported as a liability. At June 30, 2016, the amount of defeased debt outstanding amounted to \$248.2 million.

The Authority has a total of \$262.4 million in authorized but unissued revenue bonds at June 30, 2016. Bonds outstanding at June 30, 2016 amounted to \$986.3 million and are presented as follows:

**Delaware Transportation Authority Revenue Bonds**  
(Expressed in Thousands)

<b>Description</b>	<b>Interest Rates</b>	<b>Maturity Date (Fiscal Year)</b>	<b>Balance Outstanding At June 30, 2016</b>
Transportation System Senior Revenue Bonds - Series			
2006	3.5% - 5.0%	2026	\$ 6,160
2007	4.0% - 5.0%	2021	50,030
2008	4.0% - 5.0%	2028	19,680
2008	4.0% - 5.0%	2029	20,395
2009	5.00%	2029	19,335
2010	5.00%	2019	28,820
2010	3.95% - 5.80%	2030	72,120
2012	3.0% - 5.0%	2024	201,595
2014	2.25% - 5.0%	2024	94,565
2015	3.25% - 5.0%	2055	212,535
2016	3.0% - 5.0%	2029	181,475
Transportation System Grant Anticipation Bonds			
2010 Series	3.25% - 5.0%	2025	79,585
Total, Gross			986,295
Less: Current Portion of Debt Outstanding			70,595
Long-term Portion of Debt Outstanding			\$ 915,700

Future debt service requirements for the Authority's outstanding bonds are shown in the table below:

**Delaware Transportation Authority Revenue Bonds**  
(Expressed in Thousands)

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 70,595	\$ 44,581	\$ 115,176
2018	69,880	41,849	111,729
2019	73,945	38,290	112,235
2020	73,930	34,666	108,596
2021	75,525	31,157	106,682
2022-2026	312,660	105,388	418,048
2027-2031	111,345	57,558	168,903
2032-2036	11,885	46,950	58,835
2037-2041	18,140	44,172	62,312
2042-2046	35,385	38,593	73,978
2047-2051	60,310	27,700	88,010
2052-2055	72,695	9,355	82,050
Total	\$ 986,295	\$ 520,259	\$ 1,506,554

The transportation system revenue bonds have fixed interest rates and are limited obligations of the Authority secured only by the pledged revenues of the trust funds. Summary financial information at June 30, 2016 for the trust funds, which is the segment of DelDOT that supports the revenue bonds.

### Condensed Statement of Net Position

(Expressed in Thousands)

Assets:	
Current Assets	\$ 381,892
Capital Assets	1,441,475
Other Assets	<u>111,657</u>
Total Assets	1,935,024
Deferred Outflows of Resources	<u>36,410</u>
Total Assets and Deferred Outflows	<u><u>\$ 1,971,434</u></u>
Liabilities:	
Current Liabilities	\$ 154,272
Noncurrent Liabilities	<u>986,604</u>
Total Liabilities	<u>1,140,876</u>
Deferred Inflows of Resources	18,312
Net Position:	
Net Investment in Capital Assets	533,623
Unrestricted	196,418
Restricted	<u>82,205</u>
Total Net Position	<u>812,246</u>
Total Liabilities, Deferred Inflows and Net Position	<u><u>\$ 1,971,434</u></u>

**Condensed Statement of Revenues  
Expenses and Changes in Net Position**  
(Expressed in Thousands)

Operating Revenues (Pledged Against Bonds)	\$ 457,169
Other Operating Revenues	68,405
Depreciation Expense	(189)
Other Operating Expenses	<u>(230,861)</u>
Operating Income	<u>\$ 294,524</u>
Nonoperating Revenues (Expenses):	
Investment Income	\$ 5,036
Bad Debt Recovery	960
Federal Grant Revenue	45
Interest Expense	(26,133)
Service Concession Arrangement	631
Transfer to Other Agencies	(10,125)
Transfer from General Fund	14,168
Transfer to DTC	(85,421)
Transfer to DelDOT	<u>(117,806)</u>
Change in Net Position	75,879
Beginning Net Position-as restated	<u>736,367</u>
Ending Net Position	<u><u>\$ 812,246</u></u>

**Condensed Statement of Cash Flows**  
(Expressed in Thousands)

Net Cash Provided by (Used In):	
Operating Activities	\$ 315,449
Noncapital Financing Activities	(210,216)
Capital and Related Financing Activities	85,313
Investing Activities	<u>(130,777)</u>
Net Increase	59,769
Beginning Cash and Cash Equivalents	<u>32,363</u>
Ending Cash and Cash Equivalents	<u><u>\$ 92,132</u></u>

The State has pledged turnpike, motor fuel tax, and motor vehicle fee revenues to the Trust Fund in order to provide additional means to finance the maintenance and development of the State's highway transportation system, as well as security for the repayment of the outstanding revenue bonds of the Authority. Proceeds from the revenue bonds were used to finance infrastructure maintenance, preservation, and construction-related projects. The revenue bonds are payable solely from these pledged revenue streams and are not backed by the faith and credit of the State or any such political subdivision. Annual principal and interest payments on the revenue bonds are expected to require less than 35% of pledged revenues.

The total principal and interest remaining to be paid on the revenue bonds as of June 30, 2016 was \$1,506.6 million. Principal and interest paid on the revenue bonds for the year ended June 30, 2016 was \$117.0 million. Total pledged revenues for the year ended June 30, 2016 were \$462.2 million.

### **Discretely Presented Component Units**

Debt issued by the following component units is not secured by the full faith, credit and taxing power of the State.

#### *Delaware State Housing Authority (DSHA)*

DSHA is authorized to issue bonds and notes, with the approval of the State, in order to exercise its powers. These bonds and notes are secured solely by the revenues, loans, and other pledged assets under the related Bond Indenture of DSHA.

The revenue bonds outstanding have been issued to provide financing for mortgage loans. The bonds are secured by the mortgage loans made or purchased under the applicable resolutions, the revenues, prepayments and foreclosures proceeds received related to the mortgage loans, and certain funds and accounts established pursuant to the applicable bond resolutions. All bonds are callable subject to certain restrictions. Interest rates on bonds outstanding range from 1.26% to 6.65% with maturities of such bonds up through January 1, 2049.

On December 31, 2015, the Authority called all remaining bonds of the Single Family Mortgage Revenue Bonds 2006 Series B issue and sold all remaining mortgage backed securities associated with the bond issue.

On December 31, 2015, the Authority called all remaining bonds of the Single Family Mortgage Revenue Bonds 2006 Series C issue, all remaining mortgages associated with the bond issue will be moved to another bond issue and mortgage repayments will be used to refund those bonds.

On June 30, 2016, the Authority called all remaining bonds of the Single Family Mortgage Revenue Bonds 2006 Series D issue and sold all remaining mortgage backed securities associated with the bond issue.

Outstanding bonds at June 30, 2016 amounted to \$305.3 million. Future debt service requirements for DSHA's bonds are shown on the following table:

**Delaware State Housing Authority Revenue Bonds**  
(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 7,610	\$ 11,032	\$ 18,642
2018	6,925	10,769	17,694
2019	7,030	10,481	17,511
2020	7,285	10,173	17,458
2021	7,667	9,866	17,533
2022-2026	44,562	43,897	88,459
2027-2031	42,383	34,035	76,418
2032-2036	40,367	26,157	66,524
2037-2041	43,108	18,040	61,148
2042-2046	89,495	5,211	94,706
2047-2051	8,903	347	9,250
Total	<u>\$ 305,335</u>	<u>\$ 180,008</u>	<u>\$ 485,343</u>

*Delaware State University (DSU)*

Revenue bonds payable at June 30, 2016 are as follows:

**Delaware State University**

**Revenue Bonds Payable**  
(Expressed in Thousands)

Revenue Bonds	\$ 2,140
Revenue Refunding Bonds	47,820
Energy Efficiency Revenue Bonds	11,377
Revenue Refunding Bonds Series 2012	28,354
Revenue Refunding Bonds 2014	<u>32,117</u>
Total Revenue Bonds Outstanding as of June 30, 2016	<u>\$ 121,808</u>

On May 6, 1999, DSU issued revenue refunding bonds in the amount of \$15.9 million (par value) through the DEDA. The bonds are due on October 1, 2017 and are secured by un-appropriated gross revenues of DSU.

On March 1, 2012, DSU issued revenue refunding bonds in the amount of \$32.1 million (par value) through the DEDA which were in part used to refund certain maturities of Series 1999 bonds. The issuance of Series 2012 bonds and refunding resulted in a \$2.7 million reduction in Series 1999 bond obligations. As of June 30, 2016, \$2.1 million remained outstanding on the 1999 Revenue Bonds.

On December 20, 2007, DSU issued revenue refunding bonds in the amount of \$47.6 million (par value) through the DEDA. The bonds are interest only through October 1, 2018; due on October 1, 2036; and are secured by un-appropriated gross revenues of DSU. DSU has pledged

all operating and non-operating revenues, except State appropriations and restricted gifts, grants and bequests, for each academic year during which any of the bonds remain outstanding. As of June 30, 2016, \$47.8 million remained outstanding on the 2007 revenue bonds.

DSU entered into a Guaranteed Energy Savings Agreement with Johnson Controls, Inc. in the amount of \$11.2 million. 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 DSU, 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 DSU. 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, 2016, \$11.4 million remained outstanding on the 2011 energy efficiency bonds.

On March 1, 2012, DSU issued revenue refunding bonds in the amount of \$32.1 million (par value) through the DEDA. The bonds are due October 1, 2036 and are secured by a pledge of certain un-appropriated revenues of DSU. 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, 2016, \$28.4 million remained outstanding on the 2012 revenue bonds.

On December 11, 2014, DSU issued revenue refunding bonds in the amount of \$29.2 million through the DEDA. The bonds are due October 1, 2039 and are secured by un-appropriated gross revenue of the University. The 2014 bonds were issued as "Additional Bonds" under the Indenture, secured equally and ratably 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 with other available funds, were used to purchase the University Courtyard, a 416 bed student housing facility located on campus from the Delaware State University Housing Foundation; construct, equip and furnish an optical science center for applied research; and acquire and complete capital improvements 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 for Delaware State University Early College High School. As of June 30, 2016, \$32.1 remained outstanding on the 2014 revenue bonds.

Remaining maturities and interest due relating to DSU's revenue bonds at June 30, 2016 are as follows:

**Delaware State University Revenue Bonds**  
(Expressed in thousands)

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 2,915	\$ 5,240	\$ 8,155
2018	3,070	5,101	8,171
2019	3,365	4,986	8,351
2020	3,565	4,849	8,414
2021	3,705	4,695	8,400
2022 - 2026	21,280	20,820	42,100
2027 - 2031	26,385	15,607	41,992
2032 - 2036	29,180	8,879	38,059
2037 - 2041	18,455	2,968	21,423
2042 - 2046	3,825	395	4,220
Total	115,745	<u>\$ 73,540</u>	<u>\$ 189,285</u>
Plus Unamortized Bond Premiums and Discount	<u>6,063</u>		
Total Revenue Bonds Payable	<u>\$ 121,808</u>		

## NOTE 9 LOANS AND NOTES PAYABLE

### *Banc of America Master Lease/Purchase*

In May 2011, the State entered into a Master Lease/Purchase Agreement with Banc of America Public Capital Corporation (BOA) for a two year period (with two one-year extensions that ended May 2015) on behalf of all its State Agencies to acquire equipment including all installation costs with a maximum aggregate amount of principal components for this equipment not to exceed \$50.0 million. Each individual equipment lease established the duration of the lease agreement with the interest rate determined using a percentage of a like term U.S. Treasury as quoted by the Federal Reserve and these agreements continue through the repayment of amounts due.

On April 15, 2013, the State executed an agreement under the BOA Master Agreement in the amount of \$18.5 million for the purchase and installation of equipment for the Red Clay Consolidated School District. Beginning October 15, 2014, principal and interest payments are due each April 15 and October 15. From April 15, 2013 until October 15, 2014, all interest due accrued as additional principal. The interest rate for the term of the agreement is 2.91%, and the loan matures April 15, 2035.

The future maturities of principal and interest payments on the agreement are as follows:

**Red Clay Consolidated School District Agreement**  
(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 406	\$ 546	\$ 952
2018	454	534	988
2019	503	520	1,023
2020	556	505	1,061
2021	611	488	1,099
2022-2026	3,995	2,134	6,129
2027-2031	5,893	1,434	7,327
2032-2035	6,439	437	6,876
Total	<u>\$ 18,857</u>	<u>\$ 6,598</u>	<u>\$ 25,455</u>

On April 15, 2013, the State executed an agreement under the BOA Master Agreement in the amount of \$10.6 million for the purchase of helicopters for the Delaware State Police. Beginning April 15, 2013, principal and interest payments are due each April 15 and October 15. The interest rate for the term of the agreement is 2.03% and the loan matures October 15, 2022.

The future maturities of principal and interest payments on the agreement are as follows:

**Delaware State Police Agreement**  
(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,030	\$ 138	\$ 1,168
2018	1,051	117	1,168
2019	1,073	96	1,169
2020	1,094	74	1,168
2021	1,116	52	1,168
2022-2023	1,718	35	1,753
Total	<u>\$ 7,082</u>	<u>\$ 512</u>	<u>\$ 7,594</u>

On October 2, 2015, the State entered into a new agreement with BOA for a two-year period through June 30, 2017. The agreement provides for annual automatic renewals of each individual lease until cancelled by the lessee with interest rates determined using a percentage of

like term U.S. Treasury as quoted in the Federal Reserve. The State did not access funds through this agreement during the fiscal year ended June 30, 2016.

#### NOTE 10 LEASE COMMITMENTS

The State has entered into various property and equipment operating leases (terms in excess of one year) with aggregate future rentals approximating \$182.5 million, of which \$157.7 million relates to property leases and \$24.8 million relates to equipment leases. Operating leases contain various renewal options. Any escalation clauses, sublease rentals and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures of the related fund when paid. Lease payments for fiscal year 2016 were approximately \$34.4 million, of which \$26.6 million was for office space and \$7.8 million, was for equipment. The equipment leases held by the State consists mainly of computers, data processing equipment and fleet vehicles.

Significant annual equipment rentals include \$4.9 million for fleet vehicles and data processing equipment for the Office of Management and Budget, and \$1.7 million for data processing equipment for the Department of Education. Significant annual real estate rentals include \$6.5 million for leases for Health and Social Services facilities, \$2.0 million for the Department of Services for Children, Youth and Their Families, \$3.3 million for office space for the Department of Correction, and \$3.3 million for the Department of Labor.

Future minimum lease commitments for operating leases as of June 30, 2016 are shown in the following table:

**Lease Commitments**  
(Expressed in Thousands)

<b>Fiscal Year Ending</b>	<b>Operating Leases</b>
2017	\$ 33,616
2018	29,597
2019	25,955
2020	21,876
2021	16,219
2022-2026	35,328
2027-2031	12,383
2032-2036	7,539
Total	<u>\$ 182,513</u>

**NOTE 11 OTHER LONG-TERM OBLIGATIONS**

Compensated absences payable are reported in the government-wide financial statements and in the proprietary fund financial statements. They represent benefits accrued to State employees for vacation earned as of year-end and sick leave estimated to be paid out at retirement for services rendered as of June 30, 2016. Employees earn from 1.25 to 1.75 days of vacation leave per month depending on years of service. Employees or their estates are paid for unused vacation upon termination of employment with a maximum credit of 52 days unless prior approval to carryover days in excess of the maximum. Employees earn 1.25 days of sick leave per month. The State's obligation for sick leave credit is a maximum of 45 workdays. \$170.9 million has been accrued for the Governmental Activities and \$11.6 million in the Business-type Activities for the total compensated absences liability. The current portion of the long-term obligation for compensated absences is \$15.4 million in the Governmental Activities and \$2.1 million in the Business-type Activities. Approximately \$145.7 million (85.2%) of the long-term obligation for compensated absences will be liquidated by the General Fund. Of the remainder, approximately \$8.2 million (4.8%) and \$17.0 million (10.0%) will be paid with Federal Funds and Local School District Funds, respectively.

The State has recorded \$390.0 million relating to the accrual of the obligation for escheated (abandoned) property of which \$78.0 million was recorded as the current portion.

The State has incurred obligations relating to scholarship and physician loan repayment programs, resulting in an additional long-term obligation of \$4.7 million, of which \$1.5 million was recorded as the current portion and is included in the governmental funds as other liabilities.

**NOTE 12 CHANGES IN LONG-TERM OBLIGATIONS**

The following table provides a summary of changes in long-term obligations of the primary government for the year ended June 30, 2016:

<b>Changes in Long-Term Obligations</b> <b>Primary Government</b> (Expressed in Thousands)					
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Governmental Activities:					
Other Postemployment Benefits (Note 16)	\$ 2,058,181.0	\$ 490,770.9	\$ (285,840.9)	\$ 2,263,111.0	\$ -
Compensated Absences (Note 11)	170,293.6	16,637.7	(16,016.1)	170,915.2	15,436.3
Claims and Judgments (Notes 15 and 21)	174,348.7	38,095.8	(36,106.5)	176,338.0	40,228.7
Escheat Payable (Note 11)	175,000.0	292,992.3	(77,992.3)	390,000.0	78,000.0
Notes Payable (Note 9)	27,277.9	-	(1,338.6)	25,939.3	1,436.5
Pollution Remediation Obligations (Note 21)	35,185.9	304.1	(3,445.9)	32,044.1	11,171.7
Bonds Payable:					
General Obligation Bonds (Note 7)	1,875,393.2	321,530.0	(294,025.0)	1,902,898.2	172,135.0
Bond Issue Premium, Net of Accumulated Amortization	195,842.1	51,957.3	(28,432.8)	219,366.6	18,309.9
Revenue Bonds (Note 8)	52,925.2	-	(3,045.1)	49,880.1	2,915.0
Physician and Scholarship Programs (Note 11)	3,697.6	2,436.7	(1,458.6)	4,675.7	1,458.6
Governmental Activities Long-term Liabilities	<u>\$ 4,768,145.2</u>	<u>\$ 1,214,724.8</u>	<u>\$ (747,701.8)</u>	<u>\$ 5,235,168.2</u>	<u>\$ 341,091.7</u>
Business-type Activities:					
Other Postemployment Benefits (Note 16)	\$ 217,812.0	\$ 35,465.6	\$ (13,272.7)	\$ 240,004.9	\$ -
Compensated Absences (Note 11)	11,914.9	1,745.5	(2,090.3)	11,570.1	2,101.6
Pollution Remediation Obligations (Note 21)	1,993.0	3,773.0	(1,941.5)	3,824.5	883.0
Liabilities Payable from Restricted Assets (Note 19)	2,564.7	-	(229.7)	2,335.0	-
Claims and Judgements (Note 15 and 21)	11,654.0	6,046.7	(6,648.7)	11,052.0	4,155.0
Bonds Payable:					
Revenue Bonds (Note 8)	861,400.0	394,010.0	(269,115.0)	986,295.0	70,595.0
Bond Issue Premium, Net of Accumulated Amortization	45,478.5	56,941.9	(15,349.8)	87,070.6	16,166.2
Business-type Activities Long-term Liabilities	<u>\$ 1,152,817.1</u>	<u>\$ 497,982.7</u>	<u>\$ (308,647.7)</u>	<u>\$ 1,342,152.1</u>	<u>\$ 93,900.8</u>

### NOTE 13 NO COMMITMENT DEBT (NOT INCLUDED IN FINANCIAL STATEMENTS)

The State, by action of the General Assembly, created various authorities for the express purpose of providing private entities with an available low cost source of capital financing for construction of facilities deemed to be in the public interest. The bonds of the authorities represent limited obligations payable solely from payments made by the borrowing entities. The majority of the bonds are secured by the property financed. Upon repayment of a bond, ownership of acquired property transfers to the entity served by the bond issuance. The State has

no obligation for this debt. Accordingly, these bonds are not reflected in the accompanying financial statements. These bonds are issued through the Delaware Economic Development Authority. The principal amount of bonds outstanding at June 30, 2016 for this entity amounted to \$751.7 million.

## NOTE 14 CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2016 were as follows:

Governmental Activities	Capital Assets (Expressed in Thousands)			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 475,937	\$ 6,804	\$ (2)	\$ 482,739
Easements	79,781	3,513	-	83,294
Construction-In-Progress	198,735	141,395	(64,638)	275,492
Total Capital Assets, Not Being Depreciated	754,453	151,712	(64,640)	841,525
Capital Assets, Being Depreciated				
Vehicles	90,107	7,868	(3,461)	94,514
Buildings	4,027,631	45,673	(21,108)	4,052,196
Equipment	113,301	4,055	(8,010)	109,346
Land Improvements	273,030	19,100	(507)	291,623
Computer Software	107,006	26,444	-	133,450
Total Capital Assets Being Depreciated	4,611,075	103,140	(33,086)	4,681,129
Less Accumulated Depreciation For:				
Vehicles	(66,006)	(5,866)	3,380	(68,492)
Buildings	(1,332,007)	(90,577)	13,505	(1,409,079)
Equipment	(78,004)	(6,122)	7,766	(76,360)
Land Improvements	(98,395)	(12,875)	285	(110,985)
Computer Software	(74,704)	(14,471)	-	(89,175)
Total Accumulated Depreciation	(1,649,116)	(129,911)	24,936	(1,754,091)
Total Capital Assets, Being Depreciated, Net	2,961,959	(26,771)	(8,150)	2,927,038
Governmental Activities Capital Assets, Net	\$ 3,716,412	\$ 124,941	\$ (72,790)	\$ 3,768,563

<b>Capital Assets</b> (Expressed in Thousands)				
<b>Business-type Activities</b>	<b>Beginning</b>			<b>Ending</b>
<b>DelDOT</b>	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
Capital Assets, Not Being Depreciated				
Land	\$ 298,948	\$ 7,756	\$ -	\$ 306,704
Infrastructure	3,760,135	63,066	-	3,823,201
Welcome and Service Center	22,100	-	-	22,100
Construction In Progress	17,170	7,946	(9,444)	15,672
Total Capital Assets, Not Being Depreciated	4,098,353	78,768	(9,444)	4,167,677
Capital Assets, Being Depreciated				
Buildings & Improvements	137,531	8,203	(143)	145,591
Furniture & Equipment	294,328	32,048	(17,741)	308,635
Total Capital Assets, Being Depreciated	431,859	40,251	(17,884)	454,226
Less Accumulated Depreciation For:				
Buildings & Improvements	(45,109)	(4,163)	135	(49,137)
Furniture & Equipment	(163,811)	(23,445)	17,192	(170,064)
Total Accumulated Depreciation	(208,920)	(27,608)	17,327	(219,201)
Total Capital Assets, Being Depreciated, Net	222,939	12,643	(557)	235,025
Business-type Activities Capital Assets, Net	\$ 4,321,292	\$ 91,411	\$ (10,001)	\$ 4,402,702

Depreciation expense was charged to the following primary government functions as follows:

<b>Depreciation Expense</b> (Expressed in Thousands)	
Governmental Activities:	
General Government	\$ 21,332
Health and Children's Services	13,517
Judicial and Public Safety	17,844
Natural Resources and Environmental Control	4,740
Labor	69
Education	72,409
Total Depreciation Expense - Governmental Activities	\$ 129,911
Business-type Activities:	
DelDOT	\$ 27,608
Total Depreciation Expense - Business-type Activities	\$ 27,608

In fiscal year 2010, construction was completed on the Welcome and Service Center pursuant to an agreement with HMS Host Tollroads, Inc. (HMS), under which HMS financed, designed, and built the Center and continues to maintain and operate the Center for 35 years. Under the agreement, HMS is responsible for maintaining the Center to current conditions and insuring the Center over the course of the 35 years of operations. DelDOT is entitled to a percentage of all sales from fuel and non-fuel items sold. At the end of the agreement, operation of the Center will be transferred to DelDOT in its enhanced condition. DelDOT reports the Center as a capital asset with a carrying value of \$22.1 million and a related deferred inflow of resources of \$18.3 million as of June 30, 2016. The deferred inflow of resources is amortized over the 35 year life of the agreement.

#### **NOTE 15 RISK MANAGEMENT**

The State is exposed to various risks of losses related to workers' compensation, employee health-care and accident, automobile accident, police professional malpractice 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 State continues to carry commercial insurance for all other risks of loss, including general liability 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.

Claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process does not result in an exact amount. Claim liabilities are reevaluated annually to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

The management of the State estimates that the amount of actual or potential claims against the State at June 30, 2016, for workers' compensation, automobile accident and health-care claim liabilities is \$231.0 million. The claim liabilities relating to health-care totaling \$56.5 million have been recorded as accrued liabilities in governmental activities. The liability for workers' compensation and automobile accident liabilities totaling \$174.6 million has been recorded in governmental activities as claims and judgments. The current portion of these claims totals \$39.7 million. Other claim liabilities relating to police professional malpractice and property and casualty were not recorded at June 30, 2016 as the total of these liabilities were not material to the financial statements.

Changes in the balances of claim liabilities during fiscal years 2016 and 2015 were as follows:

<b>Fiscal Year</b>	<b>Beginning Balance July 1</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Actual Claim Payments</b>	<b>Ending Balance June 30</b>
2015	\$ 219,994	\$ 769,753	\$ (763,669)	\$ 226,078
2016	226,078	798,088	(793,122)	231,044

### **DelDOT – Delaware Transit Corporation**

DTC maintains coverage for workers' compensation benefits. DTC manages the coverage through the purchase of commercial insurance. The payment of workers' compensation claims is processed through a third-party administrator. DTC is not responsible for any costs other than the premium paid, thus no loss contingency reserves were established.

DTC also maintains auto insurance coverage through both the retention of risk and the purchase of commercial insurance. Auto loss reserves that are based upon actuarial reviews were established by DTC.

