



**Delaware Public Employees'  
Retirement System  
County & Municipal Other Employees'  
Pension Plan**

Schedule of Employer Allocations and  
Schedule of Pension Amounts by Employer  
June 30, 2016

Issuance Date: June 6, 2017

**Delaware Public Employees' Retirement System  
County & Municipal Other Employees' Pension Plan**

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## Independent Auditor's Report

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

### Report on the Schedules

We have audited the accompanying schedule of employer allocations of the County & Municipal Other Employees' Pension Plan as of and for the year ended June 30, 2016, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions (specified column totals) included in the accompanying schedule of pension amounts by employer of the County & Municipal Other Employees' Pension Plan as of and for the year ended June 30, 2016, and the related notes.

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

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

### *Auditor's Responsibility*

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

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



management, as well as, evaluating the overall presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer.

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

### *Opinions*

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions for the total of all participating entities for the County & Municipal Other Employees' Pension Plan as of and for the year ended June 30, 2016 in accordance with U.S. generally accepted accounting principles.

### *Other Matters*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Delaware Public Employees' Retirement System, which include the County & Municipal Other Employees' Pension Plan, as of and for the year ended June 30, 2016, and our report thereon, dated November 21, 2016, expressed an unmodified opinion on those financial statements.

### *Restriction on Use*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2017 on our consideration of the County & Municipal Other Employees' Pension Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County & Municipal Other Employees' Pension Plan's internal control over financial reporting and compliance.

*BDO USA, LLP*

May 26, 2017

**Delaware Public Employees' Retirement System**  
**County & Municipal Other Employees' Pension Plan**  
 Schedule of Employer Allocations  
 As of and for the year ended June 30, 2016

Employer	Employer contributions	Employer's Proportionate share	
Atena Hose Hook and Ladder	\$ 43,843	2.1104	%
Bethany Beach Fire	28,515	1.3726	
Chesworld Fire Co.	2,229	0.1073	
City of Harrington	48,506	2.3349	
City of Milford	225,472	10.8534	
City of New Castle	52,737	2.5386	
City of Wilmington	448,380	21.5834	
Cranston Heights Fire Co.	22,495	1.0828	
Delaware City Fire Co.	13,395	0.6448	
Elsmere Fire Co.	13,368	0.6435	
Felton Fire Co.	15,812	0.7612	
Five Points Fire Co.	6,723	0.3236	
Georgetown EMS	21,508	1.0353	
Good Will Fire Co.	31,979	1.5393	
Harrington Fire Co.	5,833	0.2808	
Kent Conservation District	220,363	10.6074	
Lewes Fire Co.	33,878	1.6307	
Mill Creek Fire Co.	30,537	1.4700	
Millville Fire Co.	30,434	1.4650	
Minquadale Fire	23,906	1.1507	
Port Penn Fire Co.	12,110	0.5829	
Rehoboth Beach Fire	28,371	1.3657	
Riverfront Development Corp	58,337	2.8081	
Sussex Conservation District	77,110	3.7118	
Talleyville Fire Co.	24,479	1.1783	
Town of Bethany Beach	100,180	4.8223	
Town of Blades	11,119	0.5352	
Town of Camden	20,981	1.0100	
Town of Cheswold	2,586	0.1245	
Town of Clayton	29,111	1.4013	
Town of Felton	9,641	0.4641	
Town of Georgetown	70,454	3.3914	
Town of Laurel	48,269	2.3