DTC has recorded \$9.7 million of claim liabilities as Insurance Loss Reserve. Of this amount, \$2.8 million has been recorded as current.

Changes in the balances of total claim liabilities during the fiscal years 2016 and 2015 were as follows:

<b>Fiscal Year</b>	<b>Beginning Balance July 1</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Actual Claim Payments</b>	<b>Ending Balance June 30</b>
2015	\$ 12,011	\$ 5,181	\$ (5,538)	\$ 11,654
2016	11,654	4,720	(6,649)	9,725

**NOTE 16 OTHER POST-EMPLOYMENT BENEFITS (OPEB)***Plan Description*

On July 1, 2007, the Delaware OPEB Fund Trust (OPEB Trust) was established pursuant to Section 115 of the Internal Revenue Code and separate from the DPERS. The OPEB Trust is administered by the DPERS Board of Directors. Policy for and management of the OPEB benefits provided to retirees are the responsibility of the State. No stand-alone financial report is issued for the OPEB Trust.

The OPEB Trust is a single-employer defined benefit plan. The OPEB Trust provides retirement medical coverage to pensioners and their eligible dependents in the State Employees', Judiciary, New State Police, and Closed State Police pension plans. The State of Delaware has elected to assume 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, University of Delaware, Delaware State Housing Authority, Delaware Charter Schools and Delaware Solid Waste Authority. Due to this assumption, the State is a single employer defined benefit plan.

Membership of the plan consisted of the following at June 30, 2015:

Retirees and Beneficiaries Receiving Benefits	20,970
Terminated Plan Members Entitled to But Not Yet Receiving the Benefits	3,205
Active Eligible Plan Members	36,748
Total	<u>60,923</u>

The June 30, 2015 participant data was utilized to determine the OPEB liability for fiscal year-ended June 30, 2016.

Substantially all 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:

## State Employees:

## Early Retirement:

Age 55 with 15 years of service or any age with 25 years of service

## Normal Retirement (hired before 1/1/2012):

Age 62 with 5 years of service or age 60 with 15 years of service or any age with 30 years of service

## Normal Retirement (hired on or after 1/1/2012):

Age 65 with 10 years of service or age 60 with 20 years of service or any age with 30 years of service

**Judges:****Normal Retirement (before July 1, 1980):**

Age 65 with 12 years of service or any age with 24 years of service or involuntarily retired after 22 years of service as a judge

**Normal Retirement (after June 30, 1980):**

Age 62 with 12 years of service or any age with 24 years of service or involuntarily retired after 22 years of service as a judge

**Closed State Police:****Normal Retirement:**

Age 55 or 20 years of service

**Open State Police:****Normal Retirement:**

Age 55 with 10 years of service or any age with 20 years of service or 10 years of service when age plus service equals 75

**Benefits:**

During the fiscal year ended June 30, 2016, the State provided 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 years of service.

**Retiree Contributions (hired on or after July 1, 1991):**

<b>Years of Service</b>	<b>Percent of Premium Paid by State</b>
Less than 10	0%
10 - 14	50%
15 - 19	75%
20 or more	100%

***Funding Policy***

The State of Delaware funds the OPEB for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined, typically from the General Fund. Additional funding has also been provided on an ad hoc basis. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution

requirements of plan members and the government are established and may be amended by the State Legislature. Funds are recorded in the OPEB Trust for the payment of retiree healthcare claims, administrative and investment expenses. Administrative costs are financed through investment earnings. State appropriations, other employer contributions, and retiree contributions for healthcare are recorded in the OPEB Trust. The funds available are invested under the management of the DPERS Board of Pension Trustees, which acts as the Board of Trustees for the OPEB Trust and is responsible for the financial management of the OPEB Trust.

### *Contributions*

The contribution rates for the employer and retiree are established annually by the budgeting process of the State. Those rates include an employer contribution based on projected pay-as-you-go financing requirements as a percent of covered payroll, with an additional amount to prefund benefits, which is not actuarially determined. For fiscal year 2016, the State contribution totaled \$217.8 million.

Retiree contribution rates are affected by the retiree date of hire, with eligible retirees hired after June 30, 1991 paying a proportionately higher rate if their years of service total less than 20. Retiree contributions for health coverage totaled \$9.6 million.

### *Annual OPEB Cost and Net OPEB Obligation*

The State's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. Amounts "required" but not actually set aside to pay for these benefits are accumulated as part of the net OPEB obligations. The following table shows the components of the State's annual OPEB for fiscal year 2016 and the preceding fiscal year, the amount actually contributed to the plan, and the State's net OPEB obligation (dollar amounts in millions):

	<b>Total</b>	<b>Governmental Activities</b>	<b>Business-Type Activities *</b>
Net OPEB Obligation at June 30, 2015	\$ 2,276.0	\$ 2,058.2	\$ 217.8
Annual Required Contribution	439.4	403.2	36.2
Interest on Net OPEB Obligation	96.4	87.5	8.9
Adjustment to Annual Required Contribution	(89.0)	(79.4)	(9.6)
Subtotal	2,722.8	2,469.5	253.3
Employer Contributions	(219.7)	(206.4)	(13.3)
Net OPEB Obligation at June 30, 2016	<u>\$ 2,503.1</u>	<u>\$ 2,263.1</u>	<u>\$ 240.0</u>

\* This column includes DTC's OPEB activity on its obligation of \$112.3 million at June 30, 2016.

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years 2016, 2015, and 2014 are as follows (dollar amounts in millions):

<b>Fiscal Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2106	\$ 425.6	51%	\$ 2,390.8
2015	404.4	56%	2,174.5
2014	406.7	50%	1,988.5

#### *Funded Status and Funding Progress*

As of June 30, 2016, the plan was 4.2% funded. The actuarial accrued liability for benefits was \$7,460.0 million, and the actuarial value of assets was \$310.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,150.0 million for the primary government. The covered payroll (annual payroll of active employees covered by the plan) was \$2,114.0 million and the ratio of the UAAL to the covered payroll was 338%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### *Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the OPEB plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, the entry age normal actuarial cost method was used. Investments are valued at market fair value. The actuarial assumptions included a 3.75% investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the State's own investments calculated based on the funded level of the plan at the valuation date, and a medical inflation rate of 4.0%. The UAAL is being amortized as

a level percentage of projected payroll on a level percent open basis over 30 years using a 3.25% rate of salary increase.

### **Delaware Transit Corporation (DTC)**

#### *Plan Description*

In June 2010, the Delaware Transit Corporation OPEB Fund Trust (DTC OPEB Trust) was established pursuant to Section 115 of the Internal Revenue Code. The DTC OPEB Trust is administered by DTC. Policy for and management of the DTC OPEB Trust provided to retirees are the responsibility of DTC. No stand-alone financial report is issued for the DTC OPEB Trust.

The DTC OPEB Trust is a single-employer, defined benefit plan. The DTC OPEB Trust provides retirement medical insurance coverage to employees who retire and their eligible dependents. DTC has elected to assume the DTC OPEB Trust liability on behalf of all of its employees.

Membership of the plan consisted of the following at June 30, 2015 (valuation date):

Retirees and Beneficiaries Receiving Benefits	230
Terminated Plan Members Entitled to But Not Yet Receiving the Benefits	67
Active Eligible Plan Members	851
Total	<u><u>1,148</u></u>

Substantially all DTC employees become eligible for post-retirement benefits if they reach retirement age while working for DTC. The plan provisions are as follows:

#### Eligibility:

Contract employees:

Age 65 with five years of service or after attaining 25 years of service

Noncontract employees:

Age 55 with 10 years of service or age 62 with five years of service

#### Benefits:

During the fiscal year ended June 30, 2016, DTC provided health insurance options through several providers.

#### Spouse and Survivor Coverage:

Surviving spouses of participants are allowed access to the plan and receive the same subsidy as retirees.

### *Funding Policy*

DTC funds the DTC OPEB Trust on a pay-as-you-go basis with additional funding provided in the DTC OPEB Trust on an ad-hoc basis. Funds are recorded in the OPEB Trust for the payment of retiree healthcare claims and administrative and investment expenses. Administrative costs are financed through investment earnings. Employer contributions and retiree contributions for healthcare are recorded in the DTC OPEB Trust. The funds available are invested under DTC's management, which acts as the Trustee for the DTC OPEB Trust and is responsible for the financial management of the DTC OPEB Trust. The cash basis costs associated with these benefits was \$1.8 million for the fiscal year ended June 30, 2016.

### *Contributions*

DTC subsidizes the medical premium. The subsidized percentage is 90% of published rates for retirees less than age 65 and 100% for retirees age 65 or greater. DTC subsidizes 100% of the dental and vision coverage for noncontract employees. Contract employees are allowed access to dental and vision coverage, but must pay the full premium. Life insurance is provided to retirees. Retirees under age 70 receive \$6,000 in coverage. Once the participant reaches age 70, the coverage drops to \$5,000. DTC must pay \$0.265 per month per \$1,000 of coverage for each employee.

### *Annual OPEB Cost and Net Obligation*

DTC's annual OPEB cost is calculated based upon the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. Amounts "required" but not actually contributed to pay for these benefits are accumulated as part of the net OPEB obligations. The following table shows the components of DTC's annual OPEB cost for fiscal year 2016 and the preceding year, the amount actually contributed to the plan, and DTC's net OPEB obligation (expressed in thousands):

Net OPEB obligation at June 30, 2015	\$ 101,509
Annual Required Contribution (ARC)	13,865
Interest on Net OPEB obligations	3,988
Adjustment to Annual Required Contribution	<u>(5,206)</u>
Net OPEB obligation before Contributions	114,156
Contributions Made	<u>(1,824)</u>
 Net OPEB obligations at June 30, 2016	 <u>\$ 112,332</u>

DTC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows (expressed in thousands):

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2016	\$ 12,647	14.4%	\$ 112,332
2015	11,950	11.7%	101,509
2014	16,748	7.7%	90,958

### *Funded Status and Funding Progress*

As of July 1, 2015, the most recent actuarial valuation, the plan was 2.1% funded. The actuarial accrued liability was \$113.9 million, and the actuarial value of assets was \$2.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$111.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$44.6 million and the ratio of the UAAL to the covered payroll was 250.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

### *Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the OPEB plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the projected unit credit method was used with linear proration to assumed benefit commencement. The actuarial assumptions included 4.0% investment rate of return, 3.0% payroll growth rate, a 2.4% inflation rate, and a healthcare cost trend rate based on the Society of Actuaries Long Term Trend Model adjusted for the projected impact of the Cadillac tax rate for pre-age 65 retirees with rate fluctuations between 4.7% and 5.9% over the next 30 years.

The unfunded liability is being amortized as a level percentage of payrolls over a 30- year closed amortization period.

**NOTE 17 PENSIONS****General Information about the Defined Benefit Pension Plans**

The State Board of Pension Trustees (Board) administers the following plans/funds (the Plans) of DPERS as described below:

- State Employees' Pension Plan
- Special Fund
- New State Police Pension Plan
- Judiciary Pension Plans (Closed and Revised)
- County & Municipal Police and Firefighters' Pension Plans
- County & Municipal Other Employees' Pension Plan
- Delaware Volunteer Firemen's Fund
- Diamond State Port Corporation Pension Plan
- Closed State Police Pension Plan.

With the exception of the Diamond State Port Corporation Pension Plan, the State's General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board. The Board of Directors for the Diamond State Port Corporation is responsible for setting benefits and contributions and amending the Diamond State Port Corporation Pension Plan's provisions.

The Plans of DPERS are considered part of the State's financial reporting entity and are included in the accompanying financial statements as pension trust funds in the fiduciary funds. All of the investment assets of the plans and funds, with the exception of the Delaware Volunteer Firemen's Fund, are pooled and invested in a common DPERS Master Trust (Master Trust). Each of the plans or funds share in the Master Trust based on funds contributed and earnings or losses allocated. Individual investments in the Master Trust are not specifically identified to the various plans or funds.

Additionally, the following non-DPERS retirements funds/plans, described below, have been established under the custody of the Board for investment purposes only:

- County & Municipal Police and Firefighters' COLA Fund;
- Post-Retirement Increase Fund;
- Delaware Local Government Retirement Investment Pool.

The Delaware Local Government Retirement Investment Pool (DEL RIP) is presented separately as investment trust funds in the fiduciary funds statement of net position and statement of changes in net position. The remaining non-DPERS retirement funds/plans are included in the pension trust fund.

A description of the individual plans including eligibility provisions, types of benefits and

contribution requirements are set forth in general terms below and on the following pages. Detailed information regarding these plans is available in the Delaware Code and in the Rules and Regulations of the Board.

The Delaware Transit Corporation (DTC) administers two single-employer pension plans which cover the noncollectively bargained employees and the collective bargained employees, the DTC Plan and Contributory Plan, respectively. The descriptions and requirements of both plans are included on the following pages. Both plans issue a publicly available financial report.

### ***State Employees' Pension Plan***

#### **Plan Description and Eligibility:**

The State Employees' Pension Plan is a cost-sharing multiple employer defined benefit plan that 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)

**Service Benefits:** Final average monthly compensation (excludes overtime for Post 2011 employees) multiplied by 2.0% and 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 service after December 31, 1996, subject to minimum limitations. For this plan, final average monthly compensation is the monthly average of the highest three periods of twelve 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; 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 of hire – in the disability insurance program.

**Survivor Benefits:** If employee is receiving a pension, the eligible survivor receives 50% of

pension (or 67.7% with 2% reduction of benefit, 75% with 3% reduction of benefit, or 100% with 6% 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.

Contributions: Employer - determined by Board of Pension Trustees based on the actuarially determined rate. Employer contributions were 9.6% of earnings for fiscal year 2016.  
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.  
Correctional Officers – additional 2% of earnings in excess of \$6,000.

Burial Benefit: \$7,000 per member.

### ***Special Fund***

#### Plan Description and Eligibility:

The Special Fund is a single employer defined benefit plan that provides certain benefits granted to individuals through legislation passed by the General Assembly.

Service Benefits: Defined by special legislation.

Vesting: Defined by special legislation.

Retirement: Defined by special legislation.

Disability Benefits: Defined by special legislation.

Survivor Benefits: Same as State Employees' Plan.

Contributions: Employer contributions are actuarially determined and fully funded in advance by the General Assembly.

Burial Benefit: \$7,000 per member.

### ***New State Police Pension Plan***

#### Plan Description and Eligibility:

The New State Police Pension Plan is a single-employer defined benefit plan that covers all State police officers appointed on or after July 1, 1980.

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.

Vesting: 10 years of credited service at age 62.

Retirement: Age 62 with 10 years of credited service; age plus credited service (but not less than 10 years) equals 75; has 10 years of service and is retired due to age; or 20 years of credited service.

Disability Benefits: *Duty – Total Disability* - 75% of final average monthly compensation plus 10% for each dependent not to exceed 25% for all dependents.  
*Partial Disability* - calculated the same as service benefits, subject to minimum 50% of final average monthly compensation.

*Non-Duty* – same as service benefits, total disability subject to a minimum 50% of final average monthly compensation plus 5% for each dependent not to exceed 20% for all dependents. Partial disability to a minimum of 30% of final average monthly compensation.

Survivor Benefits: If employee is receiving a pension, the eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 75% of compensation.

Contributions: Employer - determined by Board of Pension Trustees based on the actuarially determined rate. Employer contributions were 18.6% of earnings for fiscal year 2016.  
Member - 7% of compensation.

Burial Benefit: \$7,000 per member.

### ***Judiciary Pension Plans (Closed and Revised)***

#### Plan Description and Eligibility:

The Closed Judiciary Pension Plan is a single-employer defined benefit plan that covers members of State Judiciary appointed before July 1, 1980.

The Revised Judiciary Pension Plan is a single-employer defined benefit plan that covers members of State Judiciary appointed on or after July 1, 1980 or members appointed before July 1, 1980 who accept the provisions of this Plan.

Assets of one plan can be used to satisfy the liabilities of the other plan.

Service Benefits: Revised - 1/24th of final average monthly compensation multiplied by

years of service up to 12 years, plus 1/48th of final average monthly compensation, multiplied by years of service from 13 to 24 years, subject to maximum limitations. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

Vesting: 12 years of credited service.

Retirement: Revised - Age 62 with 12 years of credited service, or any age with 24 years of credited service.

Disability Benefits: Same as service benefits.

Survivor Benefits: Closed - If employee is receiving a pension, the eligible survivor receives 2/3 of pension; if employee is active with 12 years of credited service, the eligible survivor receives 2/3 of pension the employee would have been eligible to receive.

Revised - If employee is receiving a pension, the eligible survivor receives 50% of pension (or 2/3 with 2% reduction of benefit); if employee is active with at least 5 years of credited service, eligible survivor receives 2/3 of the benefit the employee would have received at age 62.

Contributions: Employer - determined by Board of Pension Trustees based on the actuarially determined rate. Employer contributions were 21.5% of earnings for fiscal year 2016.

Member:

Closed - \$500 per year for the first 25 years of service.

Revised - 3% of earnings that exceed \$6,000 per year, plus 2% of earnings that exceed the Social Security Wage Base for the first 24 years of service.

Burial Benefit: Not applicable.

### ***Closed State Police Pension Plan***

#### Plan Description and Eligibility:

The Closed State Police Pension Plan is a single-employer defined benefit plan that covers all State police officers appointed before July 1, 1980. The Plan was closed to new entrants beginning July 1, 1980.

Survivor Benefits: If employee is active or is receiving a service or service-related disability pension, the eligible survivor receives 75% of pension; if employee is receiving a non-service related disability pension; eligible survivor receives 50% of pension.

Contributions: Employer - funded on a pay-as-you-go basis.

Burial Benefit: \$7,000 per member.

***Diamond State Port Corporation Pension Plan***

Plan Description and Eligibility:

The Diamond State Port Corporation Pension Plan is a single-employer defined benefit plan which covers all employees of the Diamond State Port Corporation.

Service Benefits: 1.75% of final average monthly compensation multiplied by the years of credited service (not to exceed 30 years). For this plan, final average monthly compensation is the monthly average of the highest consecutive five years of compensation within the last ten years of employment.

Vesting: 5 years of credited service.

Retirement: Age 65 with 5 years of credited service, or age (not less than 55 years) plus credited service equals 90.

Disability Benefits: Same as service benefits. Employee must have 15 years of credited service.

Survivor Benefits: If employee is receiving a pension, the eligible survivor receives 50% of pension; if employee is active with at least 15 years of credited service, then eligible survivor receives 50% of pension the employee would have received at age 65.

Contributions: Employer - determined by Board of Pension Trustees at the actuarially determined rate. Employer contributions were 9.7% of earnings for fiscal year 2016.  
Member - 2% of compensation.

Burial Benefit: Not applicable.

***County & Municipal Police and Firefighters' Pension Plan***

Plan Description and Eligibility:

County & Municipal Police and Firefighters' Pension Plan is a cost-sharing multiple-employer defined benefit plan that cover police officers and firefighters employed by a county or municipality of the State which has become part of the Plan.

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.

Vesting: 5 years of credited service.

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.

Disability Benefits: Duty - *Total Disability* - 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents.  
*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 of 50% of final average monthly compensation plus 5% for each dependent not to exceed 20% for all dependents.

*Partial Disability* subject to a minimum of 30% of final average monthly compensation.

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.

Contributions: Employer - determined by Board of Pension Trustees at the actuarially determined rate. Employer contributions were 13.9% of earnings for fiscal year 2016.  
Member - 7% of compensation.

Burial Benefit: Not applicable.

### ***County and Municipal Other Employees' Pension Plan***

#### Plan Description and Eligibility:

County and Municipal Other Employees' Pension Plan is a cost-sharing multiple employer defined benefit plan that covers employees of counties or municipalities which have become part of the Plan.

Service Benefits: 1/60th of final average monthly compensation multiplied by years of credited service, subject to maximum limitations. For this plan, final average monthly compensation is the monthly average of the highest five years of compensation.

<u>Vesting:</u>	5 years of credited service.
<u>Retirement:</u>	Age 62 with 5 years of credited service, age 60 with 15 years of credited service; or after 30 years of credited service.
<u>Disability Benefits:</u>	Same as service benefits. Employee must have 5 years of credited service.
<u>Survivor Benefits:</u>	If employee is receiving a pension, then eligible survivor receives 50% of pension; if the employee is active, eligible survivor receives 50% of pension the employee would have received at age 62.
<u>Contributions:</u>	Employer - determined by Board of Pension Trustees at the actuarially determined rate. Employer contributions were 6.2% of earnings for fiscal year 2016. Member - 3% of earnings in excess of \$6,000.
<u>Burial Benefit:</u>	Not applicable.

***Delaware Volunteer Firemen's Fund***

Plan Description and Eligibility:

The Delaware Volunteer Firemen's Fund is a cost-sharing multiple employer defined benefit pension plan that covers all actively participating volunteers of fire departments, ladies auxiliaries, or ambulance organizations within the State.

<u>Service Benefits:</u>	\$5 multiplied by years of credited service (not to exceed 25 years) per month.
<u>Vesting:</u>	10 years of credited service.
<u>Retirement:</u>	Age 60 with 10 years credited service.
<u>Disability Benefits:</u>	Not applicable.
<u>Survivor Benefits:</u>	Not applicable.
<u>Contributions:</u>	Employer - determined by Board of Pension Trustees at the actuarially determined rate. Employer contributions were \$371.27 per member for fiscal year 2016. Member - \$60 per member per calendar year.
<u>Burial Benefit:</u>	Not applicable.

*Employees covered by benefit terms.* At June 30, 2015, the following employees were covered

by the benefit terms for each plan:

	State Employees	Special	New State Police	Judiciary	Closed State Police
Inactive plan members or beneficiaries currently receiving benefits	24,356	9	185	48	520
Inactive plan members entitled to but not yet receiving benefits	3,374	-	12	-	-
Active plan members	35,825	-	695	55	-
Total plan members	63,555	9	892	103	520

The June 30, 2015 valuation is the most recent available to record the net pension liability and for consistency, all schedules are utilized from this valuation.

## Non-DPERS Fund Descriptions and Contributions

### *County & Municipal Police and Firefighters' COLA Fund*

During 1990, the State passed legislation which established a mechanism for funding post-retirement increases granted by employers who participate in the County & Municipal Police and Firefighters' Pension Plans and also manage a non-system "closed" pension plan for former employees. The funds are generated by a 0.25% tax on the value of certain insurance premiums written within the State. The proceeds of the tax are directed into the COLA Fund and managed by the Board of Pension Trustees for investment purposes. In accordance with Section 708 (c), Title 18 of the Delaware Code, when a participating employer grants a post-retirement increase for a closed plan outside of the DPERS County & Municipal Plans, funds are transferred from the COLA Fund to the employer. These increases are not the responsibility of DPERS. Unused funds revert to the State General Fund.

### *Post-Retirement Increase Fund (PRI)*

The State passed legislation which established a mechanism for funding ad hoc post-retirement increases granted by the General Assembly to members retired under the State Employees' Plan, the New State Police Plan, and the Judiciary Plans (Closed and Revised) beginning in fiscal year 1994. The mechanism allows the State to appropriate actuarially determined employer contributions to a separate PRI fund managed by the Board. With the exception of the Closed State Police Plan, 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 changes and the consistency in the amounts of the changes. The actuary uses the current actuarial assumptions, methods, and population data to calculate the estimated additional liability resulting from granted ad hoc benefit increases. When the Legislature grants an ad hoc post-retirement adjustment, funds are transferred from this PRI fund on a monthly basis based on a

five-year actuarial funding schedule to the appropriate pension plan from which the additional benefits are disbursed. For the fiscal year ended June 30, 2016, \$39.8 million was transferred to the appropriate plans in DPERS.

As of June 30, 2016 recently granted post-retirement increases have outstanding liabilities totaling \$59.2 million, which will be funded by the State and transferred to the appropriate plans over the next six fiscal years as follows (expressed in thousands):

<b>Fiscal Year Ended June 30</b>	
2017	\$ 31,137
2018	10,945
2019	11,300
2020	5,834
Total	<u>\$ 59,216</u>

The Board adopts actuarially determined funding for the Post-Retirement Increase Fund. Funding for fiscal year 2016 was 2.07% of covered payroll. Funding for fiscal year 2017 will be 1.56%.

### ***Local Government Retirement Investment Pool (DEL RIP)***

In June 1996, the State established DEL RIP in the custody of the Board to allow local governments within the State the option to pool their pension assets with DPERS for investment purposes. The DEL RIP is an external investment pool that allows local governments to potentially maximize their rate of return and reduce administrative expenses related to the investment of funds. Participation in the pool is voluntary. There were three participating entities in DEL RIP as of June 30, 2016, which comprise the pool in its entirety: Sussex County and the Towns of Elsmere and Newport.

DEL RIP is subject to the oversight of DPERS's Investment Committee and not subject to the regulatory oversight of the Securities and Exchange Commission (SEC). DPERS has not provided or obtained any legally binding guarantees during the year to support the value of shares. The fair value of the pool is determined in the same manner as the value of the Master Trust shares. Since this pool is a portion of the total DPERS, the same accounting and investment policies apply.

### ***Delaware Transit Corporation Pension Plan***

#### **Plan Description and Eligibility:**

The DTC Pension Plan (DTC Plan) is a single employer defined benefit plan that covers limited and full-time, nonunion salaried employees.

**Service Benefits:** 1.35% of the highest 36-month average earnings plus 1.25% of the

average earnings above the Integration Amount for the calendar year in which the participant retires multiplied by years of service, up to a maximum of 25 years.

Vesting: 100% after 5 years of service

Retirement: Age 55 with at least 10 years of continuous service or 25 years of credited service at any age or upon reaching age 62.

Disability Benefits: Employee must have 5 years of credited service. Determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction

Survivor Benefits: If employee dies while employed after completing at least 5 years of service, the eligible survivor receives 75% of accrued benefit that would have been payable at age 65, for a former employee who dies after completing 5 years of service, eligible survivor receives 50% of the accrued benefit that would have been payable at age 65.

Contributions: Employer - determined by DTC Pension Board Trustees based on the actuarially determined rate. Employer contributions were 9.6% of earnings for fiscal year 2016.  
Employee - 3% of earnings in excess of \$6,000.

### ***Delaware Transit Corporation Contributory Plan***

#### Plan Description and Eligibility:

The DTC Contributory Plan (Contributory Plan) is a single employer defined benefit plan that covers all full-time employees of Local 842, Amalgamated Transit Union and Local 32, Office and Professional Employee International Union.

Service Benefits: \$65 per month (\$68 per month after January 1, 2016) per year of service or refund of contributions with interest before becoming eligible or choosing not to elect

Vesting: Completion of 10 years of service

Retirement: Age 65 with at least 5 years of continuous service or 25 years of credited service at any age.

Disability Benefits: Employee must have 15 years of credited service. Equal to normal retirement benefit during the period of disability.

Survivor Benefits: If the employee was active and had completed 25 or more years of service, the eligible survivor receives pension payments equal to the benefit the

employee would have received if eligible to retire the day before he/she died for 60 months.

**Contributions:** Employer – 5% of regular hourly wages worked up to a maximum of 2,080 hours per year. Employer contributions were 4.5% of earnings for fiscal year 2016.  
Employee - 5% of regular hourly wages worked up to a maximum of 2,080 hours per year.

*Employees covered by benefit terms.* The following employees were covered by the benefit terms for each plan:

	DTC	Contributory
	(at June 30, 2015)	(at December 31, 2015)
Inactive members or beneficiaries currently receiving benefits	58	163
Terminated, vested members	63	82
Active plan members	272	638
Total plan members	393	883

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

At June 30, 2016, the State reported the following net pension liabilities (assets) (expressed in thousands):

Plan	Governmental Activities		Business-Type Activities	
	Asset	Liability	Asset	Liability
State Employees'	\$ -	\$ 576,510	\$ -	\$ 25,195
Special Fund	81	-	-	-
New State Police	-	24,852	-	-
Judiciary	551	-	-	-
Closed State Police	-	401,924	-	-
DTC	-	-	-	1,392
Contributory	-	-	-	3,409
	<u>\$ 632</u>	<u>\$ 1,003,286</u>	<u>\$ -</u>	<u>\$ 29,996</u>

The net pension asset and liability were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of June 30, 2014 with update procedures used to roll forward the total pension liability to June 30, 2015. The State's proportion of the net pension liability of the State Employees' Plan was based on a projection of the State's long-term share of contributions to the

pension plan relative to the projected contributions of all participating organizations, actuarially determined. At June 30, 2015, the State's proportion of the net pension liability of the State Employees' Plan was 90.4%, which was a decrease of 0.5% from its proportion measured as of June 30, 2014.

The State's pension liability and related information for the single-employer plans is as follows:

**State of Delaware - DPERS**  
**Changes in Single Employer Plans' Net Pension Liability and Related Ratios**  
(Expressed in thousands)

	2015			
	Special	New State Police	Judiciary	Closed State Police
Total Pension Liability				
Service Cost	\$ -	\$ 12,686	\$ 2,568	\$ -
Interest	14	28,395	5,147	16,173
Change in Benefit Terms	-	1,154	263	-
Differences between expected and actual experience	18	(3,520)	(1,361)	18,518
Changes of Assumptions	-	-	-	23,078
Benefit payments, including refunds of member contributions	(46)	(12,188)	(3,985)	(23,125)
Net change in total pension liability	(14)	26,527	2,632	34,644
Total pension liability - beginning	200	390,044	71,968	369,934
Total pension liability - ending (a)	<u>\$ 186</u>	<u>\$ 416,571</u>	<u>\$ 74,600</u>	<u>\$ 404,578</u>
Plan fiduciary net position				
Contributions - employer	\$ -	\$ 10,730	\$ 2,640	\$ 23,473
Contributions - nonemployer	-	639	200	-
Contributions - member	-	4,121	327	-
Net investment income	10	13,741	2,659	364
Benefit payments, including refunds of member contributions	(46)	(12,188)	(3,985)	(23,125)
Administrative expense	(1)	(113)	(15)	(60)
Net change in plan fiduciary net position	(37)	16,930	1,826	652
Plan fiduciary net position - beginning	304	374,789	73,325	2,002
Plan fiduciary net position - ending (b)	<u>\$ 267</u>	<u>\$ 391,719</u>	<u>\$ 75,151</u>	<u>\$ 2,654</u>
State's net pension liability (asset) - ending (a)-(b)	<u>\$ (81)</u>	<u>\$ 24,852</u>	<u>\$ (551)</u>	<u>\$ 401,924</u>
Plan fiduciary net position as a percentage of total pension liability	144%	94%	101%	1%
Covered-employee payroll	\$ -	\$ 57,973	\$ 9,988	\$ -
State's net pension liability (asset) as a percentage of covered-employee payroll	N/A	43%	-6%	N/A

The State's pension liability and related information for the Delaware Transit Corporation plans is as follows:

**DelDOT- Delaware Transit Corporation**  
**Changes in DTC's Net Pension Liability and Related Ratios**  
(Expressed in thousands)

	2015	
	DTC Plan	Contributory Plan
Total Pension Liability		
Service Cost	\$ 843	\$ 1,976
Interest	1,612	2,925
Change in Benefit Terms	-	1,473
Differences between expected and actual experience	(297)	(112)
Benefit payments, including refunds of member contributions	(629)	(2,134)
Net change in total pension liability	1,529	4,128
Total pension liability - beginning	21,812	40,855
Total pension liability - ending (a)	<u>\$ 23,341</u>	<u>\$ 44,983</u>
Plan fiduciary net position		
Contributions - employer	\$ 1,176	\$ 1,253
Contributions - member	57	1,387
Net investment income	555	(869)
Benefit payments, including refunds of member contributions	(629)	(2,134)
Administrative expense	(94)	(99)
Net change in plan fiduciary net position	1,065	(462)
Plan fiduciary net position - beginning	20,884	42,036
Plan fiduciary net position - ending (b)	<u>\$ 21,949</u>	<u>\$ 41,574</u>
Corporation's net pension liability (asset) - ending (a)-(b)	<u>\$ 1,392</u>	<u>\$ 3,409</u>
Plan fiduciary net position as a percentage of total pension liability	94%	92%
Covered-employee payroll	\$ 12,621	\$ 27,967
State's net pension liability (asset) as a percentage of covered-employee payroll	11%	12%

For the year ended June 30, 2016, the State recognized pension expense of \$196.2 million, related to all plans.

At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Outflows of Resources	Deferred Inflows of Resources
Changes in proportionate share of contributions	\$ 11	\$ 4,736	\$ 170	\$ 1,490
Difference between expected and actual experience	-	12,932	-	925
Net difference between projected and actual earnings on pension plan investments	-	190,551	3,812	8,351
Contributions subsequent to the measurement date	194,878	-	9,258	-
	<u>\$ 194,889</u>	<u>\$ 208,219</u>	<u>\$ 13,240</u>	<u>\$ 10,766</u>

The State reported \$204.1 million as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Fiscal Year Ended June 30	Governmental Activities	Business-Type Activities
2017	\$ 85,608	\$ 3,282
2018	85,608	3,282
2019	85,154	3,282
2020	(52,378)	(3,359)
2021	4,216	297
Total	<u>\$ 208,208</u>	<u>\$ 6,784</u>

*Contributions.* The State reported the following contributions for the DPERS Plan:

**DPERS - State Employees' Plan**  
**Schedule of Contributions**  
**(Expressed in thousands)**

Contributions	2015
Contractually required contribution	\$ 161,259
Contributions in relation to the contractually required contribution	161,259
Contribution excess	<u>\$ -</u>
Covered-employee payroll	\$ 1,686,806
Contributions as a percentage of covered-employee payroll	9.6%

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	State Employees'	Special	New State Police	Judiciary	Closed State Police
Investment Rate of Return/Discount Rate (1)	7.2%	7.2%	7.2%	7.2%	3.8% (2)
Projected Salary Increases (1)	3.5% to 11.5%	N/A	4.5% to 11.5%	3.5% to 12%	N/A
Cost of Living Adjustments	0%	0%	0%	0%	3%

(1) - With the exception of Closed State Police, inflation is included at 3%

(2) - Closed State Police inflation is included at 2.3%

	DTC	Contributory
Investment Rate of Return/Discount Rate (1)	7.5%	7%
Projected Salary Increases (1)	2.5%	4%

(1) - Inflation is included at 2%

The total pension liabilities are measured based on assumptions pertaining to interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2011. 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 rates for the DPERS Plans were based on the Sex distinct RP-2000 combined Mortality Table projected to 2015 using scale AA for males and females, as appropriate, for mortality improvement. Mortality rates for the DTC Plan were based on the RP-2000 Combined Healthy Tables with generational projection by Scale AA and the rates for the Contributory Plan were based on the RP-2000 Blue Collar Table without any future mortality improvements.

With the exception of the Closed State Police Pension Plan, projected benefit payments do not include the effect 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 weighting the expected future real rates of return by an asset allocation percentage which is based on the nature and mix 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 DPERS's current and expected asset allocation as of June 30, 2015, DTC's current and expected asset

allocation as of July 1, 2015, and Contributory's current and expected asset allocation as of January 1, 2016 are summarized in the following table:

DPERS		
Asset Class	Target Allocation %	Long-Term Expected Real Rate of Return %
Domestic Equity	36.5	5.7
International Equity	16.5	5.7
Fixed Income	22.6	2.0
Alternative Investments	19.6	7.8
Cash & Equivalents	4.8	0.0
	<u>100.0</u>	
DTC		
Asset Class	Target Allocation %	Long-Term Expected Real Rate of Return %
Domestic Equity	49.0	5.2 - 5.6
International Equity	16.0	5.2
Fixed Income	32.5	3.0 - 4.8
Alternative Investments	2.5	2.7
Cash & Equivalents	0.0	
	<u>100.0</u>	
Contributory		
Asset Class	Target Allocation %	Long-Term Expected Real Rate of Return %
Equities	60.0	5.2 - 5.6
Fixed Income	36.2	3.0 - 4.8
Alternative Investments	2.8	2.7
Cash & Equivalents	1.0	0.8
	<u>100.0</u>	

*Discount rate.* The discount rate for all plans, except the Closed State Police Pension Plan, the DTC Plan, and the Contributory Plan, used to measure the total pension liability was 7.2%. 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.

The Closed State Police Pension Plan used a discount rate of 3.8%, which represents the 20 year AA Municipal Bond rate since the plan is pay as you go. The discount rate used to measure the total pension liability was 7.5% for the DTC Plan and 7% for the Contributory Plan. The asset valuation method uses a five year averaging method. Returns on the average market value of assets above or below the 7.5% (DTC Plan) or 7% (Contributory Plan) return are gradually recognized over a five-year period.

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the State's proportionate share of the net pension liability of the State Employees' Plan (cost sharing) and the net pension liability of the other Plans (single employer), calculated using the discount rate of 7.2% (3.8% for the Closed State Police Pension Plan, 7.5% for the DTC Plan, and 7.0% for the Contributory Plan), as well as what the State's proportionate share for the cost sharing and the single employer Plans' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (expressed in thousands):

	1 % Decrease	Current Discount Rate	1 % Increase
State Employees'	\$ 1,359,455	\$ 601,705	\$ (286,428)
Special Fund	(74)	(81)	(91)
New State Police	68,013	24,852	(28,182)
Judiciary	3,128	(551)	(8,096)
Closed State Police	451,206	401,924	356,511
DTC	4,238	1,392	(1,012)
Contributory	8,214	3,409	(726)
Total	<u>\$ 1,894,180</u>	<u>\$ 1,032,650</u>	<u>\$ 31,976</u>

*Pension plan fiduciary net position.* Detailed information about the pension plans' fiduciary net position is available in the separately issued DPERS financial report. The financial report may be obtained by writing to the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

Detailed information about the DTC and Contributory pension plans' fiduciary net position is available in separately issued financial reports. Those reports may be obtained by writing to the Delaware Transit Corporation, 900 Public Safety Boulevard, Dover, Delaware 19901.

### Deferred Compensation Plans

The State offers all its employees, who are otherwise eligible for the State's employee benefit plans, a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The Plan, available to all State of Delaware employees, permits them to defer a portion of their salary to future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The State offers its employees of the State's Public (Local) School Districts, the State of Delaware Department of Education, Delaware Technical and Community College, and Delaware State University, which is a component unit of the State, a deferred compensation plan designed to qualify under Section 403(b) of the Internal Revenue Code. The Plan permits these employees to defer a portion of their salary to future years. Participation in the Plan is optional. On termination of service due to death, disability, retirement, or other reasons, a participant will receive either a lump-sum amount equal to the value of the participant's vested interest in their

account or periodic payments. In addition, the Plan allows for hardship distributions if certain criteria are met.

## **NOTE 18 GOVERNMENTAL FUND BALANCES**

The State's Governmental Fund balances are classified according to the relative constraints that control how amounts can be spent. Classifications include:

- **Nonspendable:** Balances include items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable and interfund receivables, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact.
- **Restricted:** Balances have constraints placed upon the use of the resources either by constitutional provisions, enabling legislation such as the enforcement of locally raised real estate taxes and other revenues for the Local School District Fund, external resource providers such as creditors and grantors, or imposed by law or regulations of other governments.
- **Committed:** Balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the State's Legislature, the State's highest level of decision-making authority. This formal action is the passage of law by the legislature, or by other parties by the State's legislature, creating, modifying, or rescinding an appropriation.
- **Assigned:** Balances include amounts that are constrained by the State's intent, as approved by the State's legislature, to be used for a specific purpose, but are neither restricted nor committed. For the General Fund, amounts constrained for the intent to be used for specific purpose by a governing board or a body or official that has been delegated authority by the State's legislature to assign amounts based on budgetary appropriations. Also, for the General Fund, the amounts assigned for Education are due largely to the policies set by the Board of Delaware Technical and Community College (DTCC) for tuition and fees of DTCC.
- **Unassigned:** Balance is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

The State spends restricted resources first and uses unrestricted resources for purposes for which restricted resources are not available.

When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the State considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the State has provided otherwise in its commitment or assignment actions.

A summary of governmental fund balances at June 30, 2016, is as follows:

	General	Federal	Local School District	Capital Projects	Total Governmental Funds
Nonspendable					
Receivables	\$ 26,806	\$ -	\$ -	\$ -	\$ 26,806
Inventory	5,309	-	-	-	5,309
Total Nonspendable	<u>32,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,115</u>
Restricted:					
Health and Children's Services	14,147	110,044	-	1,968	126,159
Judicial and Public Safety	11,938	-	-	1,969	13,907
Natural Resources and Environmental Control	161,652	171,645	-	14,908	348,205
Agriculture	138	-	-	-	138
Labor	10,532	-	-	-	10,532
Education	3,922	-	268,772	76,803	349,497
Economic Development	3,926	-	-	-	3,926
General Government	3,280	-	-	82,120	85,400
Total Restricted	<u>209,535</u>	<u>281,689</u>	<u>268,772</u>	<u>177,768</u>	<u>937,764</u>
Committed					-
Health and Children's Services	11,231	-	-	-	11,231
Judicial and Public Safety	5,638	-	-	-	5,638
Natural Resources and Environmental Control	27,559	-	-	-	27,559
Agriculture	9,590	-	-	-	9,590
Labor	7,871	-	-	-	7,871
Education	17,849	-	-	-	17,849
Economic Development	78,543	-	-	-	78,543
General Government	25,013	-	-	-	25,013
Total Committed	<u>183,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,294</u>
Assigned					
Health and Children's Services	2,466	-	-	-	2,466
Judicial and Public Safety	8,427	-	-	-	8,427
Natural Resources and Environmental Control	3,132	-	-	-	3,132
Agriculture	7,137	-	-	-	7,137
Education	52,721	-	-	-	52,721
General Government	9,676	-	-	-	9,676
Total Assigned	<u>83,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,559</u>
Unassigned	<u>390,386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,386</u>
Total Fund Balance	<u>\$ 898,889</u>	<u>\$ 281,689</u>	<u>\$ 268,772</u>	<u>\$ 177,768</u>	<u>\$ 1,627,118</u>

**NOTE 19 AFFILIATED ORGANIZATIONS****State Lottery - Multi-State Lottery Association**

The State Lottery is a member of the Multi-State Lottery Association (MUSL), which operates online games on behalf of participating state lotteries. Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the member's share of the estimated grand prize liability. Each MUSL member pays lesser prizes directly to the winners. The MUSL operates the Powerball game, the Mega Millions game and the Hot Lotto game. Participating lotteries are required to maintain deposits with MUSL for contingency reserves to protect MUSL from unforeseen prize liabilities. The money in this reserve fund is refundable to MUSL members if the MUSL disbands or if a member leaves the MUSL Board.

The amount the Lottery had on deposit with the MUSL, as of June 30, 2016 was \$2.3 million. These amounts are also reported as a liability on the Lottery's balance sheet because they represent the amount to be paid to the State upon separation from the MUSL if the MUSL is not required to use a portion of the Lottery's reserves held by the MUSL.

Complete separate financial statements for the MUSL may be obtained at the Multi-State Lottery Association, Suite 210, and 1701 48<sup>th</sup> Street, West Des Moines, IA 50266-6723.

**NOTE 20 COMMITMENTS**

The State has entered into various contractual commitments for services and for construction of various highway, capital and lottery projects. Commitments of the proprietary fund include \$655.2 million for DelDOT.

Encumbrances which represent commitments related to unperformed contracts for goods or services are included in restricted, committed, or assigned fund balance as appropriate. Encumbrances lapse at the end of the applicable appropriation, unless re-appropriated by the Legislature. Encumbrances outstanding against continuing appropriations at the end of fiscal year 2016 are as follows: general fund \$169.3 million, federal funds \$62.8 million, local school funds \$20.2 million and capital project funds \$170.4 million.

**NOTE 21 CONTINGENCIES**

Various parties have made claims against the State. For those cases in which it is reasonably possible that a loss will be incurred and in which the amount of the potential judgment can be reasonably estimated, the State estimates the liability to be \$236.7 million. The State recognized \$1.7 and \$1.3 million, respectively in governmental and business-type activities as claims and judgments liabilities for pending litigation settlements estimated to be probable as of June 30, 2016. \$500 thousand is recorded in the in the governmental funds as other liabilities reflecting settlements paid subsequent to the end of the fiscal year. In the opinion of the Attorney General of the State, the remaining cases are either subject to a valid defense or are not expected to result

in an impairment of the State's financial position. Management believes the settlement in aggregate of claims outstanding will not result in amounts material to the financial statements of the State.

The State receives significant financial assistance from the federal government in the form of grants and entitlements. The right to these resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the State. In June 2016, the State entered into a repayment agreement with the Centers for Medicare and Medicaid Services (CMS) due to the disallowance of costs charged by the State to CMS in the amount of \$10.1 million. \$1.7 million was repaid in June 2016 and the remaining balance of \$8.4 million is included with accounts payable. The State does not believe there are any additional liabilities that may result from such audits for periods through June 30, 2016 would have a material effect on its financial position or the results of operations.

Site investigation, planning and design, cleanup and site monitoring are typical pollution remediation activities underway across the State. Several State organizations have dedicated programs, rules and regulations that routinely deal with remediation related issues; others become aware of pollution conditions in the fulfillment of their missions. The State has the knowledge and expertise to estimate the remediation obligations presented herein based upon prior experience in identifying and funding similar remediation activities. The State calculates pollution remediation liabilities using the expected cash flow technique. Where the State cannot reasonably estimate a pollution remediation obligation, it does not report a liability; however, the State has not identified any of these situations.

The pollution remediation obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State's obligation. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

At June 30, 2016, the State had a total pollution remediation liability of \$35.9 million. Of this amount, \$19.2 million is for various lead remediation projects where the properties are either owned by the State or a local government or the properties have been abandoned by the owners, \$4.2 million are for properties owned by corporations where legal agreements are in place for the State to cover the costs, \$2.4 million are for federally designated environmental hazards where the State is working with the Environmental Protection Agency to remediate and the remaining \$10.1 million are for remediation to properties that have been acquired by the State.

The State Lottery has discharged its primary responsibility for payment of annual installments (generally 14 to 20 years) to winners of jackpots greater than \$150 thousand by purchasing annuities from private insurance companies. The Lottery remains liable for future periodic payments of deferred prize obligations (approximately \$50 thousand at June 30, 2016) in the event that the annuity issuers default on their obligations.

# **State of Delaware Comprehensive Annual Financial Report**

## **Required Supplementary Information**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

### **BUDGETARY REPORTING**

#### **BUDGETARY BASIS VS. GAAP**

While GAAP requires the use of the fund structure described in Note 1(b), the State's budget system uses only a general fund and a special fund, each of which uses the basis of accounting described below. Additionally, the activities of the Delaware State Housing Authority and Delaware State University, both component units of the State, which are not substantially supported by tax revenues, are not included in the budget data. Reconciliation of the accrual adjustments necessary to convert budgetary basis information to GAAP basis is presented as Required Supplementary Information.

The State Constitution requires the Governor to prepare and submit to the General Assembly a State budget for the ensuing year. The State budgets and controls its financial activities on the cash basis of accounting. In compliance with State law, the State records its financial transactions in either of two major categories – the general fund or the special fund. References to these two funds in this document include the terms “budgetary” or “budgetary basis” to differentiate them from the GAAP funds of the same name which encompass different funding categories. The General Assembly enacts the budget through the passage of specific line-item appropriations by department, the legal level of budgetary control, the sum of which must not exceed 98 percent of the estimated revenues and available unencumbered cash balance from the prior year pursuant to the State Constitution. The Governor has the power to approve or veto each appropriation passed by the General Assembly. The General Assembly may also enact supplemental appropriation or special appropriation bills after it completes action on the State's budget.

The budgetary general fund provides for the cost of the State's general operations and is credited with all tax and other revenue of the State not dedicated to budgetary special funds. Certain special funds are subject to appropriation, referred to herein as budgetary or appropriated special funds. Unexpended appropriations at year-end are available for subsequent expenditure to the extent that they have been encumbered at that date or legislatively extended for another year. Budget data represents original appropriations modified by interdepartmental transfers, supplemental, continuing, and carried-over encumbered appropriations. Subsequent modifications to the budget require the approval of the Controller General and the Budget Director. Additional detailed information regarding compliance with the legal level on control can be obtained by contacting the Office of Management and Budget at (302) 739-4206. Summary information regarding department budgets and the compliance with the legal level of budgetary control is presented on the following pages.

Encumbrance accounting is employed in budgetary funds. Encumbrances (e.g., purchase orders) outstanding at year-end do not constitute expenditures or liabilities and are reported as reservations of fund balances because the commitments will be honored during the subsequent year.

The budget schedules in Required Supplemental Information a) reflect the adjustments made to increase the special fund's excess of revenues over expenditures for certain revenue sources not previously recognized; b) eliminates the net activity of certain operations that are accounted for within both the special fund and also in the separate accounts of certain component units or

agency funds that are not principally accounted for within the special fund; and c) presents the accrual adjustments necessary to convert budgetary basis information to GAAP basis.

### **Statutory/Budgetary Presentation**

The Budgetary Comparison Schedule – Budget to Actual (Non-GAAP Budgetary Basis) presented on the following pages provides a comparison of the original and final legally adopted budget with actual data on a budgetary basis.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriations bill as of June 30, 2016, and do not include encumbrances and multi-year projects budgetary carry-forwards from the prior fiscal year. GAAP requires that the final legal budget be reflected in the “final budget” column; therefore, updated revenue estimates available for appropriations as of the last Delaware Economic and Financial Advisory Council (DEFAC) meeting in June 2016, as well as the amounts shown in the original budget, are reported. The final legal budget also reflects encumbrances and multi-year projects budgetary carry-forwards from the prior fiscal year.

The tables on the following page represent the Budgetary Statements of Revenues, Expenditures and Changes in Fund Balance – General and Special Funds. Also included is a schedule showing the budgetary fund balance designations for the General Fund. Of the \$569.3 million budgetary general fund balance at June 30, 2016, \$214.7 million is reserved for the budgetary reserve account, \$181.5 million is designated as continuing and encumbered appropriations and \$173.1 million is classified as undesignated fund balance. The undesignated fund balance is subjected to Legislative review and changes.

**Budgetary Comparison Schedule-General and Special Fund**  
**Budget to Actual ( Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2016**  
(Expressed in Millions)

	General Fund				Special Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final			Original	Final		
<b>Revenues</b>								
Personal Income Taxes	\$ 1,297.0	\$ 1,285.0	\$ 1,284.5	\$ (0.5)	\$ -	\$ -	\$ -	\$ -
Business Taxes	1,761.1	1,817.6	1,701.4	(116.2)	-	-	-	-
Other Taxes	268.0	282.8	297.4	14.6	-	-	-	-
License, Permits, Fines and Fees	321.4	349.0	354.2	5.2	-	-	-	-
Lottery Sales	202.7	207.5	211.0	3.5	-	-	-	-
Interest Earnings	4.0	3.0	3.1	0.1	-	-	-	-
Other	13.6	7.7	92.9	85.2	1,083.1	1,083.1	1,393.2	310.1
<b>Total Revenues</b>	<b>3,867.8</b>	<b>3,952.6</b>	<b>3,944.5</b>	<b>(8.1)</b>	<b>1,083.1</b>	<b>1,083.1</b>	<b>1,393.2</b>	<b>310.1</b>
<b>Expenditures</b>								
General Government	476.7	525.6	435.4	(90.2)	763.7	763.7	693.7	(70.0)
Health & Children's Services	1,273.9	1,329.6	1,270.7	(58.9)	151.1	151.1	126.6	(24.5)
Judicial & Public Safety	576.5	604.7	586.3	(18.4)	52.0	52.0	40.7	(11.3)
Natural Resources and Environmental Control	36.6	40.5	38.5	(2.0)	97.0	97.0	69.5	(27.5)
Labor	9.8	10.3	9.7	(0.6)	14.1	14.1	13.5	(0.6)
Education	1,535.1	1,615.0	1,573.1	(41.9)	5.2	5.2	3.3	(1.9)
<b>Total Expenditures</b>	<b>3,908.6</b>	<b>4,125.7</b>	<b>3,913.7</b>	<b>(212.0)</b>	<b>1,083.1</b>	<b>1,083.1</b>	<b>947.3</b>	<b>(135.8)</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(40.8)	(173.1)	30.8	203.9	-	-	445.9	445.9
<b>Budgetary Fund Balance, Beginning of Year</b>	<b>538.5</b>	<b>538.5</b>	<b>538.5</b>	<b>-</b>	<b>975.6</b>	<b>975.6</b>	<b>1,119.0</b>	<b>143.4</b>
<b>Budgetary Fund Balance, End of Year</b>	<b>\$ 497.7</b>	<b>\$ 365.4</b>	<b>\$ 569.3</b>	<b>\$ 203.9</b>	<b>\$ 975.6</b>	<b>\$ 975.6</b>	<b>\$ 1,564.9</b>	<b>\$ 589.3</b>
<b>Budgetary Fund Balance</b>								
Designated:								
Budget Reserve Account			\$ 214.7					
Continuing and Encumbered Appropriations			181.5					
Undesignated			173.1					
<b>Total</b>			<b>\$ 569.3</b>					

(See Budgetary Basis vs. GAAP in Notes to Required Supplementary Information)

### **Statutory/Budgetary Reconciliations**

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation is required of resulting basis, perspective and entity differences in the revenues in excess of (less than) expenditures and other financing sources (uses) between budgetary and GAAP presentations.

The following two schedules represent the accrual adjustments necessary to convert budgetary basis information to GAAP basis.

**Budgetary vs GAAP Reconciliation**  
**For the Fiscal Year Ended June 30, 2016**  
(Expressed in Millions)

**Budgetary Basis Revenues**

General	\$ 3,944.5
Special	<u>1,393.2</u>

Total Budgetary Basis General and Special Fund Revenues for Fiscal Year 2015 \$ 5,337.7

Adjustments:

The financial reporting revenues do not include amounts that are part of the budgetary revenues (appropriated special funds) (911.5)

Non-budgetary revenues reclassified to the general and special fund 770.6

Basis of accounting differences in revenues, other financing sources and related receivables and deferred inflows of resources (828.9)

Total GAAP Basis General and Special Fund Revenues for Fiscal Year 2016 Included in the General Fund 4,367.9

Federal Fund Revenue	2,139.8
Local School District Fund Revenue	598.6
Capital Projects Fund Revenue	<u>-</u>
	<u>2,738.4</u>

**Total GAAP Basis Governmental Funds Revenue for Fiscal Year 2016** \$ 7,106.3

**Budgetary Basis Expenditures**

General	\$ 3,913.7
Special	<u>947.3</u>

Total Budgetary Basis General and Special Fund Expenditures for Fiscal Year 2015 \$ 4,861.0

Adjustments:

The financial reporting expenditures do not include amounts that are part of the budgetary expenditures (appropriated special funds) (390.5)

Non-budgetary expenditures reclassified to the general and special fund 800.3

Basis of accounting differences in expenditures, other financing uses and related accounts payable and accrued liabilities (220.7)

Total GAAP Basis General and Special Fund Expenditures for Fiscal Year 2016 Included in the General Fund 5,050.1

Federal Fund Expenditures	2,075.5
Local School District Fund Expenditures	571.3
Capital Projects Fund Expenditures	<u>231.9</u>
	<u>2,878.7</u>

**Total GAAP Basis Governmental Funds Expenditures for Fiscal Year 2016** \$ 7,928.8

## **Required Supplementary Information**

### **Information About Infrastructure Assets Reported Using the Modified Approach**

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include 4,452 centerline miles and 842 bridges that the State is responsible to maintain.

The condition of the State’s road pavement is measured using the Overall Pavement Condition (OPC) system, which is based on the extent and severity of various pavement distresses that are visually observed. The OPC system uses a measurement scale that is based on a condition index ranging from 0.0 for poor pavement to 5.0 for pavement in good condition.

The condition of bridges is measured using the “Bridge Condition Rating” (BCR) which is based on the Federal Highway Administration (FHWA) Coding Guide, “Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation’s Bridges.” The BCR uses a measurement scale that is based on a condition index ranging from 0 to 9, 0 to 4 for substandard bridges and 9 for bridges in good condition. For reporting purposes, substandard bridges are classified as those with a rating of 4 or less. The good or better condition bridges were taken as those with ratings of between 6 and 9. A rating of 5 is considered fair. This information is taken from past “Bridge Inventory Status” reports.

It is the State’s policy to maintain at least 85% of its highways at a fair or better condition level and 75% of its bridge systems at a fair or better condition level. No more than 10% of bridges and 15% of roads should be in substandard condition. Condition assessments are determined every year for roads and every two years for bridges.

**State of Delaware**  
**Department of Transportation**  
**Supplementary Information For Governments That Use the**  
**Modified Approach for Infrastructure Assets**

Structural Rating Numbers and Percentages for Bridges

Evaluation Performed for Calendar Year Ended December 31

		2016**		2015		2014	
	BCR Condition Rating	Number	Percent	Number	Percent	Number	Percent
Good	6-9	606	71.9	1,211	74.5	1,198	75.3
Fair	5	195	23.2	304	18.7	307	19.3
Poor	0-4	41	4.9	111	6.7	87	5.5
Totals		842	100.0	1,626	100.0	1,592	100.0

Deck Rating Numbers and Percentages for Bridges

Evaluation Performed for Calendar Year Ended December 31

		2016		2015		2014	
	OPC Condition Rating	Square Feet	Percent	Square Feet	Percent	Square Feet	Percent
Good	6-9	5,697,809	70.9	5,979,029	74.3	5,886,694	74.9
Fair	5	1,942,870	24.1	1,696,198	21.1	1,650,327	21.0
Poor	0-4	399,080	5.0	374,113	4.6	321,581	4.1
Totals		8,039,759	100.0	8,049,340	100.0	7,858,602	100.0

Center-Line Mile Numbers and Percentages for Road Pavement

Evaluation Performed for Calendar Year Ended December 31

		2015		2013		2011	
	OPC Condition Rating	Center- Line Mile	Percent	Center- Line Mile	Percent	Center- Line Mile	Percent
Good	3.0-5.0	3,960	88.9	4,032	90.6	3,796	86.7
Fair	2.5-3.0	310	7.0	356	8.0	400	9.1
Poor	Below 2.5	118	2.8	60	1.3	182	4.2
Unrated		64	0.6	-	-	-	-
Totals		4,452	100.0	4,448	100.0	4,378	100.0

Comparison of Estimated-to-Actual Maintenance/Preservation\*

(Expressed In Thousands)

Fiscal Year ended June 30

	2016	2015	2014	2013	2012
Estimated	\$ 242,299	\$ 241,900	\$ 198,873	\$ 185,399	\$ 243,600
Actual	\$ 281,554	\$ 291,630	\$ 234,800	\$ 233,810	\$ 285,923

\* The estimated expenditures represent annual Bond Bill authorization. The actual expenditures represent the current year spending, which includes cumulative authorization.

\*\* The Department has updated its reporting of bridges to coincide with the FHWA's definition of bridges, which has specific length requirements. Beginning in 2016, bridges that do not meet the FHWA's definition are no longer reported in the above table.

## Required Supplementary Information – Pension

The following tables present additional information related to funding status and progress. It is intended to help readers assess the individual plans' funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due.

**State of Delaware - DPERS**  
**State Employees' Plan**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Last 10 Fiscal Years \***  
**(Dollar amounts in thousands)**

<b>Proportionate Share of Net Pension Liability</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Proportion of the net pension liability	90.4%	90.9%	91.2%
Proportion of the net pension liability - dollar value	\$ 601,705	\$ 334,720	\$ 988,024
Covered-employee payroll	\$ 1,686,806	\$ 1,673,099	\$ 1,712,613
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	35.7%	20.0%	57.7%
Plan fiduciary net position as a percentage of the total pension liability	92.1%	95.8%	87.2%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**State of Delaware - DPERS**  
**Changes in Single Employer Plans' Net Pension Liability and Related Ratios**  
**Last 10 Fiscal Years \***  
(Dollar amounts in thousands)

	2015			
	Special	New State Police	Judiciary	Closed State Police
Total Pension Liability				
Service Cost	\$ -	\$ 12,686	\$ 2,568	\$ -
Interest	14	28,395	5,147	16,173
Change in Benefit Terms	-	1,154	263	-
Differences between expected and actual experience	18	(3,520)	(1,361)	18,518
Changes of Assumptions	-	-	-	23,078
Benefit payments, including refunds of member contributions	(46)	(12,188)	(3,985)	(23,125)
Net change in total pension liability	(14)	26,527	2,632	34,644
Total pension liability - beginning	200	390,044	71,968	369,934
Total pension liability - ending (a)	<u>\$ 186</u>	<u>\$ 416,571</u>	<u>\$ 74,600</u>	<u>\$ 404,578</u>
Plan fiduciary net position				
Contributions - employer	\$ -	\$ 10,730	\$ 2,640	\$ 23,473
Contributions - nonemployer	-	639	200	-
Contributions - member	-	4,121	327	-
Net investment income	10	13,741	2,659	364
Benefit payments, including refunds of member contributions	(46)	(12,188)	(3,985)	(23,125)
Administrative expense	(1)	(113)	(15)	(60)
Other	-	-	-	-
Net change in plan fiduciary net position	(37)	16,930	1,826	652
Plan fiduciary net position - beginning	304	374,789	73,325	2,002
Plan fiduciary net position - ending (b)	<u>\$ 267</u>	<u>\$ 391,719</u>	<u>\$ 75,151</u>	<u>\$ 2,654</u>
State's net pension liability (asset) - ending (a)-(b)	<u>\$ (81)</u>	<u>\$ 24,852</u>	<u>\$ (551)</u>	<u>\$ 401,924</u>
Plan fiduciary net position as a percentage of total pension liability	144%	94%	101%	1%
Covered-employee payroll	\$ -	\$ 57,973	\$ 9,988	\$ -
State's net pension liability (asset) as a percentage of covered-employee payroll	N/A	43%	-6%	N/A

Notes to Schedule

*Benefit Changes:* None

*Changes of assumptions:* None

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**State of Delaware - DPERS**  
**Changes in Single Employer Plans' Net Pension Liability and Related Ratios**  
**Last 10 Fiscal Years \***  
(Dollar amounts in thousands)

	2014			
	Special	New State Police	Judiciary	Closed State Police
Total Pension Liability				
Service Cost	\$ -	\$ 12,378	\$ 2,542	\$ 16,319
Interest	15	26,137	4,869	12,942
Change in Benefit Terms	-	-	-	-
Differences between expected and actual experience	-	-	-	-
Changes of Assumptions	-	-	-	-
Benefit payments, including refunds of member contributions	(42)	(10,619)	(3,588)	(23,301)
Net change in total pension liability	(27)	27,896	3,823	5,960
Total pension liability - beginning	227	362,148	68,145	363,974
Total pension liability - ending (a)	<u>\$ 200</u>	<u>\$ 390,044</u>	<u>\$ 71,968</u>	<u>\$ 369,934</u>
Plan fiduciary net position				
Contributions - employer	\$ -	\$ 10,500	\$ 2,839	\$ 23,064
Contributions - nonemployer	-	525	165	-
Contributions - member	-	3,862	317	-
Net investment income	48	54,635	10,783	(3)
Benefit payments, including refunds of member contributions	(42)	(10,619)	(3,588)	(23,301)
Administrative expense	(1)	(82)	(13)	(46)
Other	-	-	-	-
Net change in plan fiduciary net position	5	58,821	10,503	(286)
Plan fiduciary net position - beginning	299	315,968	62,822	2,288
Plan fiduciary net position - ending (b)	<u>\$ 304</u>	<u>\$ 374,789</u>	<u>\$ 73,325</u>	<u>\$ 2,002</u>
State's net pension liability (asset) - ending (a)-(b)	<u>\$ (104)</u>	<u>\$ 15,255</u>	<u>\$ (1,357)</u>	<u>\$ 367,932</u>
Plan fiduciary net position as a percentage of total pension liability	152%	96%	102%	1%
Covered-employee payroll	\$ -	\$ 56,289	\$ 10,416	\$ -
State's net pension liability (asset) as a percentage of covered-employee payroll	N/A	27%	-13%	N/A
Notes to Schedule				
Benefit Changes:	None			
Changes of assumptions:	None			

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**DPERS - State Employees' Plan**  
**Schedule of Contributions**  
**Last 10 Fiscal Years \***  
**(Dollar amounts in thousands)**

<b>Contributions</b>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 161,259	\$ 158,956	\$ 146,620
Contributions in relation to the contractually required contribution	<u>161,259</u>	<u>158,956</u>	<u>146,620</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,686,806	\$ 1,673,099	\$ 1,712,613
Contributions as a percentage of covered-employee payroll	9.6%	9.5%	8.6%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**DPERS' Pension Plans**  
**Schedule of Contributions**  
**Last 10 Fiscal Years**  
**(Dollar amounts in Thousands)**

<b>New State Police</b>	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contributions	\$ 10,730	\$ 10,500	\$ 9,292	\$ 8,309	\$ 7,810	\$ 6,562	\$ 6,791	\$ 6,643	\$ 6,334	\$ 5,276
contribution	10,730	10,500	9,292	8,309	7,810	6,562	6,791	6,643	6,334	5,276
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 57,973	\$ 55,067	\$ 56,289	\$ 54,412	\$ 50,556	\$ 49,896	\$ 50,425	\$ 47,971	\$ 46,924	\$ 43,579
Contribution as a percentage of covered-employee payroll	19%	19%	17%	15%	15%	13%	13%	14%	13%	12%
<b>Judiciary</b>	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contributions	\$ 2,640	\$ 2,839	\$ 2,762	\$ 2,674	\$ 2,557	\$ 2,473	\$ 2,549	\$ 2,644	\$ 2,495	\$ 2,002
contribution	2,640	2,839	2,762	2,674	2,557	2,473	2,549	2,644	2,495	2,002
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 9,988	\$ 10,244	\$ 10,416	\$ 10,387	\$ 9,624	\$ 9,798	\$ 9,814	\$ 9,689	\$ 9,825	\$ 9,397
Contribution as a percentage of covered-employee payroll	26%	28%	27%	26%	27%	25%	26%	27%	25%	21%
<b>Closed State Police</b>	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contributions	\$ 26,310	\$ 25,696	\$ 25,696	\$ 24,678	\$ 26,638	\$ 27,214	\$ 26,423	\$ 25,337	\$ 24,912	\$ 24,623
contribution	23,473	23,064	23,064	23,064	23,367	23,367	21,775	21,267	19,159	20,655
Contribution deficiency (excess)	<u>\$ 2,837</u>	<u>\$ 2,632</u>	<u>\$ 2,632</u>	<u>\$ 1,614</u>	<u>\$ 3,271</u>	<u>\$ 3,847</u>	<u>\$ 4,648</u>	<u>\$ 4,070</u>	<u>\$ 5,753</u>	<u>\$ 3,968</u>
Covered-employee payroll	N/A	N/A	N/A	\$ 124	\$ 114	\$ 339	\$ 619	\$ 1,152	\$ 1,695	\$ 1,912
Contribution as a percentage of covered-employee payroll	N/A	N/A	N/A	18600%	20497%	6893%	3518%	1846%	1130%	1080%

**Special**

No contributions were made to the plan for the past ten years.

## Notes to Schedule

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

	<u>Special</u>	<u>New State Police</u>	<u>Judiciary</u>	<u>Closed State Police</u>
Valuation Date:	June 30, 2013	June 30, 2013	June 30, 2013	June 30, 2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Open 15-Year Level Percent	Open 20-Year Level Percent of Payroll	Open 20-Year Level Percent of Payroll	Open 23-Year Level Dollar
Period	10 years	20 years (1)	9.64 years (1)	25 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Inflation	N/A	3%	3%	N/A
Projected Salary Increases (1)	N/A	4.5% to 11.5%	3.5% to 12%	N/A
Investment Rate of Return	7.2%	7.2%	7.2%	3.8%

Retirement Age In the 2011 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience.

Mortality In the 2011 actuarial valuation, mortality rates were based on the Sex distinct RP-2000 combined Mortality Table projected to 2015 using scale AA for Males or Females, as appropriate, for mortality improvement.

## Other Information

1) Excludes liability and amortization payments due to cost-of-living adjustments. This liability is funded from Post-Retirement Increase Fund. Each Post Retirement Increase is funded over 5 years.

**DeIDOT- Delaware Transit Corporation**  
**Changes in DTC's Net Pension Liability and Related Ratios**  
**Last 10 Fiscal Years \***  
(Dollar amounts in thousands)

	2015		2014	
	DTC Plan	Contributory Plan	DTC Plan	Contributory Plan
<b>Total Pension Liability</b>				
Service Cost	\$ 843	\$ 1,976	\$ 840	\$ 1,766
Interest	1,612	2,925	1,483	2,675
Change in Benefit Terms	-	1,473	-	1,030
Differences between expected and actual experience	(297)	(112)	-	4
Changes of Assumptions	-	-	-	-
Benefit payments, including refunds of member contributions	(629)	(2,134)	(569)	(2,103)
Net change in total pension liability	1,529	4,128	1,754	3,372
Total pension liability - beginning	21,812	40,855	20,058	37,483
Total pension liability - ending (a)	<u>\$ 23,341</u>	<u>\$ 44,983</u>	<u>\$ 21,812</u>	<u>\$ 40,855</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 1,176	\$ 1,253	\$ 1,158	\$ 909
Contributions - member	57	1,387	30	1,263
Net investment income	555	(869)	2,443	2,606
Benefit payments, including refunds of member contributions	(629)	(2,134)	(569)	(2,103)
Administrative expense	(94)	(99)	(116)	(134)
Other	-	-	-	-
Net change in plan fiduciary net position	1,065	(462)	2,946	2,541
Plan fiduciary net position - beginning	20,884	42,036	17,938	39,495
Plan fiduciary net position - ending (b)	<u>\$ 21,949</u>	<u>\$ 41,574</u>	<u>\$ 20,884</u>	<u>\$ 42,036</u>
Corporation's net pension liability (asset) - ending (a)-(b)	<u>\$ 1,392</u>	<u>\$ 3,409</u>	<u>\$ 928</u>	<u>\$ (1,181)</u>
Plan fiduciary net position as a percentage of total pension liability	94%	92%	96%	103%
Covered-employee payroll	\$ 12,621	\$ 27,967	\$ 12,099	\$ 27,627
State's net pension liability (asset) as a percentage of covered-employee payroll	11%	12%	8%	-4%

Notes to Schedule

*Benefit Changes:* None

*Changes of assumptions:* None

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**DelDOT - Delaware Transit Corporation**  
**Schedule of Contributions**  
**Last 10 Fiscal Years \***  
**(Dollar amounts in thousands)**

<b>DTC Plan</b>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 1,176	\$ 1,156	\$ 963	\$ 997	\$ 1,112	\$ 1,034
Contributions in relation to the actuarially determined contribution	<u>1,176</u>	<u>1,158</u>	<u>963</u>	<u>997</u>	<u>1,111</u>	<u>1,033</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>
Covered-employee payroll	\$ 12,261	\$ 12,099	\$ 11,041	\$ 11,253	\$ 11,464	\$ 11,624
Contribution as a percentage of covered-employee payroll	10%	10%	9%	9%	10%	9%
<b>Contributory Plan</b>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 857	\$ 635	\$ 773	\$ 715	\$ 598	\$ 611
Contributions in relation to the actuarially determined contribution	<u>1,253</u>	<u>908</u>	<u>1,250</u>	<u>1,080</u>	<u>1,074</u>	<u>1,082</u>
Contribution deficiency (excess)	<u>\$ (396)</u>	<u>\$ (273)</u>	<u>\$ (477)</u>	<u>\$ (365)</u>	<u>\$ (476)</u>	<u>\$ (471)</u>
Covered-employee payroll	\$ 27,627	\$ 24,788	\$ 22,985	\$ 22,847	\$ 22,675	\$ 22,072
Contribution as a percentage of covered-employee payroll	5%	4%	5%	5%	5%	5%
	<u>2009</u>	<u>2008</u>				
Actuarially determined contributions	\$ 859	\$ 683				
Contributions in relation to the actuarially determined contribution	<u>1,063</u>	<u>996</u>				
Contribution deficiency (excess)	<u>\$ (204)</u>	<u>\$ (313)</u>				
Covered-employee payroll	\$ 18,689	N/A				
Contribution as a percentage of covered-employee payroll	6%	N/A				

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

## Notes to Schedule

### *Valuation data:*

Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year.

### *DTC Plan Methods and Assumptions used to determine contribution rates:*

Actuarial cost method	Frozen Entry Age
Amortization method	Level Dollar, Open
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	2.0 percent
Salary increases	2.5 percent, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP-2000 Combined Healthy tables with generational projection by Scale AA

### *Valuation data:*

Actuarially determined contribution amounts are calculated as of the beginning of the plan year (January 1)

### *Contributory Plan Methods and Assumptions used to determine contribution rates:*

Actuarial cost method	Frozen Entry Age
Amortization method	Level Percentage of Pay
Remaining amortization period	15 years
Asset valuation method	5-year market smoothed
Inflation	2.0 percent
Salary increases	4.0 percent, including inflation
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP-2000 Blue Collar Table without any future mortality improvements

## Required Supplementary Information – OPEB Trust

The following table presents additional information related to funding status and progress. It is intended to help readers assess the individual plans' funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due.

### OPEB Trust

The amount shown below as “actuarial accrued liability” is a measure of the difference between the actuarial present value of future plan benefits and the actuarial present value of future normal cost.

**Schedule of Funding Status and Progress**  
(Expressed in Millions)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded Actuarial Liabilities (UAAL)	(4) Funded Ratios (1) / (2)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (3) / (5)
7/1/2016	\$ 310	\$ 7,460	\$ 7,150	4.16%	\$ 2,114	338%
7/1/2015	312	6,321	6,009	4.94%	2,048	293%
7/1/2014	290	5,946	5,656	4.90%	2,038	277%

Valuation Date	July 1, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	3.75%
Rate of Salary Increases	3.25% (Plus Merit Scale)
Ultimate Rate of Medical Inflation	4.00%

The State's annual required contribution and the percentage of annual required contribution contributed to the plan for the fiscal years is as follows (expressed in millions):

Fiscal Year	Annual Required Contribution	Percentage of Annual OPEB ARC Contributed
2016	\$ 425.6	51%
2015	404.4	56%
2014	406.7	50%

## Required Supplementary Information – DTC OPEB Trust

The following table presents additional information related to funding status and progress. It is intended to help readers assess the individual plans' funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due:

### Schedule of Funding Status and Progress (Expressed in Thousands)

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial	Actuarial	Actuarial	Unfunded	Funded		UAAL
Valuation	Value of	Accrued	Accrued	Ratio	Covered	as a percentage
Date	Assets	Liability	Liabilities	(1)/(2)	Payroll	of covered
		(AAL)	(2)-(1)			payroll
						(3)/(5)
7/1/2015	\$ 2,342	\$ 113,898	\$ 111,556	2%	\$ 44,603	250%
7/1/2014	2,189	104,434	102,245	2%	42,717	239%
7/1/2013	1,878	135,237	133,359	1%	38,546	346%

Valuation Date	July 1, 2014
Actuarial Cost Method	Projected Unit Cost
Amortization Method	Closed
Remaining Amortization	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions	
Investment Rate of Return	4%
Rate of Salary Increases	3%
Ultimate Rate of Medical Inflation	Based on Society of Actuaries Long-Term Medical Trend Model. The initial rate is 4.7%, increasing gradually. The ultimate rate is 4.8% and is reached in 2051.

DTC's annual required contribution and the percentage of annual required contribution contributed to the plan for the fiscal years is as follows (expressed in thousands):

Fiscal Year	Annual Required Contribution	Percentage of Annual OPEB ARC Contributed
2016	\$ 13,865.0	13%
2015	12,868.0	11%
2014	17,371.0	7%

**State of Delaware  
Comprehensive Annual  
Financial Report**

**Supplementary  
Information —  
Combining Statements**

STATE OF DELAWARE  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
JUNE 30, 2016  
(Expressed in Thousands)

	State Employees' Pension Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	Delaware Volunteer Firemen's Fund	Diamond State Port Corporation Plan	County and Municipal Police and Firefighters' Plans	County and Municipal Police and Firefighters' COLA Fund	County and Municipal Other Employees' Plan	DPERS Post Retirement Increase Fund	Closed State Police Plan	Totals
<b>Assets</b>												
Cash, Cash Equivalents and Pooled Investments	\$ 217,076	\$ 5	\$ 10,665	\$ 1,993	\$ 566	\$ 736	\$ 7,929	\$ 196	\$ 1,096	\$ 223	\$ 61	\$ 240,546
Receivables:												
Accrued Interest	13,280	1	474	100	-	29	254	6	33	3	(1)	14,179
Investment Sales Pending	26,588	-	1,289	241	-	89	946	23	131	21	7	29,335
Employer Contributions	10,048	-	573	125	-	75	560	-	119	1,698	-	13,198
Member Contributions	3,623	-	221	16	-	15	231	-	56	-	-	4,162
Total Receivables	53,539	1	2,557	482	-	208	1,991	29	339	1,722	6	60,874
Investments at Fair Value:												
Domestic Fixed Income	699,894	19	33,920	6,358	-	2,333	24,917	612	3,438	548	173	772,212
Domestic Equities	1,734,712	47	84,072	15,758	-	5,782	61,759	1,518	8,522	1,358	429	1,913,957
Pooled Equity and Fixed Income	2,947,236	79	142,837	26,773	17,108	9,824	104,926	2,578	14,479	2,307	728	3,268,875
Alternative Investments	1,775,817	48	86,065	16,132	-	5,919	63,222	1,553	8,724	1,390	439	1,959,309
Foreign Fixed Income	138,615	4	6,718	1,259	-	462	4,935	121	681	108	34	152,937
Foreign Equities	422,941	11	20,498	3,842	-	1,410	15,057	370	2,078	331	105	466,643
Total Investments	7,719,215	208	374,110	70,122	17,108	25,730	274,816	6,752	37,922	6,042	1,908	8,533,933
<b>Total Assets</b>	<b>7,989,830</b>	<b>214</b>	<b>387,332</b>	<b>72,597</b>	<b>17,674</b>	<b>26,674</b>	<b>284,736</b>	<b>6,977</b>	<b>39,357</b>	<b>7,987</b>	<b>1,975</b>	<b>8,835,353</b>
<b>Liabilities</b>												
Investment Purchases Payable	6,657	-	323	60	-	22	237	6	33	4	3	7,345
Benefits Payable	1,230	-	5	-	14	-	52	-	9	-	-	1,310
Accrued Investment Expenses	4,122	-	196	38	-	14	143	3	20	4	2	4,542
Accrued Administrative Expenses	280	-	4	-	-	1	6	-	3	-	2	296
<b>Total Liabilities</b>	<b>12,289</b>	<b>-</b>	<b>528</b>	<b>98</b>	<b>14</b>	<b>37</b>	<b>438</b>	<b>9</b>	<b>65</b>	<b>8</b>	<b>7</b>	<b>13,493</b>
<b>Assets Held in Trust for Pension Benefits and Pool Participants</b>	<b>\$ 7,977,541</b>	<b>\$ 214</b>	<b>\$ 386,804</b>	<b>\$ 72,499</b>	<b>\$ 17,660</b>	<b>\$ 26,637</b>	<b>\$ 284,298</b>	<b>\$ 6,968</b>	<b>\$ 39,292</b>	<b>\$ 7,979</b>	<b>\$ 1,968</b>	<b>\$ 8,821,860</b>

STATE OF DELAWARE  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Expressed in Thousands)

	State Employees' Pension Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	Delaware Volunteer Firemen's Fund	Diamond State Port Corporation Plan	County and Municipal Police and Firefighters' Plans	County and Municipal Police and Firefighters' Cola Fund	County and Municipal Other Employees' Plan	DPERS Post Retirement Increase Fund	Closed State Police Plan	Totals
<b>Additions</b>												
Contributions:												
Employer Contributions	\$ 182,707	\$ -	\$ 11,001	\$ 2,237	\$ 1,764	\$ 1,200	\$ 14,789	\$ -	\$ 2,077	\$ 40,361	\$ 23,300	\$ 279,436
Transfer of Contributions from Post- Retirement Increase Fund	38,778	-	793	237	-	-	-	-	-	-	-	39,808
Transfer of Assets from Outside the System	-	-	-	-	-	-	-	3,156	-	-	-	3,156
Member Contributions	59,146	-	4,146	339	180	246	5,328	-	946	-	-	70,331
Other	-	-	4	-	-	-	-	-	-	-	-	4
<b>Total Contributions</b>	<b>280,631</b>	<b>-</b>	<b>15,944</b>	<b>2,813</b>	<b>1,944</b>	<b>1,446</b>	<b>20,117</b>	<b>3,156</b>	<b>3,023</b>	<b>40,361</b>	<b>23,300</b>	<b>392,735</b>
Investments:												
Investment Earnings	120,466	3	5,721	1,086	223	389	4,086	112	565	108	187	132,946
Net Change in Fair Value	(237,413)	(8)	(10,745)	(2,082)	15	(716)	(7,283)	(370)	(1,019)	(202)	(988)	(260,811)
<b>Total Investment Income</b>	<b>(116,947)</b>	<b>(5)</b>	<b>(5,024)</b>	<b>(996)</b>	<b>238</b>	<b>(327)</b>	<b>(3,197)</b>	<b>(258)</b>	<b>(454)</b>	<b>(94)</b>	<b>(801)</b>	<b>(127,865)</b>
Less Investment Manager/ Advisor/Custody Fees	(20,115)	-	(963)	(182)	(11)	(66)	(694)	(16)	(96)	(18)	(35)	(22,196)
Less Investment Administrative Expenses	(644)	-	(9)	(1)	-	(3)	(12)	-	(7)	-	(6)	(682)
<b>Net Investment Income (Loss)</b>	<b>(137,706)</b>	<b>(5)</b>	<b>(5,996)</b>	<b>(1,179)</b>	<b>227</b>	<b>(396)</b>	<b>(3,903)</b>	<b>(274)</b>	<b>(557)</b>	<b>(112)</b>	<b>(842)</b>	<b>(150,743)</b>
Securities Lending Income	786	-	37	7	-	3	27	1	4	1	1	867
Securities Lending Expense	(118)	-	(6)	(1)	-	-	(4)	-	(1)	-	-	(130)
<b>Net Securities Lending Income</b>	<b>668</b>	<b>-</b>	<b>31</b>	<b>6</b>	<b>-</b>	<b>3</b>	<b>23</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>737</b>
<b>Deductions:</b>												
Transfer of Assets from Post- Retirement Increase Fund	-	-	-	-	-	-	-	-	-	39,808	-	39,808
Transfer of Assets Outside the System	-	-	-	-	-	-	-	8,794	-	-	-	8,794
Pension Claim Payments	558,498	29	14,800	4,278	2,064	803	4,782	-	855	-	23,042	609,151
Refunds of Contributions to Members	5,078	-	3	-	85	20	131	-	81	-	-	5,398
Burial Benefit Payments	5,917	18	-	-	-	-	-	-	-	-	55	5,990
Administrative Expenses	5,895	1	91	14	33	32	135	-	81	-	48	6,330
<b>Total Deductions</b>	<b>575,388</b>	<b>48</b>	<b>14,894</b>	<b>4,292</b>	<b>2,182</b>	<b>855</b>	<b>5,048</b>	<b>8,794</b>	<b>1,017</b>	<b>39,808</b>	<b>23,145</b>	<b>675,471</b>
<b>Change in Net Position</b>	<b>(431,795)</b>	<b>(53)</b>	<b>(4,915)</b>	<b>(2,652)</b>	<b>(11)</b>	<b>198</b>	<b>11,189</b>	<b>(5,911)</b>	<b>1,452</b>	<b>442</b>	<b>(686)</b>	<b>(432,742)</b>
<b>Net Assets Held in Trust for Pension Benefits:</b>												
<b>Net Position - Beginning</b>	<b>8,409,336</b>	<b>267</b>	<b>391,719</b>	<b>75,151</b>	<b>17,671</b>	<b>26,439</b>	<b>273,109</b>	<b>12,879</b>	<b>37,840</b>	<b>7,537</b>	<b>2,654</b>	<b>9,254,602</b>
<b>Net Position - Ending</b>	<b>\$ 7,977,541</b>	<b>\$ 214</b>	<b>\$ 386,804</b>	<b>\$ 72,499</b>	<b>\$ 17,660</b>	<b>\$ 26,637</b>	<b>\$ 284,298</b>	<b>\$ 6,968</b>	<b>\$ 39,292</b>	<b>\$ 7,979</b>	<b>\$ 1,968</b>	<b>\$ 8,821,860</b>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF NET POSITION**  
**INVESTMENT TRUST FUNDS**  
**JUNE 30, 2016**  
(Expressed in Thousands)

	<b>Delaware Local Government Retirement Investment Pool</b>	<b>Delaware Local Government OPEB Investment Trust</b>	<b>Total Investment Trust Funds</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,380	\$ 256	\$ 1,636
Receivables:			
Accrued Interest	68	-	68
Investment Sales Pending	168	-	168
Investments, at Fair Value:			
Domestic Fixed Income	4,413	5,655	10,068
Domestic Equities	10,938	5,478	16,416
Pooled Equity and Fixed Income	18,582	-	18,582
Alternative Investments	11,196	-	11,196
Foreign Fixed Income	874	-	874
Foreign Equities	2,667	2,833	5,500
<b>Total Assets</b>	<b>50,286</b>	<b>14,222</b>	<b>64,508</b>
<b>Liabilities:</b>			
Investment Purchase Payable	42	-	42
Accrued Investment Expense	25	1	26
<b>Total Liabilities</b>	<b>67</b>	<b>1</b>	<b>68</b>
<b>Net Position:</b>			
Net Position Held in Trust for Pool Participants	<u>\$ 50,219</u>	<u>\$ 14,221</u>	<u>\$ 64,440</u>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION**  
**INVESTMENT TRUST FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
(Expressed in Thousands)

	<b>Delaware Local Government Retirement Investment Trust Funds</b>	<b>Delaware Local Government OPEB Investment Trust</b>	<b>Total Investment Trust Funds</b>
<b>Additions:</b>			
Contributions:			
Transfer of Assets from Outside the Trust	\$ -	\$ 785	\$ 785
Total Contributions	<u>-</u>	<u>785</u>	<u>785</u>
Investments:			
Investment Earnings	749	312	1,061
Net Change in Fair Value of Investments	<u>(1,427)</u>	<u>(121)</u>	<u>(1,548)</u>
Total Investment Earnings (Loss)	(678)	191	(487)
Less Investment Manager/Advisor/Custody Fees	<u>(125)</u>	<u>(5)</u>	<u>(130)</u>
Net Investment Earnings	<u>(803)</u>	<u>186</u>	<u>(617)</u>
Net Securities Lending Income	<u>3</u>	<u>-</u>	<u>3</u>
Total Additions (Reductions)	<u>(800)</u>	<u>971</u>	<u>171</u>
<b>Deductions:</b>			
Transfer of Assets Outside the Trust	504	613	1,117
Administrative Expenses	<u>1</u>	<u>-</u>	<u>1</u>
Total Deductions	<u>505</u>	<u>613</u>	<u>1,118</u>
<b>Change in Net Position</b>	(1,305)	358	(947)
<b>Net Position - Beginning</b>	<u>51,524</u>	<u>13,863</u>	<u>65,387</u>
<b>Net Position - Ending</b>	<u><u>\$ 50,219</u></u>	<u><u>\$ 14,221</u></u>	<u><u>\$ 64,440</u></u>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
(Expressed in Thousands)

<b>Child Support Collection</b>	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2016</b>
Assets				
Cash and Cash Equivalents	\$ 3,874	\$ 280,706	\$ 281,007	\$ 3,573
Receivables, Net	596	4,415	4,311	700
Total Assets	<u>\$ 4,470</u>	<u>\$ 285,121</u>	<u>\$ 285,318</u>	<u>\$ 4,273</u>
Liabilities				
Funds Held In Escrow	\$ 4,470	\$ 285,121	\$ 285,318	\$ 4,273
Total Liabilities	<u>\$ 4,470</u>	<u>\$ 285,121</u>	<u>\$ 285,318</u>	<u>\$ 4,273</u>
<b>Court Fines and Restitution</b>	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2016</b>
Assets				
Cash and Cash Equivalents	\$ 13,713	\$ 17,820	\$ 19,774	\$ 11,759
Cash and Pooled Investments	25,227	7,951	504	32,674
Investments	119	310	-	429
Receivables, Net	27,721	24,690	24,711	27,700
Total Assets	<u>\$ 66,780</u>	<u>\$ 50,771</u>	<u>\$ 44,989</u>	<u>\$ 72,562</u>
Liabilities				
Funds Held In Escrow	\$ 66,780	\$ 50,771	\$ 44,989	\$ 72,562
Total Liabilities	<u>\$ 66,780</u>	<u>\$ 50,771</u>	<u>\$ 44,989</u>	<u>\$ 72,562</u>
<b>All Other Agency Funds</b>	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2016</b>
Assets				
Cash and Cash Equivalents	\$ 12,691	\$ 40,406	\$ 39,820	\$ 13,277
Cash and Pooled Investments	70,576	27,382	49,495	48,463
Investments	2,095	36	765	1,366
Total Assets	<u>\$ 85,362</u>	<u>\$ 67,824</u>	<u>\$ 90,080</u>	<u>\$ 63,106</u>
Liabilities				
Funds Held In Escrow	\$ 85,362	\$ 67,824	\$ 90,080	\$ 63,106
Total Liabilities	<u>\$ 85,362</u>	<u>\$ 67,824</u>	<u>\$ 90,080</u>	<u>\$ 63,106</u>
<b>Totals - All Agency Funds</b>	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2016</b>
Assets				
Cash and Cash Equivalents	\$ 30,278	\$ 338,932	\$ 340,601	\$ 28,609
Cash and Pooled Investments	95,803	-	49,999	81,137
Investments	2,214	346	765	1,795
Receivables, Net	28,317	29,105	29,022	28,400
Total Assets	<u>\$ 156,612</u>	<u>\$ 368,383</u>	<u>\$ 420,387</u>	<u>\$ 139,941</u>
Liabilities				
Funds Held In Escrow	\$ 156,612	\$ 403,716	\$ 420,387	\$ 139,941
Total Liabilities	<u>\$ 156,612</u>	<u>\$ 403,716</u>	<u>\$ 420,387</u>	<u>\$ 139,941</u>

STATE OF DELAWARE  
COMBINING BALANCE SHEET  
LOCAL SCHOOL DISTRICT FUNDS  
June 30, 2016  
(Expressed in Thousands)

	<u>Appoquinimink</u>	<u>Brandywine</u>	<u>Caesar Rodney</u>	<u>Cape Henlopen</u>	<u>Capital</u>	<u>Christina</u>	<u>Colonial</u>	<u>Delmar</u>	<u>Indian River</u>	<u>Lake Forest</u>
<b>Assets</b>										
Cash and Cash Equivalents	\$ 9	\$ 2,337	\$ 1,389	\$ -	\$ 1,354	\$ 52	\$ 2,337	\$ 10	\$ 536	\$ 30
Cash and Pooled Investments	13,080	13,610	16,518	27,405	21,530	38,634	31,829	1,033	20,036	7,331
Investments	-	-	-	-	-	-	-	-	-	-
Accounts Receivable, Net	-	-	-	-	-	-	-	-	-	-
Taxes Receivable, Net	1,781	3,080	1,327	1,469	2,365	6,203	4,343	480	3,134	1,158
<b>Total Assets</b>	<u>\$ 14,870</u>	<u>\$ 19,027</u>	<u>\$ 19,234</u>	<u>\$ 28,874</u>	<u>\$ 25,249</u>	<u>\$ 44,889</u>	<u>\$ 38,509</u>	<u>\$ 1,523</u>	<u>\$ 23,706</u>	<u>\$ 8,519</u>
<b>Liabilities</b>										
Accounts Payable	\$ 1,341	\$ 2,306	\$ 1,197	\$ 5,153	\$ 1,270	\$ 3,869	\$ 1,262	\$ 37	\$ 1,775	\$ 553
<b>Total Liabilities</b>	<u>1,341</u>	<u>2,306</u>	<u>1,197</u>	<u>5,153</u>	<u>1,270</u>	<u>3,869</u>	<u>1,262</u>	<u>37</u>	<u>1,775</u>	<u>553</u>
<b>Deferred Inflows of Resources</b>	<u>1,610</u>	<u>2,900</u>	<u>1,283</u>	<u>1,374</u>	<u>2,268</u>	<u>5,930</u>	<u>4,324</u>	<u>467</u>	<u>2,982</u>	<u>1,118</u>
<b>Fund Balances</b>										
Restricted Fund Balance	11,919	13,821	16,754	22,347	21,711	35,090	32,923	1,019	18,949	6,848
<b>Total Fund Balances</b>	<u>11,919</u>	<u>13,821</u>	<u>16,754</u>	<u>22,347</u>	<u>21,711</u>	<u>35,090</u>	<u>32,923</u>	<u>1,019</u>	<u>18,949</u>	<u>6,848</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u>\$ 14,870</u>	<u>\$ 19,027</u>	<u>\$ 19,234</u>	<u>\$ 28,874</u>	<u>\$ 25,249</u>	<u>\$ 44,889</u>	<u>\$ 38,509</u>	<u>\$ 1,523</u>	<u>\$ 23,706</u>	<u>\$ 8,519</u>

STATE OF DELAWARE  
COMBINING BALANCE SHEET - CONTINUED  
LOCAL SCHOOL DISTRICT FUNDS  
June 30, 2016  
(Expressed in Thousands)

	Laurel	Milford	NCC Vo-Tech	Polytech	Red Clay	Seaford	Smyrna	Sussex Co Vo-Tech	Woodbridge	DOE Administration	Totals
<b>Assets</b>											
Cash and Cash Equivalents	\$ 127	\$ 54	\$ 43	\$ 3	\$ 1,568	\$ 1,409	\$ 4	\$ 8	\$ 39	\$ -	\$ 11,309
Cash and Pooled Investments	5,403	6,940	15,451	8,850	24,015	7,797	9,402	8,255	4,365	85	281,569
Investments	142	-	-	-	-	-	-	-	-	-	142
Accounts Receivable, Net	-	-	-	-	-	-	-	169	-	-	169
Taxes Receivable, Net	1,082	993	1,843	578	5,097	1,549	813	901	1,252	-	39,448
<b>Total Assets</b>	<b>\$ 6,754</b>	<b>\$ 7,987</b>	<b>\$ 17,337</b>	<b>\$ 9,431</b>	<b>\$ 30,680</b>	<b>\$ 10,755</b>	<b>\$ 10,219</b>	<b>\$ 9,333</b>	<b>\$ 5,656</b>	<b>\$ 85</b>	<b>\$ 332,637</b>
<b>Liabilities</b>											
Accounts Payable	\$ 140	\$ 395	\$ 308	\$ 199	\$ 4,858	\$ 308	\$ 381	\$ 127	\$ 641	\$ -	\$ 26,120
<b>Total Liabilities</b>	<b>140</b>	<b>395</b>	<b>308</b>	<b>199</b>	<b>4,858</b>	<b>308</b>	<b>381</b>	<b>127</b>	<b>641</b>	<b>-</b>	<b>26,120</b>
<b>Deferred Inflows of Resources</b>	<b>1,042</b>	<b>947</b>	<b>1,703</b>	<b>548</b>	<b>4,770</b>	<b>1,518</b>	<b>711</b>	<b>1,032</b>	<b>1,218</b>	<b>-</b>	<b>37,745</b>
<b>Fund Balances</b>											
Restricted Fund Balance	5,572	6,645	15,326	8,684	21,052	8,929	9,127	8,174	3,797	85	268,772
<b>Total Fund Balances</b>	<b>5,572</b>	<b>6,645</b>	<b>15,326</b>	<b>8,684</b>	<b>21,052</b>	<b>8,929</b>	<b>9,127</b>	<b>8,174</b>	<b>3,797</b>	<b>85</b>	<b>268,772</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 6,754</b>	<b>\$ 7,987</b>	<b>\$ 17,337</b>	<b>\$ 9,431</b>	<b>\$ 30,680</b>	<b>\$ 10,755</b>	<b>\$ 10,219</b>	<b>\$ 9,333</b>	<b>\$ 5,656</b>	<b>\$ 85</b>	<b>\$ 332,637</b>

STATE OF DELAWARE  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
LOCAL SCHOOL DISTRICT FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Expressed in Thousands)

	<u>Appoquinimink</u>	<u>Brandywine</u>	<u>Caesar Rodney</u>	<u>Cape Henlopen</u>	<u>Capital</u>	<u>Christina</u>	<u>Colonial</u>	<u>Delmar</u>	<u>Indian River</u>	<u>Lake Forest</u>
<b>Revenues</b>										
Real Estate Taxes	\$ 36,323	\$ 73,796	\$ 10,055	\$ 36,430	\$ 21,663	\$ 113,885	\$ 49,470	\$ 2,197	\$ 40,882	\$ 7,127
Licenses, Fees, Permits and Fines	-	2	55	21	-	-	50	-	-	1
Rentals and Sales	295	640	201	620	82	627	212	48	783	301
Federal Government	500	698	15	178	421	642	32	134	1,029	127
Interest & Other Investment Income	141	206	128	232	161	335	297	16	200	72
Other	1,239	(1,200)	2,478	(2,241)	630	837	548	267	(1,384)	1,249
<b>Total Revenues</b>	<u>38,498</u>	<u>74,142</u>	<u>12,932</u>	<u>35,240</u>	<u>22,957</u>	<u>116,326</u>	<u>50,609</u>	<u>2,662</u>	<u>41,510</u>	<u>8,877</u>
<b>Expenditures</b>										
Education	30,223	66,334	13,432	37,193	16,793	96,977	43,942	2,256	46,142	9,553
Unrestricted Payments to Component Unit - Education	<u>1,295</u>	<u>3,275</u>	<u>(4)</u>	<u>562</u>	<u>1,915</u>	<u>21,927</u>	<u>6,747</u>	<u>(17)</u>	<u>231</u>	<u>42</u>
<b>Total Expenditures</b>	<u>31,518</u>	<u>69,609</u>	<u>13,428</u>	<u>37,755</u>	<u>18,708</u>	<u>118,904</u>	<u>50,689</u>	<u>2,239</u>	<u>46,373</u>	<u>9,595</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>6,980</u>	<u>4,533</u>	<u>(496)</u>	<u>(2,515)</u>	<u>4,249</u>	<u>(2,578)</u>	<u>(80)</u>	<u>423</u>	<u>(4,863)</u>	<u>(718)</u>
<b>Other Sources (Uses) of Financial Resources</b>										
Transfers In	1,101	2,942	5,879	17,424	1,447	24,596	1,598	759	9,527	736
Transfers Out	<u>(7,625)</u>	<u>(8,731)</u>	<u>(5,352)</u>	<u>(14,642)</u>	<u>(7,687)</u>	<u>(21,622)</u>	<u>(5,255)</u>	<u>(1,025)</u>	<u>(11,201)</u>	<u>(1,337)</u>
<b>Total Other Sources (Uses) of Financial Resources</b>	<u>(6,524)</u>	<u>(5,789)</u>	<u>527</u>	<u>2,782</u>	<u>(6,240)</u>	<u>2,974</u>	<u>(3,657)</u>	<u>(266)</u>	<u>(1,674)</u>	<u>(601)</u>
<b>Net Change in Fund Balances</b>	<u>456</u>	<u>(1,256)</u>	<u>31</u>	<u>267</u>	<u>(1,991)</u>	<u>396</u>	<u>(3,737)</u>	<u>157</u>	<u>(6,537)</u>	<u>(1,319)</u>
<b>Fund Balances - Beginning</b>	<u>11,463</u>	<u>15,077</u>	<u>16,723</u>	<u>22,080</u>	<u>23,702</u>	<u>34,694</u>	<u>36,660</u>	<u>862</u>	<u>25,486</u>	<u>8,167</u>
<b>Fund Balances - Ending</b>	<u>\$ 11,919</u>	<u>\$ 13,821</u>	<u>\$ 16,754</u>	<u>\$ 22,347</u>	<u>\$ 21,711</u>	<u>\$ 35,090</u>	<u>\$ 32,923</u>	<u>\$ 1,019</u>	<u>\$ 18,949</u>	<u>\$ 6,848</u>

STATE OF DELAWARE  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CONTINUED  
LOCAL SCHOOL DISTRICT FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Expressed in Thousands)

	Laurel	Milford	NCC Vo-Tech	Polytech	Red Clay	Seaford	Smyrna	Sussex Co Vo-Tech	Woodbridge	DOE Administration	Totals
<b>Revenues</b>											
Real Estate Taxes	\$ 5,293	\$ 8,680	\$ 29,552	\$ 5,114	\$ 98,727	\$ 7,168	\$ 12,740	\$ 10,831	\$ 5,027	\$ -	\$ 574,960
Licenses, Fees, Permits and Fines	-	15	-	-	-	-	403	-	123	-	670
Rentals and Sales	130	108	344	1,346	281	71	944	412	320	-	7,765
Federal Government	142	46	837	65	286	61	99	68	112	-	5,492
Interest & Other Investment Income	117	62	173	78	453	68	94	74	38	3	2,948
Other	(166)	(134)	1,458	90	3,553	(1,208)	(194)	827	153	(57)	6,745
<b>Total Revenues</b>	<u>5,516</u>	<u>8,777</u>	<u>32,364</u>	<u>6,693</u>	<u>103,300</u>	<u>6,160</u>	<u>14,086</u>	<u>12,212</u>	<u>5,773</u>	<u>(54)</u>	<u>598,580</u>
<b>Expenditures</b>											
Education	2,459	6,361	30,129	6,713	92,239	5,876	9,666	8,787	5,455	(3,857)	526,673
Unrestricted Payments to Component Unit - Education	110	253	-	-	7,505	259	600	-	(54)	-	44,646
<b>Total Expenditures</b>	<u>2,569</u>	<u>6,614</u>	<u>30,129</u>	<u>6,713</u>	<u>99,744</u>	<u>6,135</u>	<u>10,266</u>	<u>8,787</u>	<u>5,401</u>	<u>(3,857)</u>	<u>571,319</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>2,947</u>	<u>2,163</u>	<u>2,235</u>	<u>(20)</u>	<u>3,556</u>	<u>25</u>	<u>3,820</u>	<u>3,425</u>	<u>372</u>	<u>3,803</u>	<u>27,261</u>
<b>Other Sources (Uses) of Financial Resources</b>											
Transfers In	337	636	1,283	787	5,940	599	623	135	1,455	57	77,861
Transfers Out	(3,017)	(3,564)	(2,905)	(932)	(12,761)	(1,921)	(3,777)	(1,278)	(2,285)	(3,858)	(120,775)
<b>Total Other Sources (Uses) of Financial Resources</b>	<u>(2,680)</u>	<u>(2,928)</u>	<u>(1,622)</u>	<u>(145)</u>	<u>(6,821)</u>	<u>(1,322)</u>	<u>(3,154)</u>	<u>(1,143)</u>	<u>(830)</u>	<u>(3,801)</u>	<u>(42,914)</u>
<b>Net Change in Fund Balances</b>	<u>267</u>	<u>(765)</u>	<u>613</u>	<u>(165)</u>	<u>(3,265)</u>	<u>(1,297)</u>	<u>666</u>	<u>2,282</u>	<u>(458)</u>	<u>2</u>	<u>(15,653)</u>
<b>Fund Balances - Beginning</b>	<u>5,305</u>	<u>7,410</u>	<u>14,713</u>	<u>8,849</u>	<u>24,317</u>	<u>10,226</u>	<u>8,461</u>	<u>5,892</u>	<u>4,255</u>	<u>83</u>	<u>284,425</u>
<b>Fund Balances - Ending</b>	<u>\$ 5,572</u>	<u>\$ 6,645</u>	<u>\$ 15,326</u>	<u>\$ 8,684</u>	<u>\$ 21,052</u>	<u>\$ 8,929</u>	<u>\$ 9,127</u>	<u>\$ 8,174</u>	<u>\$ 3,797</u>	<u>\$ 85</u>	<u>\$ 268,772</u>

## Statistical Section Index

---

The statistical section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes to the financial statements, and required supplementary information of the primary government says about the State's overall financial health.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends Information</b>	
These schedules contain trend information to assist the reader in understanding and assessing how the State's financial position has changed over time.	
<b>Government-wide Perspective</b>	
Net Position by Component .....	154
Changes in Net Position .....	155
<b>Fund Perspective</b>	
Changes in Fund Balances, Governmental Funds .....	157
Fund Balances, Governmental Funds .....	159
<b>Revenue Capacity Information</b>	
These schedules contain information to assist the reader in understanding and assessing the factors affecting the State's ability to generate its own-source revenues.	
Personal Income by Industry .....	160
Personal Income Tax Rates .....	161
Personal Income Tax Filers and Liability by Income Level, Calendar Year 2013 and Ten Years Prior.....	162
Franchise Taxes .....	163
<b>Debt Capacity Information</b>	
These schedules present information to assist the reader in understanding and assessing the State's debt burden and its ability to issue additional debt in the future.	
Ratios of Outstanding Debt by Type .....	164
Debt Limits .....	165
General Obligation Debt Support .....	166
Pledged Revenue Coverage.....	167
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to assist the reader in understanding the environment in which the State's financial activities take place.	
Demographic and Economic Statistics.....	168
Principal Employers by Industry .....	169
State Employees by Function .....	170
<b>Operating Information</b>	
These schedules contain information to assist the reader in understanding how the financial information relates to the services the State provides and the activities it performs.	
Operating Indicators by Function .....	171
Capital Asset Statistics by Function .....	172
Capital Asset Balances by Function .....	173

**Sources:** Unless otherwise noted, the information in these schedules is derived from the State's Comprehensive Annual Financial Report for the relevant fiscal year.

**STATE OF DELAWARE**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
(Accrual Basis of Accounting, Expressed in Thousands)

	<u>2007</u>	<u>2008*</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012**</u>	<u>2013***</u>	<u>2014****</u>	<u>2015</u>	<u>2016</u>
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 1,385,413	\$ 1,515,272	\$ 1,665,199	\$ 1,799,599	\$ 1,831,490	\$ 1,851,218	\$ 1,701,366	\$ 1,808,658	\$ 1,764,526	\$ 1,534,319
Restricted	182,750	186,430	186,430	186,430	186,430	186,400	408,964	728,406	745,852	937,764
Unrestricted (Deficit)**	<u>1,183,671</u>	<u>884,060</u>	<u>366,597</u>	<u>269,978</u>	<u>314,021</u>	<u>(56,000)</u>	<u>(416,439)</u>	<u>(1,212,955)</u>	<u>(2,360,730)</u>	<u>(2,834,000)</u>
<b>Total Governmental Activities Net Position</b>	<u>\$ 2,751,834</u>	<u>\$ 2,585,762</u>	<u>\$ 2,218,226</u>	<u>\$ 2,256,007</u>	<u>\$ 2,331,941</u>	<u>\$ 1,981,618</u>	<u>\$ 1,693,891</u>	<u>\$ 1,324,109</u>	<u>\$ 149,648</u>	<u>\$ (361,917)</u>
<b>Business-type Activities</b>										
Net Investment in Capital Assets	\$ 2,653,221	\$ 2,731,901	\$ 2,727,661	\$ 2,803,634	\$ 2,840,595	\$ 2,956,316	\$ 3,142,841	\$ 3,267,409	\$ 3,445,879	\$ 3,505,882
Restricted	342,263	308,738	202,220	137,831	109,613	169,954	163,539	161,483	212,681	306,057
Unrestricted (Deficit)	<u>89,806</u>	<u>64,577</u>	<u>56,596</u>	<u>5,069</u>	<u>61,721</u>	<u>(85,800)</u>	<u>(122,830)</u>	<u>(65,049)</u>	<u>(157,324)</u>	<u>(157,917)</u>
<b>Total Business-type Activities Net Position</b>	<u>\$ 3,085,290</u>	<u>\$ 3,105,216</u>	<u>\$ 2,986,477</u>	<u>\$ 2,946,534</u>	<u>\$ 3,011,929</u>	<u>\$ 3,040,470</u>	<u>\$ 3,183,550</u>	<u>\$ 3,363,843</u>	<u>\$ 3,501,236</u>	<u>\$ 3,654,022</u>
<b>Primary Government</b>										
Net Investment in Capital Assets	\$ 4,038,634	\$ 4,247,173	\$ 4,392,860	\$ 4,603,233	\$ 4,672,085	\$ 4,807,534	\$ 4,844,207	\$ 5,076,067	\$ 5,210,405	\$ 5,040,201
Restricted	525,013	495,168	388,650	324,261	296,043	356,354	572,503	889,889	958,533	1,243,821
Unrestricted (Deficit)**	<u>1,273,477</u>	<u>948,637</u>	<u>423,193</u>	<u>275,047</u>	<u>375,742</u>	<u>(141,800)</u>	<u>(539,269)</u>	<u>(1,278,004)</u>	<u>(2,518,054)</u>	<u>(2,991,917)</u>
<b>Total Primary Government Net Position</b>	<u>\$ 5,837,124</u>	<u>\$ 5,690,978</u>	<u>\$ 5,204,703</u>	<u>\$ 5,202,541</u>	<u>\$ 5,343,870</u>	<u>\$ 5,022,088</u>	<u>\$ 4,877,441</u>	<u>\$ 4,687,952</u>	<u>\$ 3,650,884</u>	<u>\$ 3,292,105</u>

**Source:**

Statement of Net Position, as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year.

**Notes:**

\* The State implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, during fiscal year 2009. The provisions of GASB Statement No. 49 require the measurement of pollution remediation liabilities at July 1, 2008; therefore, the State's ending net position for fiscal year 2008 has been restated.

\*\* Prior year amounts have not been updated for changes made from the adoption of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and amendment of GASB Statements No. 14 and No. 34* in fiscal year 2013.

\*\*\* The State implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during fiscal year 2014. The provisions of GASB Statement No. 65 require that bond issuance costs are expensed as incurred and deferred bond costs expensed at July 1, 2013; therefore the State's net position for fiscal year 2013 has been restated.

\*\*\*\*The state implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during fiscal year 2015. The provisions of GASB Statement No. 68 require the State to record its net position liability (asset) at July 1, 2014; therefore, the State's ending net position for fiscal year 2014 has been restated.

**STATE OF DELAWARE**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
(Accrual Basis of Accounting, Expressed in Thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General Government	\$ 513,326	\$ 549,263	\$ 551,390	\$ 436,025	\$ 662,291	\$ 654,311	\$ 543,931	\$ 683,643	\$ 572,708	\$ 906,593
Health and Children's Services	1,699,475	1,869,754	1,980,118	2,059,215	2,225,657	2,386,475	2,428,629	2,850,068	3,007,367	3,087,138
Judicial and Public Safety	574,809	640,380	641,296	624,565	596,764	660,053	711,361	705,218	718,645	714,932
Natural Resources and Environmental Control	173,331	164,446	154,871	148,776	189,301	161,354	147,733	134,294	172,886	160,059
Labor	74,194	68,172	77,911	74,163	74,063	79,706	69,226	68,997	73,155	74,766
Education	1,774,528	2,031,009	2,002,158	2,040,439	2,331,626	2,372,080	2,408,647	2,482,569	2,612,590	2,722,666
Payment to Component Unit:										
Education	89,945	99,969	100,139	105,819	-	-	-	-	-	-
Interest	50,560	52,224	57,570	55,782	75,522	61,111	54,969	59,747	60,557	91,894
<b>Total Governmental Activities Expenses</b>	<b>4,950,168</b>	<b>5,475,217</b>	<b>5,565,453</b>	<b>5,544,784</b>	<b>6,155,224</b>	<b>6,375,090</b>	<b>6,364,496</b>	<b>6,984,536</b>	<b>7,217,908</b>	<b>7,758,048</b>
<b>Business-type Activities:</b>										
Lottery	424,111	419,223	388,260	353,449	384,611	386,241	358,467	344,389	358,907	382,424
DelDOT	504,466	535,150	602,296	626,012	587,604	641,850	580,392	606,738	624,452	682,364
Unemployment	108,851	113,955	203,817	379,065	300,262	247,932	169,508	110,063	68,699	64,629
<b>Total Business-type Activities Expenses</b>	<b>1,037,428</b>	<b>1,068,328</b>	<b>1,194,373</b>	<b>1,358,526</b>	<b>1,272,477</b>	<b>1,276,023</b>	<b>1,108,367</b>	<b>1,061,190</b>	<b>1,052,058</b>	<b>1,129,417</b>
<b>Total Primary Government Expenses</b>	<b>5,987,596</b>	<b>6,543,545</b>	<b>6,759,826</b>	<b>6,903,310</b>	<b>7,427,701</b>	<b>7,651,113</b>	<b>7,472,863</b>	<b>8,045,726</b>	<b>8,269,966</b>	<b>8,887,465</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
General Government	223,600	172,093	104,268	149,299	214,997	166,979	287,709	334,285	273,905	301,172
Health and Children's Services	110,168	99,438	87,548	121,855	67,485	98,430	73,522	67,698	70,532	70,435
Judicial and Public Safety	49,535	53,803	52,681	60,024	54,681	75,713	126,052	72,664	59,551	75,887
Natural Resources and Environmental Control	56,559	47,374	42,555	58,925	95,460	50,587	59,262	52,692	56,364	58,790
Labor	10,918	-	-	-	6,370	7,089	7,103	7,135	7,228	7,319
Education	40,317	28,235	57,101	63,099	89,125	22,796	5,565	3,029	66,666	33,372
Operating Grants and Contributions	1,001,981	1,094,610	1,199,961	1,460,903	1,701,136	1,541,931	1,551,954	1,953,254	2,076,241	2,196,373
Capital Grants and Contributions	1,740	16,142	9,936	30,861	-	-	-	-	-	-
<b>Total Governmental Activities Program Revenues</b>	<b>1,494,818</b>	<b>1,511,695</b>	<b>1,554,050</b>	<b>1,944,966</b>	<b>2,229,254</b>	<b>1,963,525</b>	<b>2,111,167</b>	<b>2,490,757</b>	<b>2,610,487</b>	<b>2,743,348</b>

**STATE OF DELAWARE**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
(Accrual Basis of Accounting, Expressed in Thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Business-type Activities:</b>										
Charges for Services:										
Lottery	\$ 755,127	\$ 742,260	\$ 704,308	\$ 689,652	\$ 728,506	\$ 714,303	\$ 635,264	\$ 600,825	\$ 601,869	\$ 635,289
DelDOT	379,387	428,646	426,046	426,924	445,084	449,270	462,609	488,178	512,471	574,057
Unemployment	72,254	74,984	76,608	119,473	117,060	122,334	107,646	112,746	131,195	112,053
Operating Grants and Contributions	-	-	-	196,889	170,681	109,037	72,517	43,760	234,092	202,900
Capital Grants and Contributions	103,331	156,740	193,219	238,276	195,030	199,214	211,245	210,985	-	-
<b>Total Business-type Activities Program Revenues</b>	<b>1,310,099</b>	<b>1,402,630</b>	<b>1,400,181</b>	<b>1,671,214</b>	<b>1,656,361</b>	<b>1,594,158</b>	<b>1,489,281</b>	<b>1,456,494</b>	<b>1,479,627</b>	<b>1,524,299</b>
<b>Total Primary Government Program Revenues</b>	<b>2,804,917</b>	<b>2,914,325</b>	<b>2,954,231</b>	<b>3,616,180</b>	<b>3,885,615</b>	<b>3,557,683</b>	<b>3,600,448</b>	<b>3,947,251</b>	<b>4,090,114</b>	<b>4,267,647</b>
<b>Net (Expenses) Revenue</b>										
<b>Governmental Activities</b>	(3,455,350)	(3,963,522)	(4,011,403)	(3,599,818)	(3,925,970)	(4,357,588)	(4,253,329)	(4,493,779)	(4,607,421)	(5,014,700)
<b>Business-type Activities</b>	272,671	334,302	205,808	312,688	383,884	318,135	380,914	395,304	427,569	394,882
<b>Total Primary Government Net Expense</b>	<b>(3,182,679)</b>	<b>(3,629,220)</b>	<b>(3,805,595)</b>	<b>(3,287,130)</b>	<b>(3,542,086)</b>	<b>(4,039,453)</b>	<b>(3,872,415)</b>	<b>(4,098,475)</b>	<b>(4,179,852)</b>	<b>(4,619,818)</b>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental Activities:</b>										
Taxes:										
Personal Income	1,016,911	1,010,325	914,460	760,617	986,002	1,126,014	1,130,501	1,040,341	1,140,248	1,112,368
Business	1,672,112	1,659,565	1,655,938	1,820,023	1,926,473	1,834,684	2,051,071	2,061,007	2,291,067	2,294,173
Real Estate	388,135	398,881	428,878	434,718	464,713	473,351	504,620	537,395	552,215	573,968
Other	254,960	297,971	238,786	250,630	246,268	241,525	344,106	232,017	224,842	244,526
Investment Earnings	82,701	84,449	41,140	20,185	28,356	32,849	11,636	14,192	10,511	12,584
Gain (Loss) on Sale of Assets	(72)	-	-	-	-	-	-	-	-	-
Miscellaneous	24,287	30,629	29,197	15,546	29,201	24,103	25,244	28,878	13,654	16,694
Transfers	259,612	332,132	335,468	335,880	320,891	287,903	238,244	215,006	249,896	248,822
<b>Total Governmental Activities</b>	<b>3,698,646</b>	<b>3,813,952</b>	<b>3,643,867</b>	<b>3,637,599</b>	<b>4,001,904</b>	<b>4,020,429</b>	<b>4,305,422</b>	<b>4,128,836</b>	<b>4,482,433</b>	<b>4,503,135</b>
<b>Business-type Activities:</b>										
Investment Earnings	23,486	21,322	11,686	(15,336)	2,815	4,029	(608)	2,375	2,213	6,726
Gain (Loss) on Sale of Assets	(2,680)	299	235	(415)	587	308	1,018	-	-	-
Miscellaneous	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	-	-	-	-	-
Transfers	(259,612)	(332,132)	(335,468)	(335,880)	(320,891)	(287,903)	(238,244)	(215,006)	(249,896)	(248,822)
<b>Total Business-type Activities</b>	<b>(239,806)</b>	<b>(311,511)</b>	<b>(324,547)</b>	<b>(352,631)</b>	<b>(318,489)</b>	<b>(283,566)</b>	<b>(237,834)</b>	<b>(212,631)</b>	<b>(247,683)</b>	<b>(242,096)</b>
<b>Change in Net Position</b>										
<b>Governmental Activities</b>	243,296	(149,570)	(367,536)	37,781	75,934	(391,136)	(74,133)	(364,943)	(124,988)	(511,565)
<b>Business-type Activities</b>	32,865	22,791	(118,739)	(39,943)	65,395	34,569	143,080	182,673	179,886	152,786
<b>Total Primary Government</b>	<b>\$ 276,161</b>	<b>\$ (126,779)</b>	<b>\$ (486,275)</b>	<b>\$ (2,162)</b>	<b>\$ 141,329</b>	<b>\$ (356,567)</b>	<b>\$ 68,947</b>	<b>\$ (182,270)</b>	<b>\$ 54,898</b>	<b>\$ (358,779)</b>

**Source:**

Statement of Activities, as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year.

**STATE OF DELAWARE**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(Modified Accrual Basis of Accounting, Expressed in Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Revenues</b>										
Taxes (1)	\$ 3,322,523	\$ 3,366,308	\$ 3,238,062	\$ 3,249,145	\$ 3,623,456	\$ 3,621,597	\$ 3,904,072	\$ 3,870,760	\$ 4,208,372	\$ 4,225,034
Licenses, Fees, Permits and Fines	339,347	355,604	356,228	392,388	326,249	340,351	336,068	351,789	374,554	374,952
Rentals and Sales	59,547	34,294	37,736	38,615	123,781	118,839	135,530	86,428	119,743	127,771
Federal Government	1,016,215	1,111,247	1,220,072	1,442,722	1,726,141	1,528,034	1,529,921	1,936,497	2,076,443	2,196,434
Interest and Other Investment Income	82,701	84,313	41,140	20,185	28,356	32,850	11,637	14,170	10,462	12,556
Other Revenues	313,765	109,385	146,967	215,951	106,925	206,356	218,176	195,346	165,800	169,569
<b>Total Revenues</b>	<u>5,134,098</u>	<u>5,061,151</u>	<u>5,040,205</u>	<u>5,359,006</u>	<u>5,934,908</u>	<u>5,848,027</u>	<u>6,135,404</u>	<u>6,454,990</u>	<u>6,955,374</u>	<u>7,106,316</u>
<b>Expenditures</b>										
General Government (2)	681,609	568,408	577,079	471,515	551,988	624,616	459,465	610,073	617,220	873,234
Health and Children's Services (3)	1,751,795	1,880,828	1,996,677	2,059,159	2,230,948	2,358,293	2,452,766	2,849,628	3,030,064	3,142,133
Judicial and Public Safety (4)	580,707	585,648	572,830	578,777	600,911	602,635	663,861	663,072	674,179	670,640
Natural Resources and Environmental Control	212,296	174,823	157,669	156,268	177,823	154,486	172,521	175,545	164,662	157,184
Labor	66,785	65,656	75,804	73,922	69,912	72,444	68,554	67,952	72,057	72,032
Education (5)	1,821,210	1,836,092	1,851,336	1,886,353	1,982,154	2,069,469	2,159,145	2,184,638	2,230,063	2,335,129
Payment to Component Unit:										
Education	89,945	99,969	100,139	105,819	117,381	131,268	141,700	150,034	164,108	186,000
Capital Outlay	220,635	277,754	270,847	241,050	195,415	187,704	226,123	285,705	200,087	231,863
Debt Service:										
Principal	116,617	151,650	142,069	155,789	140,750	139,325	155,096	157,372	170,068	172,771
Interest	50,609	57,673	60,827	66,222	65,725	72,293	77,136	77,693	80,318	86,905
Costs of Issuance of Debt	764	415	841	3,797	628	548	1,118	975	598	881
<b>Total Expenditures</b>	<u>5,592,972</u>	<u>5,698,916</u>	<u>5,806,118</u>	<u>5,798,671</u>	<u>6,133,635</u>	<u>6,413,081</u>	<u>6,577,485</u>	<u>7,222,687</u>	<u>7,403,424</u>	<u>7,928,772</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(458,874)</u>	<u>(637,765)</u>	<u>(765,913)</u>	<u>(439,665)</u>	<u>(198,727)</u>	<u>(565,054)</u>	<u>(442,081)</u>	<u>(767,697)</u>	<u>(448,050)</u>	<u>(822,456)</u>

**STATE OF DELAWARE**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(Modified Accrual Basis of Accounting, Expressed in Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Other Financing Sources (Uses)</b>										
Transfer In	\$ 402,963	\$ 491,038	\$ 470,687	\$ 970,215	\$ 549,639	\$ 540,713	\$ 589,269	\$ 446,493	\$ 600,793	\$ 603,138
Transfer Out	(147,411)	(158,906)	(135,219)	(634,335)	(228,749)	(252,810)	(351,025)	(231,487)	(350,897)	(354,316)
Other Financing Sources	2,281	26	-	-	-	-	29,134	1,867	-	-
Issuance of General Obligation Bonds	383,133	217,375	236,000	645,130	310,665	275,425	336,330	225,000	306,870	321,530
Issuance of Revenue Bonds	-	-	-	-	-	56,170	-	-	-	-
Premium on Bond Sales	9,661	10,220	17,044	66,054	10,910	37,347	44,635	24,413	53,159	51,957
Payment to Bond Refunding Agent	-	-	-	(460,580)	-	-	-	-	(98,915)	(147,740)
Advance Refunding Escrow	-	-	-	35,189	54,644	-	-	-	-	-
Issuance of Advanced Refundings	-	-	-	(35,189)	(54,644)	(54,834)	(132,178)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>650,627</u>	<u>559,753</u>	<u>588,512</u>	<u>586,484</u>	<u>642,465</u>	<u>602,011</u>	<u>516,165</u>	<u>466,286</u>	<u>511,010</u>	<u>474,569</u>
<b>Net Change in Fund Balance</b>	<u>\$ 191,753</u>	<u>\$ (78,012)</u>	<u>\$ (177,401)</u>	<u>\$ 146,819</u>	<u>\$ 443,738</u>	<u>\$ 36,957</u>	<u>\$ 74,084</u>	<u>\$ (301,411)</u>	<u>\$ 62,960</u>	<u>\$ (347,887)</u>
<b>Debt Service as a Percentage of Non-capital Expenditures</b>	3.23%	4.02%	3.82%	4.24%	3.61%	3.53%	3.81%	3.52%	3.61%	3.50%

**Source:**

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year.

**Notes:**

- (1) Taxes include personal income taxes and business taxes.
- (2) General government summarizes the expenditures of the following General Government Departments: Legislative, Executive, Technology and Information, Other Elective Offices, State, Finance, Office of Management and Budget, Agriculture, Elections, and the Advisory Council for Exceptional Citizens.
- (3) Health and Children's Services summarizes the expenditures of the Departments of Health and Social Services, and Services for Children Youth and Their Families.
- (4) Judicial and Public Safety summarizes the expenditures of the following Departments: Judicial, Legal, Corrections, Safety and Homeland Security, Fire Prevention and the Delaware National Guard.
- (5) Education summarizes the expenditures of the Departments of Higher Education and Public Education.

**STATE OF DELAWARE**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>General Fund</b>										
Reserved	\$ 383,719	\$ 369,058	\$ 311,745	\$ 352,732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	956,073	856,479	744,438	843,635	-	-	-	-	-	-
Nonspendable Fund Balance	-	-	-	-	9,807	8,121	7,681	6,630	5,306	32,115
Restricted Fund Balance	-	-	-	-	209,513	87,507	114,418	157,502	184,079	209,535
Committed Fund Balance	-	-	-	-	142,198	236,896	209,557	184,091	192,970	183,294
Assigned Fund Balance	-	-	-	-	229,241	100,483	91,597	80,289	83,002	83,559
Unassigned (Deficit)	-	-	-	-	786,663	963,986	1,025,284	788,727	763,249	390,386
<b>Total General Fund</b>	<u>\$ 1,339,792</u>	<u>\$ 1,225,537</u>	<u>\$ 1,056,183</u>	<u>\$ 1,196,367</u>	<u>\$ 1,377,422</u>	<u>\$ 1,396,993</u>	<u>\$ 1,448,537</u>	<u>\$ 1,217,239</u>	<u>\$ 1,228,606</u>	<u>\$ 898,889</u>
<b>All Other Governmental Funds:</b>										
Reserved	\$ 224,018	\$ 189,794	\$ 176,172	\$ 12,202	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported In:										
Federal Fund	(41,060)	14,000	(15,916)	(48,405)	-	-	(914)	-	-	-
Local School District Fund	106,083	168,077	213,160	296,171	-	-	-	-	-	-
Capital Projects Fund	(62,353)	(108,940)	(118,479)	(33,638)	-	-	-	-	-	-
Restricted Fund Balance										
Federal Fund	-	-	-	-	56,030	15,630	-	281,260	277,348	281,689
Local School District Fund	-	-	-	-	338,271	306,397	294,276	289,644	284,425	268,772
Capital Projects Fund	-	-	-	-	40,068	110,302	160,982	123,902	184,626	177,768
<b>Total All Other Governmental Funds</b>	<u>\$ 226,688</u>	<u>\$ 262,931</u>	<u>\$ 254,937</u>	<u>\$ 226,330</u>	<u>\$ 434,369</u>	<u>\$ 432,329</u>	<u>\$ 454,344</u>	<u>\$ 694,806</u>	<u>\$ 746,399</u>	<u>\$ 728,229</u>

**Source:**

Combined Balance Sheet, as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year.

**Note:**

The State changed its fund structure when GASB Statement No. 54 was implemented for Fiscal Year 2011.

**STATE OF DELAWARE**  
**Personal Income by Industry**  
**Last Ten Calendar Years**  
(Expressed in Millions)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Earnings by Industry</b>										
<u>Farm Earnings</u>										
Farm	\$ 207.0	\$ 208.0	\$ 149.0	\$ 162.0	\$ 147.0	\$ 178.0	\$ 213.0	\$ 246.0	\$ 262.0	\$ 608.0
<u>Non-farm Earnings</u>										
Private Earnings:										
Accommodation and Food Services	\$ 740.0	\$ 772.0	\$ 780.0	\$ 746.0	\$ 777.0	\$ 800.0	\$ 838.0	\$ 847.0	\$ 888.0	\$ 1,002.0
Administrative and Waste Services	958.0	988.0	987.0	915.0	935.0	1,010.0	1,035.0	1,098.0	1,209.0	1,331.0
Arts, Entertainment, and Recreation	287.0	289.0	297.0	301.0	336.0	368.0	359.0	343.0	368.0	387.0
Construction	2,242.0	2,074.0	1,938.0	1,591.0	1,537.0	1,599.0	1,564.0	1,696.0	1,786.0	1,917.0
Educational Services	288.0	295.0	303.0	316.0	314.0	320.0	340.0	334.0	396.0	367.0
Finance and Insurance	4,105.0	3,811.0	3,580.0	3,611.0	3,818.0	4,053.0	4,217.0	4,426.0	4,609.0	4,901.0
Forestry, Fishing, and Related Activities	17.0	17.0	16.0	15.0	19.0	23.0	28.0	26.0	-	- *
Health Care and Social Assistance	2,851.0	3,050.0	3,317.0	3,442.0	3,572.0	3,765.0	3,901.0	3,972.0	4,185.0	4,486.0
Information	664.0	778.0	943.0	962.0	947.0	943.0	1,046.0	1,061.0	1,054.0	1,264.0
Management of Companies and Enterprises	1,165.0	1,121.0	1,130.0	1,086.0	1,174.0	1,183.0	1,107.0	950.0	901.0	538.0
Manufacturing, Durable and Non-durable	2,481.0	2,670.0	2,456.0	2,178.0	1,983.0	1,907.0	1,957.0	1,908.0	1,961.0	2,316.0
Mining	66.0	59.0	92.0	25.0	- *	30.0	26.0	27.0	-	- *
Professional, Scientific, and Technical Services	2,664.0	2,799.0	3,057.0	2,857.0	2,903.0	3,305.0	3,646.0	3,677.0	3,904.0	3,944.0
Real Estate and Rental and Leasing	727.0	619.0	771.0	840.0	844.0	816.0	852.0	949.0	957.0	864.0
Trade, Retail	1,843.0	1,883.0	1,787.0	1,716.0	1,743.0	1,823.0	1,849.0	1,891.0	1,970.0	2,060.0
Trade, Wholesale	1,372.0	1,326.0	1,335.0	1,264.0	1,262.0	1,316.0	1,294.0	1,231.0	1,275.0	1,213.0
Transportation and Warehousing	649.0	665.0	652.0	636.0	632.0	681.0	727.0	779.0	862.0	917.0
Utilities	269.0	253.0	277.0	277.0	275.0	274.0	265.0	281.0	288.0	319.0
Other Services, Except Public Administration	922.0	924.0	908.0	860.0	873.0	895.0	938.0	968.0	1,012.0	997.0
<b>Total Private Earnings</b>	<b>\$ 24,310.0</b>	<b>\$ 24,393.0</b>	<b>\$ 24,626.0</b>	<b>\$ 23,638.0</b>	<b>\$ 23,944.0</b>	<b>\$ 25,111.0</b>	<b>\$ 25,989.0</b>	<b>\$ 26,464.0</b>	<b>\$ 27,625.0</b>	<b>\$ 28,823.0</b>
Government and Government Enterprises:										
Federal, Civilian	\$ 392.0	\$ 423.0	\$ 490.0	\$ 487.0	\$ 515.0	\$ 525.0	\$ 537.0	\$ 523.0	\$ 527.0	\$ 576.0
Military	368.0	385.0	414.0	447.0	468.0	465.0	470.0	469.0	457.0	438.0
State and Local Government	3,475.0	3,647.0	3,738.0	3,959.0	3,952.0	4,036.0	4,244.0	4,359.0	4,362.0	4,271.0
<b>Total Government Enterprises</b>	<b>\$ 4,235.0</b>	<b>\$ 4,455.0</b>	<b>\$ 4,642.0</b>	<b>\$ 4,893.0</b>	<b>\$ 4,935.0</b>	<b>\$ 5,026.0</b>	<b>\$ 5,251.0</b>	<b>\$ 5,351.0</b>	<b>\$ 5,346.0</b>	<b>\$ 5,285.0</b>
<b>Total Non-farm Earnings</b>	<b>\$ 28,545.0</b>	<b>\$ 28,848.0</b>	<b>\$ 29,268.0</b>	<b>\$ 28,531.0</b>	<b>\$ 28,879.0</b>	<b>\$ 30,137.0</b>	<b>\$ 31,240.0</b>	<b>\$ 31,815.0</b>	<b>\$ 32,971.0</b>	<b>\$ 34,108.0</b>
<b>Total Earnings by Industry</b>	<b>\$ 28,752.0</b>	<b>\$ 29,056.0</b>	<b>\$ 29,417.0</b>	<b>\$ 28,693.0</b>	<b>\$ 29,026.0</b>	<b>\$ 30,315.0</b>	<b>\$ 31,453.0</b>	<b>\$ 32,061.0</b>	<b>\$ 33,233.0</b>	<b>\$ 34,716.0</b>
Less: Contributions for Government Social Insurance (1)	\$ (3,002.0)	\$ (3,085.0)	\$ (3,193.0)	\$ (3,124.0)	\$ (3,145.0)	\$ (2,854.0)	\$ (2,964.0)	\$ (3,445.0)	\$ (3,618.0)	\$ (3,757.0)
Plus: Adjustment for Residence (2)	(2,573.0)	(2,512.0)	(2,571.0)	(2,132.0)	(2,268.0)	(2,803.0)	(2,818.0)	(2,407.0)	(2,545.0)	(2,371.0)
Plus: Dividends, Interest and Rent (3)	6,546.0	6,944.0	7,042.0	6,351.0	6,160.0	6,686.0	7,029.0	7,239.0	7,521.0	7,546.0
Plus: Personal Current Transfer Receipts (4)	4,884.0	5,296.0	5,895.0	6,634.0	7,087.0	7,423.0	7,679.0	8,039.0	8,393.0	8,898.0
<b>Total Personal Income</b>	<b>\$ 34,607.0</b>	<b>\$ 35,699.0</b>	<b>\$ 36,590.0</b>	<b>\$ 36,422.0</b>	<b>\$ 36,860.0</b>	<b>\$ 38,767.0</b>	<b>\$ 40,379.0</b>	<b>\$ 41,487.0</b>	<b>\$ 42,984.0</b>	<b>\$ 45,032.0</b>

**Source:**

Personal income by major source and earnings by industry is provided by the Bureau of Economic Analysis, U.S. Department of Commerce (www.bea.gov/regional) through estimates released May 2016.

**Notes:**

(1) Contributions for government social insurance are included in earnings by type and industry, but they are excluded from personal income.

(2) The adjustment for residence is the net inflow of the earnings of interarea commuters. For the United States, it consists of adjustments for border workers: wage and salary disbursements to U.S. residents employed by international organizations and foreign embassies.

(3) Rental income of persons includes the capital consumption adjustment.

(4) This component of personal income is payments to persons for which no current services are performed. It consists of payments to individuals and to nonprofit institutions by federal, state, and local governments and by businesses. Government payments to individuals includes retirement and disability insurance benefits, medical payments (mainly Medicare and Medicaid), income maintenance benefits, unemployment insurance benefits, veterans' benefits, and federal grants and loans to students. Government payments to nonprofit institutions excludes payments by the federal government for work under research and development contracts. Business payments to persons consists primarily of liability payments for personal injury and of corporate gifts to nonprofit institutions.

\* Not shown to avoid disclosure of confidential information

**STATE OF DELAWARE**  
**Personal Income Tax Rates**  
**Last Ten Calendar Years**  
(Expressed in Millions)

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Personal Income Tax Revenue (1)	\$ 1,013.2	\$ 1,012.7	\$ 1,008.5	\$ 914.5	\$ 743.8	\$ 986.0	\$ 1,095.5	\$ 1,130.5	\$ 1,040.3	\$ 1,140.2
Personal Income (2)	34,607.0	35,699.0	36,590.0	36,422.0	36,860.0	38,767.0	40,379.0	41,487.0	42,984.0	45,032.0
Average Effective Rate (3)	2.93%	2.84%	2.76%	2.51%	2.02%	2.54%	2.71%	2.72%	2.42%	2.53%

**Personal Income Tax Rates (4)**

<b>Tax Year</b>	<b>Taxable Income</b>	<b>Tax Liability</b>	<b>Plus</b>	<b>On Taxable Income Over</b>
2012-2013	\$60,000 and higher	\$2,943.50	6.75%	\$60,000
	\$25,000 - \$59,999	1,001.00	5.55%	25,000
	\$20,000 - \$24,999	741.50	5.20%	20,000
	\$10,000 - \$19,999	261.50	4.80%	10,000
	\$5,000 - \$9,999	66.00	3.90%	5,000
	\$2,000 - \$4,999	0.00	2.20%	2,000
	\$1,999 and lower	0.00	0.00%	0

<b>Tax Year</b>	<b>Taxable Income</b>	<b>Tax Liability</b>	<b>Plus</b>	<b>On Taxable Income Over</b>
2014-2015	\$60,000 and higher	\$2,943.50	6.60%	\$60,000
	\$25,000 - \$59,999	1,001.00	5.55%	25,000
	\$20,000 - \$24,999	741.50	5.20%	20,000
	\$10,000 - \$19,999	261.50	4.80%	10,000
	\$5,000 - \$9,999	66.00	3.90%	5,000
	\$2,000 - \$4,999	0.00	2.20%	2,000
	\$1,999 and lower	0.00	0.00%	0

As an example, for tax year 2013, a taxable income over \$60,000, pays a tax of \$2,943.50 plus 6.75% of the taxable income in excess of \$60,000.

**Sources:**

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year. Personal income is provided by the Bureau of Economic Analysis, U.S. Department of Commerce ([www.bea.gov/regional](http://www.bea.gov/regional)) through estimates released May 2016. Delaware Department of Finance Fiscal Notebook

**Notes:**

- (1) Personal income tax revenue is net of refunds, on a cash basis, for the fiscal year.
- (2) Personal income is reported on a calendar basis and includes estimates for items not included to avoid disclosure of confidential information.
- (3) The total direct rate for personal income is not available. Average effective rate equals personal income tax revenue divided by personal income.
- (4) The tax rate table is used to determine gross liability. Amounts shown are for all filing status returns.

**STATE OF DELAWARE**  
**Personal Income Tax Filers and Liability by Income Level**  
**Calendar Year 2014 and Ten Years Prior**

Tax Year 2004						Tax Year 2014					
Delaware AGI Taxpayer Percentile		Delaware AGI		Liability Net of Credits		Delaware AGI		Liability Net of Credits			
		Number of Filers	Average DE AGI	Percentage of Total (1)	Total Liability	Percentage of Total (1)	Number of Filers	Average DE AGI	Percentage of Total (1)	Total Liability	Percentage of Total (1)
From:	To:										
0	10	46,299	\$ 3,730	0.8%	\$ 62,171	0.0%	52,075	\$ 4,180	0.7%	\$ 129,712	0.0%
10	20	46,299	9,872	2.0%	1,576,371	0.2%	52,074	11,008	1.9%	2,316,631	0.2%
20	30	46,299	16,007	3.3%	7,821,402	1.0%	52,075	17,562	3.1%	9,599,404	0.9%
30	40	46,299	22,152	4.6%	17,456,018	2.3%	52,075	24,484	4.3%	20,285,135	1.8%
40	50	46,299	28,362	5.8%	29,116,547	3.8%	52,075	31,808	5.6%	37,057,940	3.3%
50	60	46,299	35,100	7.2%	42,714,138	5.5%	52,075	40,279	7.0%	58,872,852	5.3%
60	70	46,300	43,041	8.8%	58,373,479	7.6%	52,075	50,775	8.9%	83,846,140	7.5%
70	80	46,299	53,580	11.0%	78,810,216	10.2%	52,075	64,850	11.3%	116,340,217	10.5%
80	90	46,299	70,842	14.6%	111,542,718	14.5%	52,074	87,358	15.3%	171,267,024	15.4%
90	95	23,150	99,292	10.2%	85,303,117	11.1%	26,037	124,396	10.9%	135,958,359	12.2%
95	99	18,519	168,230	13.8%	134,350,932	17.4%	20,830	213,360	14.9%	214,083,476	19.3%
99	100	4,630	868,941	17.9%	204,446,623	26.5%	5,208	915,473	16.0%	262,076,535	23.6%

Source: Delaware Division of Revenue

Notes: The number of filers is equal for each 10 percentile.  
(1) Percentage of total is each respective income range's share of total AGI or Net Liability.

**STATE OF DELAWARE**  
**Franchise Taxes**  
**Last Ten Fiscal Years**

Fiscal Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Franchise Tax (In Millions)	\$ 539.7	\$ 566.3	\$ 574.2	\$ 633.6	\$ 615.8	\$ 612.6	\$ 606.4	\$ 623.4	\$ 677.0	\$ 703.3
Number of Filers	231,376.0	233,447.0	219,808.0	214,561.0	214,788.0	216,393.0	219,773.0	224,691.0	230,558.0	236,779.0
Average Amount per Filer	\$ 2,332.6	\$ 2,425.8	\$ 2,612.3	\$ 2,953.0	\$ 2,867.0	\$ 2,831.0	\$ 2,759.2	\$ 2,774.5	\$ 2,936.0	\$ 2,970.3

<b>Corporations - Authorized Share Method</b>	<b>Tax Year 2006-2007</b>	<b>Tax Year 2008</b>	<b>Tax Year 2009-2014</b>	<b>Tax Year 2015-2016</b>
3,000 shares or less, Minimum Tax	\$ 35.00	\$ 75.00	\$ 75.00	\$ 175.00
3,001-5,000 shares	62.50	75.00	75.00	175.00
5,001-10,000 shares	112.50	150.00	150.00	250.00
Each additional 10,000 shares, add	62.50	75.00	75.00	75.00
Maximum Yearly Tax	165,000.00	165,000.00	180,000.00	180,000.00

**Limited Liability Companies; Limited Partnerships**

Yearly Tax	\$ 200.00	\$ 250.00	\$ 250.00	\$ 300.00
------------	-----------	-----------	-----------	-----------

Assumed Par Value Capital Method

- 1 Calculate "assumed par" by dividing total gross assets by total issued shares carrying the decimal to six places.
- 2 Multiply the assumed par by the number of authorized shares having a par value less than the assumed par.
- 3 Multiply the number of authorized shares with a par value greater than the assumed par value by their respective value.
- 4 Add the results of #2 and #3 above. The result is your assumed par value capital.
- 5 Calculate the tax by dividing the assumed par value capital, rounded up to the next million if it is over \$1,000,000 and multiply by \$200.00 for tax years 2000-2002. For tax years 2003 to 2008, the multiplier is \$250. Beginning tax year 2009, the multiplier increased from \$250 to \$350.

**Sources:**

Delaware Economic and Financial Advisory Council (DEFAC) Revenue Forecast  
Delaware Secretary of State, Division of Corporations  
Delaware Department of Finance Fiscal Notebook

**STATE OF DELAWARE**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(Expressed in Thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental Activities</b>										
General Obligation Bonds	\$ 1,307,487	\$ 1,373,212	\$ 1,467,143	\$ 1,495,904	\$ 1,748,454	\$ 1,853,287	\$ 1,941,110	\$ 1,999,892	\$ 2,067,323	\$ 2,118,548
Revenue Bonds	-	-	-	-	-	56,170	56,170	54,535	56,837	53,596
Notes Payable	4,882	8,563	3,006	212	77	-	28,500	28,123	27,277	25,939
<b>Total Governmental Activities</b>	<b>1,312,369</b>	<b>1,381,775</b>	<b>1,470,149</b>	<b>1,496,116</b>	<b>1,748,531</b>	<b>1,909,457</b>	<b>2,025,780</b>	<b>2,082,550</b>	<b>2,151,437</b>	<b>2,198,083</b>
<b>Business-type Activities</b>										
General Obligation Bonds	3,383	2,783	2,107	1,451	787	441	246	103	-	-
Revenue Bonds	1,018,815	992,636	1,142,613	1,219,530	1,244,208	1,087,669	1,007,131	939,055	906,878	1,073,365
<b>Total Business-type Activities</b>	<b>1,022,198</b>	<b>995,419</b>	<b>1,144,720</b>	<b>1,220,981</b>	<b>1,244,995</b>	<b>1,088,110</b>	<b>1,007,377</b>	<b>939,158</b>	<b>906,878</b>	<b>1,073,365</b>
<b>Total Primary Government</b>	<b>\$ 2,334,567</b>	<b>\$ 2,377,194</b>	<b>\$ 2,614,869</b>	<b>\$ 2,717,097</b>	<b>\$ 2,993,526</b>	<b>\$ 2,997,567</b>	<b>\$ 3,033,157</b>	<b>\$ 3,021,708</b>	<b>\$ 3,058,315</b>	<b>\$ 3,271,448</b>
<b>Personal Income</b>	\$35,698,470	\$36,590,354	\$36,423,315	\$36,860,326	\$38,767,723	\$40,378,899	\$41,487,286	\$42,984,325	\$45,031,693	\$45,780,047 *
<b>Debt as a Percentage of Personal Income</b>	6.54%	6.50%	7.18%	7.37%	7.72%	7.42%	7.31%	7.03%	6.79%	7.15%
<b>Population</b>	872	884	892	900	908	917	926	936	946	953 *
<b>Amount of Debt per Capita (Expressed in Thousands)</b>	\$2,677	\$2,689	\$2,931	\$3,019	\$3,297	\$3,269	\$3,276	\$3,228	\$3,233	\$3,433

**Sources:**

Personal income and population is provided by the Bureau of Economic Analysis, U.S. Department of Commerce ([www.bea.gov/regional](http://www.bea.gov/regional)) through estimates released May 2016.

**Notes:**

Details regarding the State's outstanding debt can be found in the long-term liabilities note to the financial statements.

All personal income and per capita amounts are updated to reflect revised U.S. Bureau of Economic Analysis estimates.

\* - Average for first two quarters of calendar year 2016

**STATE OF DELAWARE**  
**Debt Limits**  
**Last Ten Fiscal Years**  
(Expressed in Millions)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Estimated General Fund Revenue	\$ 3,274.3	\$ 3,366.1	\$ 3,147.0	\$ 3,190.7	\$ 3,333.2	\$ 3,422.9	\$ 3,689.7	\$ 3,740.5	\$ 3,908.5	\$ 3,939.2
Projected New Tax-Supported Debt Authorizations (5%)	\$ 163.8	\$ 168.3	\$ 157.4	\$ 160.0	\$ 167.0	\$ 171.1	\$ 184.5	\$ 187.0	\$ 193.9	\$ 196.9

**Source:**

Delaware General Assembly

**Notes:**

There is no constitutional debt limit for the State.

The General Assembly passed legislation to have a three-part debt limit, as follows:

- 1 The aggregate principal amount of new "tax-supported obligations of the State" may not exceed 5% of the estimated budgetary general fund revenue for that fiscal year.
- 2 No "tax-supported obligations of the State" and no "Transportation Trust Fund debt obligations" of the Delaware Transportation Authority may be incurred if the aggregate maximum annual payments on all such outstanding obligations exceed 15% of the estimated budgetary general fund revenue plus Transportation Trust Fund revenue for the fiscal year following the fiscal year in which such obligations is incurred (the 15% test).
- 3 No general obligation debt (with certain exceptions) may be incurred if the maximum annual debt service payable in any fiscal year on all such outstanding obligations will exceed the estimated cumulative cash balances (including all reserves) for the fiscal year following the fiscal year in which the obligation is incurred.

**STATE OF DELAWARE**  
**General Obligation Debt Support**  
**Last Ten Fiscal Years**  
(Expressed in Millions)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>General Obligation Debt Supported by</b>										
<b>Budgetary General Fund Revenue</b>										
State Facilities	\$ 360.9	\$ 334.1	\$ 343.2	\$ 437.6	\$ 471.1	\$ 485.2	\$ 567.6	\$ 592.7	\$ 663.9	\$ 747.4
School Facilities (State Share)	464.0	522.5	608.7	542.0	604.7	665.6	641.5	694.2	677.9	638.1
<b>Subtotal</b>	<u>824.9</u>	<u>856.6</u>	<u>951.9</u>	<u>979.6</u>	<u>1,075.8</u>	<u>1,150.8</u>	<u>1,209.1</u>	<u>1,286.9</u>	<u>1,341.8</u>	<u>1,385.5</u>
<b>General Obligation Debt Supported by</b>										
<b>Budgetary Special Fund Revenue</b>										
Highway and Other Transportation										
Improvements	3.4	2.8	2.1	1.5	0.8	0.4	0.2	0.1	-	-
School Facilities (Local Share)	482.1	516.2	514.9	516.0	536.0	545.3	545.7	538.3	533.5	517.4
Housing Authority Loans	0.5	0.4	0.4	0.3	-	-	-	-	-	-
<b>Subtotal</b>	<u>486.0</u>	<u>519.4</u>	<u>517.4</u>	<u>517.8</u>	<u>536.8</u>	<u>545.7</u>	<u>545.9</u>	<u>538.4</u>	<u>533.5</u>	<u>517.4</u>
<b>Total General Obligation Debt</b>										
<b>Outstanding</b>	<u>\$ 1,310.9</u>	<u>\$ 1,376.0</u>	<u>\$ 1,469.3</u>	<u>\$ 1,497.4</u>	<u>\$ 1,612.6</u>	<u>\$ 1,696.5</u>	<u>\$ 1,755.0</u>	<u>\$ 1,825.3</u>	<u>\$ 1,875.3</u>	<u>\$ 1,902.9</u>
<b>Population (In Thousands)</b>	872.0	884.0	892.0	900.0	908.0	917.0	926.0	936.0	946.0	953.0 *
<b>Debt per capita (In Thousands)</b>	<u>1.50</u>	<u>1.56</u>	<u>1.65</u>	<u>1.66</u>	<u>1.78</u>	<u>1.85</u>	<u>1.90</u>	<u>1.95</u>	<u>1.98</u>	<u>2.00</u>

**Source:**

Delaware Office of the State Treasurer

**Notes:**

This table reflects the portion of general obligation debt supported by budgetary general fund and budgetary special fund revenue.

Population and Debt per capita line added to conform to GFOA comments and suggestions.

\* - Average for first two quarters of calendar year 2016

**STATE OF DELAWARE**  
**Pledged Revenue Coverage**  
**Last Ten Fiscal Years**  
(Expressed in Thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenue Bonds - DelDOT</b>										
Revenue - Turnpike and Motor Vehicles	\$ 346,954	\$ 381,590	\$ 367,399	\$ 363,948	\$ 376,186	\$ 378,960	\$ 387,918	\$ 401,923	\$ 412,850	\$ 457,169
Debt Service:										
Principal	\$ 61,370	\$ 67,640	\$ 73,510	\$ 74,380	\$ 71,760	\$ 76,320	\$ 83,230	\$ 75,205	\$ 77,655	\$ 72,580
Interest	45,534	46,210	43,619	50,885	52,585	56,411	48,097	47,162	41,467	39,768
Debt Service Requirements	\$ 106,904	\$ 113,850	\$ 117,129	\$ 125,265	\$ 124,345	\$ 132,731	\$ 131,327	\$ 122,367	\$ 119,122	\$ 112,348
Coverage	3.25	3.35	3.14	2.91	3.03	2.86	2.95	3.28	3.47	4.07
<b>Revenue Bonds - DSU</b>										
Revenue - Student Tuition and Fees	\$ 51,836	\$ 56,381	\$ 57,036	\$ 59,197	\$ 66,712	\$ 75,769	\$ 82,393	\$ 71,439	\$ 70,500	\$ 81,622
Less: Operating Expenses	(40,683)	(41,855)	(41,224)	(44,105)	(47,454)	(58,230)	(61,156)	(60,972)	(57,281)	(59,212)
Net Available Revenue	\$ 11,153	\$ 14,526	\$ 15,812	\$ 15,092	\$ 19,258	\$ 17,539	\$ 21,237	\$ 10,467	\$ 13,219	\$ 22,410
Debt Service:										
Principal	\$ 1,440	\$ 1,480	\$ 1,585	\$ 1,710	\$ 1,845	\$ 2,030	\$ 1,700	\$ 2,793	\$ 2,942	\$ 2,895
Interest *	2,279	2,814	4,381	3,542	3,510	3,310	4,923	5,233	5,457	5,379
Debt Service Requirements	\$ 3,719	\$ 4,294	\$ 5,966	\$ 5,252	\$ 5,355	\$ 5,340	\$ 6,623	\$ 8,026	\$ 8,399	\$ 8,274
Coverage	3.00	3.38	2.65	2.87	3.60	3.28	3.21	1.30	1.57	2.71
<b>Revenue Bonds - DSHA</b>										
Gross Revenues	\$ 82,689	\$ 134,059	\$ 144,322	\$ 294,656	\$ 259,106	\$ 360,467	\$ 314,633	\$ 175,961	\$ 112,651	\$ 93,643
Less: Operating Expenses	(660)	(849)	(962)	(893)	(2,944)	(504)	(321)	(267)	(264)	(295)
Net Available Revenue	\$ 82,029	\$ 133,210	\$ 143,360	\$ 293,763	\$ 256,162	\$ 359,963	\$ 314,312	\$ 175,694	\$ 112,387	\$ 93,348
Debt Service:										
Principal	\$ 51,517	\$ 84,578	\$ 79,687	\$ 217,757	\$ 219,278	\$ 232,105	\$ 275,434	\$ 151,501	\$ 94,073	\$ 79,036
Interest	28,791	45,172	52,251	49,496	39,646	39,076	32,161	22,557	17,099	13,138
Debt Service Requirements	\$ 80,308	\$ 129,750	\$ 131,938	\$ 267,253	\$ 258,924	\$ 271,181	\$ 307,595	\$ 174,058	\$ 111,172	\$ 92,174
Coverage	1.02	1.03	1.09	1.10	0.99	1.33	1.02	1.01	1.01	1.01

**Sources:**

Delaware Department of Transportation  
Delaware State University  
Delaware State Housing Authority

**Notes:**

Gross revenues represent mortgage principal repayment, mortgage insurance claims received, unused bond proceeds and excess reserves. Expenses do not include interest or amortization.  
Abbreviations: Delaware Department of Transportation (DelDOT), Delaware State University (DSU), Delaware State Housing Authority (DSHA)

Debt service for Delaware State University includes Delaware State University Student Housing Foundation beginning in years 2004 through current.

\*Interest on Delaware State University Student Housing Foundation is a variable rate. In 2007, the increase in interest is reflective in interest rates due to the market.

**STATE OF DELAWARE**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**  
(Expressed in Thousands, Unless Otherwise Stated)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Population</b>										
State	859	872	884	892	900	908	917	926	936	946
Percentage Change	1.7%	1.5%	1.4%	0.9%	0.9%	0.9%	1.0%	1.0%	1.1%	1.1%
National	298,380	301,231	304,094	306,772	309,326	311,583	313,874	316,129	318,857	321,467
Percentage Change	1.0%	1.0%	1.0%	0.9%	0.8%	0.7%	0.7%	0.7%	0.9%	0.8%
<b>Total Personal Income</b>										
State (In Millions)	\$34,607.0	\$35,699.0	\$36,590.0	\$36,422.0	\$36,860.0	\$38,767.0	\$40,379.0	\$41,487.0	\$42,984.0	\$45,032.0
Percentage Change	13.6%	3.2%	2.5%	-0.5%	1.2%	5.2%	4.2%	2.7%	3.6%	4.9%
National (In Billions)	\$11,376	\$11,990	\$12,429	\$12,080	\$12,417	\$13,190	\$13,873	\$14,151	\$14,709	\$15,324.1
Percentage Change	7.3%	5.4%	3.7%	-2.8%	2.8%	6.2%	5.2%	2.0%	3.9%	4.2%
<b>Per Capita Personal Income</b>										
State	\$40,276	\$40,950	\$41,398	\$40,846	\$40,969	\$42,696	\$44,031	\$44,815	\$45,942	\$47,662
Percentage Change	5.1%	1.7%	1.1%	-1.3%	0.3%	4.2%	3.1%	1.8%	2.5%	3.7%
National	\$38,127	\$39,804	\$40,873	\$39,379	\$40,144	\$42,332	\$44,200	\$44,765	\$46,129	\$47,669
Percentage Change	6.2%	4.4%	2.7%	-3.7%	1.9%	5.5%	4.4%	1.3%	3.0%	3.3%
<b>Resident Civilian Labor Force and Employment (in units)</b>										
Civilian Labor Force	441,200	443,600	447,000	437,500	434,400	443,200	445,500	442,500	451,800	482,629
Employed	425,400	428,300	424,900	401,300	397,900	410,000	413,300	412,800	425,900	462,455
Unemployed	15,800	15,300	22,100	36,200	36,500	33,200	32,200	29,700	25,900	20,174
Unemployment Rate	3.6%	3.4%	4.9%	8.3%	8.4%	7.5%	7.2%	6.7%	5.7%	4.2%

**Sources:**

Population and personal income is provided by the Bureau of Economic Analysis, U.S. Department of Commerce ([www.bea.gov/regional](http://www.bea.gov/regional)) SA05N through estimates released May 2015.  
Delaware Department of Labor, Office of Occupational and Labor Market Information

**Notes:**

Total personal income is comprised of earned income, dividends, interest and rents, and government transfer payments.

Per capita income is calculated by dividing personal income by population; amounts may not be exact due to rounding.

Numbers for prior years revised due to releases of updated data by the Bureau of Economic Analysis.

**STATE OF DELAWARE**  
**Principal Employers by Industry**  
**Last Ten Calendar Years**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Number of Employees by Industry</b>										
<u>Farm Employment</u>										
Farm	3,137	3,210	3,041	2,983	3,113	3,113	3,457	3,343	3,801	3,758
<u>Non-farm Employment</u>										
Private Employment:										
Accommodation and Food Services	34,127	34,687	35,329	35,117	35,742	36,617	37,299	38,371	39,265	41,079
Administrative and Waste Services	29,541	30,622	29,672	27,810	27,747	28,329	28,164	29,678	31,934	33,383
Arts, Entertainment, and Recreation	13,077	12,865	13,135	12,909	13,724	14,160	14,096	14,171	15,347	15,498
Construction	40,579 *	38,218	34,975	29,750	28,416	27,993	27,363	28,594	29,601	29,958
Educational Services	9,227	9,161	9,187	9,211	9,214	9,020	9,064	9,089	9,891	10,214
Finance and Insurance	47,509	48,913	50,647	52,332	50,562	52,905	53,293	55,118	56,411	55,823
Forestry, Fishing, and Related Activities	834	880	-	- *	- *	- *	- *	- *	- *	-
Health Care and Social Assistance	54,522	56,985	61,099	62,126	62,919	64,392	65,828	67,927	69,962	72,587
Information	7,736	8,022	8,175	7,591	7,147	6,978	6,813	6,630	6,367	6,395
Management of Companies and Enterprises	12,805	12,085	11,870	11,075	10,548	9,196	8,751	7,216	6,850	6,368
Manufacturing, Durable and Non-durable	34,165	34,367	32,754	29,046	27,168	26,814	26,970	26,627	27,100	28,537
Mining	181 *	177	-	- *	- *	- *	- *	- *	- *	-
Professional, Scientific, and Technical Services	34,113	35,577	36,145	34,369	34,003	36,017	37,523	38,798	39,476	39,243
Real Estate and Rental and Leasing	21,476	23,225	23,008	22,529	22,749	23,851	23,008	23,312	22,964	27,739
Trade, Retail	62,937	63,908	62,057	59,098	58,437	59,576	59,442	60,404	61,346	62,014
Trade, Wholesale	16,358	16,042	15,739	14,478	13,623	13,815	13,804	13,544	13,386	13,904
Transportation and Warehousing	13,812	14,239	13,807	12,874	12,421	12,783	13,169	14,464	15,915	17,409
Utilities	2,236	2,191	2,281	2,185	2,150	2,004	2,065	2,137	2,204	2,228
Other Services, Except Public Administration	28,008	28,518	28,751	27,470	27,066	27,467	27,967	28,390	26,253	26,682
<b>Total Private Employment</b>	<b>463,243</b>	<b>470,682</b>	<b>468,631</b>	<b>449,970</b>	<b>443,636</b>	<b>451,917</b>	<b>454,619</b>	<b>464,470</b>	<b>474,272</b>	<b>489,061</b>
Governmental and Governmental Enterprises:										
Federal, Civilian	5,390	5,538	5,693	5,797	6,156	5,842	5,629	5,551	5,538	5,668
Military	8,032	8,275	8,378	8,464	8,674	8,765	8,974	9,141	8,922	8,566
State Governmental	31,739	32,670	33,176	32,581	32,804	32,491	33,273	33,459	33,855	33,683
Local Governmental	24,435	24,025	24,452	24,810	25,303	25,693	25,913	26,111	26,321	26,650
<b>Total Governmental Employment</b>	<b>69,596</b>	<b>70,508</b>	<b>71,699</b>	<b>71,652</b>	<b>72,937</b>	<b>72,791</b>	<b>73,789</b>	<b>74,262</b>	<b>74,636</b>	<b>74,567</b>
<b>Total Non-farm Employment</b>	<b>532,839</b>	<b>541,190</b>	<b>540,330</b>	<b>521,622</b>	<b>516,573</b>	<b>524,708</b>	<b>528,408</b>	<b>538,732</b>	<b>548,908</b>	<b>563,628</b>
<b>Total Employment</b>	<b>535,976</b>	<b>544,400</b>	<b>543,371</b>	<b>524,605</b>	<b>519,686</b>	<b>527,821</b>	<b>531,865</b>	<b>542,075</b>	<b>552,709</b>	<b>567,386</b>

**Source:**

Number of employees by industry is provided by the Bureau of Economic Analysis, U.S. Department of Commerce ([www.bea.gov/regional/](http://www.bea.gov/regional/)) through estimates released May 2016.

**Notes:**

Due to statutory requirements (confidentiality provisions), the State can not disclose the number employed by the ten largest employers. As an alternative comparison, this schedule presents the number employed by nonfarm related industries. The ten largest employers are nonfarm related; therefore, the number employed by those employers could be expected to fall within this schedule.

\* Not shown to avoid disclosure of confidential information , estimates for items are not included in the totals

**STATE OF DELAWARE**  
**State Employees by Function**  
**Last Ten Fiscal Years**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Full-Time Employees</b>										
General Government	2,162	2,233	2,201	1,971	1,974	1,956	2,024	2,043	2,014	2,039
Health and Children's Services	6,000	5,897	5,761	5,031	5,053	5,024	4,978	4,916	4,826	4,718
Judicial and Public Safety	5,517	5,595	5,496	5,401	5,363	5,411	5,463	5,476	5,561	5,556
Natural Resources and Environmental Control	1,348	1,243	1,302	713	716	720	706	693	683	683
Transportation	1,994	2,054	1,997	1,716	1,732	1,743	1,699	1,684	1,662	1,666
Labor	439	445	454	445	441	435	434	436	422	412
Education	16,555	16,583	16,530	16,753	17,039	17,366	17,571	17,786	17,697	17,780
State Total	<u>34,015</u>	<u>34,050</u>	<u>33,741</u>	<u>32,030</u>	<u>32,318</u>	<u>32,655</u>	<u>32,875</u>	<u>33,034</u>	<u>32,865</u>	<u>32,854</u>

**Source:**

Delaware Payroll Human Resources Statewide Technology System

**Note:**

Includes employees of Local School Districts, but not those of Charter Schools.

**STATE OF DELAWARE**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Department/Agency	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Children, Youth and Their Families</b>										
Number of Youths in Care	9,129	8,115	7,532	22,539	23,442	25,068	22,987	21,591	23,155	21,875
<b>Corrections</b>										
Average Daily Inmate Population	7,088	7,156	7,018	6,727	6,577	6,652	6,884	6,951	6,824	6,559
<b>Natural Resources and Environmental Control</b>										
Number of Visitors to State Parks	5,513,777	4,812,961	4,650,000	4,789,780	4,436,936	4,780,745	5,066,857	5,020,518	5,481,315	5,548,398
<b>Education</b>										
Public School Enrollment, Grades K-12	122,261	124,041	125,430	126,801	129,395	130,610	131,514	133,369	134,932	136,027
Delaware State University - Students Enrolled	3,690	3,756	3,534	3,819	4,178	4,425	4,877	4,857	5,015	4,600
Delaware Technical & Community College - Enrolled	19,565	20,349	20,484	21,352	21,654	21,062	20,366	19,421	19,165	19,065
<b>Health and Social Services</b>										
Medicaid Eligibles	143,386	148,827	156,266	173,769	193,633	207,067	212,693	217,658	224,198	228,045
Prescription Assistance Program	8,515	7,003	6,267	5,995	6,178	6,243	6,075	5,867	5,640	5,373
Childcare Caseloads	15,039	14,009	13,549	13,696	14,461	14,609	14,765	14,063	14,303	15,120
Client Visits to Service Centers	441,196	452,554	605,991	686,606	687,976	708,000	653,243	643,299	636,473	633,932
<b>Judicial</b>										
Court of Common Pleas - Filings	99,345	128,372	136,631	140,139	126,843	119,753	188,082	139,209	134,713	135,733
Superior Court - Filings	12,869	13,177	14,137	15,060	23,265	20,676	20,367	19,497	18,520	18,292
<b>Labor</b>										
Workers' Compensations Petitions Filed	7,414	7,545	8,196	7,641	7,205	6,755	6,841	6,645	7,035	7,472
<b>Safety and Homeland Security</b>										
Number of Criminal Histories Requested	37,321	38,289	37,384	39,627	43,571	45,995	48,821	50,823	53,964	60,240
Calls to 911 Centers	395,701	434,562	596,691	263,424	325,803	296,796	555,060	369,867	333,282	576,629
<b>Transportation</b>										
Licensed Drivers	622,027	632,304	636,580	644,014	651,799	657,978	663,524	717,875	737,952	750,601
Registered Motor Vehicles	862,473	871,010	845,802	832,661	839,733	825,327	833,786	855,239	879,071	901,256
Bus ridership - Fixed Routes	8,313,800	8,628,149	9,146,869	9,218,232	9,920,213	11,594,262	11,195,263	10,952,118	10,257,127	8,401,294
Train Ridership	1,028,631	1,073,296	1,137,709	1,106,742	1,158,650	1,207,644	1,232,098	1,208,279	1,273,590	1,240,830

**Sources:**

Delaware Department of Services for Children Youth & Their Families  
Delaware Department of Corrections  
Delaware Department of Education  
Delaware State University  
Delaware Technical & Community College  
Delaware Department of Health & Social Services  
Delaware Judicial Department  
Delaware Department of Labor  
Delaware State Police  
Delaware Department of Transportation

**Notes:**

Licensed drivers and registered motor vehicles are tracked on a calendar year.

**STATE OF DELAWARE**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Government</b>										
Annual Acres of Farmland Permanently Preserved	1,094	2,948	2,896	4,487	5,927	6,355	5,859	4,360	1,066	2,245
<b>Health and Children's Services</b>										
Hospitals	5	6	6	6	6	6	5	5	5	4
Service Centers	14	15	15	15	15	15	15	15	15	15
<b>Natural Resources and Environmental Control</b>										
Acres of Wildlife Habitat Actively Managed	8,911	8,150	8,557	8,500	8,700	8,700	8,400	8,400	8,200	8,200
<b>Transportation</b>										
Centerline Miles	4,454	4,447	4,360	4,378	4,378	4,378	4,378	4,448	4,448	4,452
Centerline Miles Rated Good	3,071	3,007	3,423	3,796	3,796	3,796	3,796	4,032	4,032	3,960
Number of Bridges	1,457	1,509	1,556	1,562	1,566	1,591	1,601	1,592	1,626	1,674
Structural Rating of Good	1,131	1,118	1,144	1,137	1,140	1,149	1,151	1,198	1,211	1,238
Square Feet of Bridge Deck	7,289,913	7,311,730	7,330,395	7,341,988	7,354,916	7,174,339	7,614,980	7,858,872	8,049,340	8,039,759
Square Feet of Bridge Deck Rated Good	6,809,939	6,799,842	6,800,531	6,685,282	6,670,643	6,476,158	6,956,457	5,886,694	5,979,029	5,697,809
<b>National Guard</b>										
Number of Armory Facilities	14	13	12	12	12	10	11	10	11	11
<b>Education</b>										
Local School Districts										
Number of Elementary Schools	105	108	102	100	101	104	106	106	107	106
Number of Middle Schools	35	36	38	40	40	37	38	37	36	35
Number of High Schools	33	32	31	31	31	32	30	30	32	32
Number of Special Schools	14	14	13	13	15	14	14	14	12	12
Number of Administration Buildings	19	19	20	22	23	24	23	25	25	25

**Source:**

Delaware Department of Agriculture  
Delaware Office of Management and Budget  
Delaware Department of Transportation  
Delaware National Guard  
Department of Education

**STATE OF DELAWARE**  
**Capital Asset Balances by Function**  
**Last Ten Fiscal Years**  
(Expressed in Thousands)

<b>Function</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Buildings</b>										
General Government	\$ 444,439	\$ 460,711	\$ 459,906	\$ 468,958	\$ 525,042	\$ 521,673	\$ 523,219	\$ 527,752	\$ 554,355	\$ 567,467
Health and Children's Services	151,888	158,691	190,450	188,454	193,410	191,778	190,865	194,224	190,798	189,738
Judicial and Public Safety	353,315	358,662	359,135	371,690	373,648	375,424	375,869	387,579	430,857	436,495
Natural Resources and Environmental Control	23,773	27,538	29,149	38,750	42,143	43,130	43,130	43,484	45,100	47,612
Transportation	55,051	77,471	89,564	91,065	98,057	104,837	109,638	140,730	159,631	167,691
Education	1,479,998	1,705,323	1,890,709	2,093,349	2,271,507	2,382,520	2,465,751	2,503,000	2,806,521	2,810,884
<b>Total Buildings</b>	<b>\$ 2,508,464</b>	<b>\$ 2,788,396</b>	<b>\$ 3,018,913</b>	<b>\$ 3,252,266</b>	<b>\$ 3,503,807</b>	<b>\$ 3,619,362</b>	<b>\$ 3,708,472</b>	<b>\$ 3,796,769</b>	<b>\$ 4,187,262</b>	<b>\$ 4,219,887</b>
<b>Land and Land Improvements</b>										
General Government	\$ 211,040	\$ 252,200	\$ 274,853	\$ 289,265	\$ 317,066	\$ 337,587	\$ 127,166	\$ 128,036	\$ 133,499	\$ 136,150
Health and Children's Services	11,469	11,993	13,667	13,518	13,518	13,518	13,518	13,518	13,518	13,518
Judicial and Public Safety	26,102	25,971	25,971	25,987	79,567	80,820	80,820	84,458	84,133	84,363
Natural Resources and Environmental Control	300,525	309,158	323,370	371,079	369,834	375,847	383,945	397,552	402,858	418,464
Transportation	206,411	222,986	249,775	276,761	276,761	276,761	283,876	288,612	298,948	306,704
Education	75,910	84,728	100,968	110,825	138,874	148,668	160,218	165,246	194,740	205,161
<b>Total Land and Land Improvements</b>	<b>\$ 831,457</b>	<b>\$ 907,036</b>	<b>\$ 988,604</b>	<b>\$ 1,087,435</b>	<b>\$ 1,195,620</b>	<b>\$ 1,233,201</b>	<b>\$ 1,049,543</b>	<b>\$ 1,077,422</b>	<b>\$ 1,127,696</b>	<b>\$ 1,164,360</b>
<b>Equipment and Vehicles</b>										
General Government	\$ 33,825	\$ 34,380	\$ 26,339	\$ 25,826	\$ 25,255	\$ 21,192	\$ 21,472	\$ 21,610	\$ 31,829	\$ 32,256
Health and Children's Services	18,209	19,684	20,876	17,486	18,203	18,377	17,453	17,490	15,980	9,930
Judicial and Public Safety	37,183	34,091	33,488	31,573	30,960	35,509	36,290	40,310	41,804	44,519
Natural Resources and Environmental Control	21,035	21,500	21,412	22,021	22,731	23,077	24,409	25,290	26,693	27,366
Transportation	179,466	218,606	220,630	237,416	239,415	254,506	268,900	296,476	294,328	308,635
Labor	875	875	806	862	862	662	946	1,023	1,023	1,023
Education	56,486	60,185	63,787	62,990	68,287	77,130	80,657	81,807	86,079	88,766
<b>Total Equipment and Vehicles</b>	<b>\$ 347,079</b>	<b>\$ 389,321</b>	<b>\$ 387,338</b>	<b>\$ 398,174</b>	<b>\$ 405,713</b>	<b>\$ 430,453</b>	<b>\$ 450,127</b>	<b>\$ 484,006</b>	<b>\$ 497,736</b>	<b>\$ 512,495</b>
<b>Infrastructure</b>										
Transportation	\$ 3,283,783	\$ 3,345,399	\$ 3,385,364	\$ 3,432,677	\$ 3,481,075	\$ 3,564,347	\$ 3,670,250	\$ 3,723,674	\$ 3,760,135	\$ 3,823,201

**Source:**  
Delaware Department of Finance

**Notes:**

Information regarding Infrastructure can be found in the Required Supplementary Information contained on page 123. Information is given as to the number of bridges and their condition as well as the center-lane miles and their condition for the past three years. The State preserves farmland under the Department of Agriculture which is part of General Government. In addition, land is preserved as park land under the Department of Natural Resources and Environmental Control. Other land is used for functional purposes of the department, including housing building to perform the Department's function.

# Report on Internal Controls

Comprehensive Annual Financial Report

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Governor and  
Honorable Members of the State Legislature  
State of Delaware

We have audited, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Delaware (the State), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 22, 2016. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report includes a reference to other auditors who audited the financial statements of certain agencies and component units of the State of Delaware, which represent the indicated percent of total assets and deferred outflows of resources, net position/ fund balance, and total revenues as described in our report on the State's financial statements and as presented in the following tables. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors. The financial statements of the Delaware Sustainable Energy Utility, the Delaware Public Employees' Retirement System, Delaware State University and the Riverfront Development Corporation of Delaware were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Delaware Sustainable Energy Utility, Delaware State University and the Riverfront Development Corporation of Delaware.

**Percentage Audited by  
Other Auditors**

	<b>Assets and Deferred Outflows of Resources</b>	<b>Revenues</b>	<b>Net Position/ Fund Balance</b>
Governmental Activities	1%	0%	8%
Business-type Activities	98%	93%	97%
Discretely Presented Component Units	100%	100%	100%
General Fund	2%	0%	4%
Lottery Fund	100%	100%	100%
DeIDOT Fund	100%	100%	100%
Aggregate Remaining Fund Information	95%	51%	96%

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the State'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

The Honorable Governor and  
Honorable Members of the State Legislature  
State of Delaware

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiency listed at 2016-001 in the accompanying schedule of findings and responses to be a material weakness.

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. We consider the deficiency listed as 2016-002 in the accompanying schedule of findings and responses to be a significant deficiency.

#### **Compliance and Other Matters**

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

#### **State of Delaware's Response to Findings**

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The State's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### **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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 22, 2016

**State of Delaware**  
**Schedule of Findings and Management Response**  
**June 30, 2016**

**Material Weakness**

**Finding 2016-001 - Understatement of Allowance for Doubtful Accounts - Superior Court**

***Condition***

The methodology used by the Superior Court (SC) to determine the valuation of the allowance for doubtful accounts was not properly evaluated. The method used by SC was to determine the collection rate to date, and apply that rate to the remaining balance of accounts receivable. This methodology does not consider that the rate of collections will decrease as the uncollected balances age, and as a result understated the allowance for doubtful accounts. This is a repeat finding from the prior year.

***Criteria***

COSO/Internal Control Framework indicated that monitoring is implemented to help ensure “that internal control continues to operate effectively”. Monitoring involves oversight of internal controls by management or other parties outside the process. It may also include the application of independent methodologies, such as the allowance for doubtful accounts, by employees within a process.

***Context***

We tested the entire accounts receivable balance at the SC and determined that approximately \$28.4 million of the total balance of \$28.5 million was unable to be substantiated as collectible.

***Effect***

The financial statements contain an overstatement of accounts receivable and the State passed on making an audit adjustment.

***Cause***

The Superior Court's (SC) internal controls for the review and approval of the estimate of the allowance for doubtful accounts failed to establish an allowance estimate method that was based on historical collection rates. The SC does not have adequate internal controls in place to properly monitor the performance of the estimate of the allowance for doubtful accounts calculation.

***Recommendation***

We recommend that policies and procedures be implemented to ensure that internal controls over the financial reporting process include additional layers of review in order to mitigate potential misstatements. Monitoring of the estimate of the allowance for doubtful accounts should be included as part of the internal control procedures to ensure that the methodology is properly supported by historical collection data.

***Management Response***

Management concurs with this finding. Management will continue to review the individual accounts included in the accounts receivable balance to identify any trending of the individuals associated with those accounts and reevaluate the accounts receivable policy on a regular basis.

## **Significant Deficiency**

### **Finding 2016-002 – Accounts Payable Reporting**

#### ***Condition***

In the reporting of accounts payable in their GAAP Reporting Packages, the Department of Health and Social Services, Department of Education, Capital School District, Cape Henlopen School District, Milford School District, Red Clay School District, Polytech School District, Laurel School District, New Castle County Vo-Tech School District, and Indian River School District, did not report expenditures related to fiscal year 2016 as accounts payable in accordance with Generally Accepted Accounting Principles (GAAP).

#### ***Criteria***

COSO/Internal Control Framework defines control activities as “policies and procedures that help ensure management’s directives are carried out.” Management review controls are defined as, “the activities of a person, different than the preparer, through analyzing and performing oversight of activities performed, and is an integral part of any internal control structure.”

The Division of Accounting has established control activities in the financial reporting process related to expenditures and accounts payable in Chapter 7 of the Budget and Accounting Policy Manual and Section C of the GAAP Reporting Package Manual.

#### ***Context***

The error that was noted in our sample was extrapolated over the entire disbursement population, resulting in a projected error in accounts payable in the amount of \$15.6 million.

#### ***Effect***

Accounts payable and the related expenditures are understated and the State passed on making an audit adjustment.

#### ***Cause***

The Departments’ and School Districts’ controls were not effective to ensure that all material expenditure transactions related to 2016, but paid in 2017, were reported to the Division of Accounting through the GAAP reporting package, population of the good or service date in FSF, or separate subsequent communication, as required by the Budget and Accounting Policy Manual and the GAAP Reporting Package Manual.

#### ***Recommendation***

We recommend that policies and procedures be implemented to ensure that internal controls over the financial reporting process include procedures at the Departments and School Districts to ensure that all disbursements are recognized in the year in which the good or service was received.

#### ***Management Response***

Management concurs with this finding. Management will continue to emphasize through training and meetings with the departments and school districts, the proper reporting of disbursements to ensure the expense is included in the fiscal year in which the good or service was received.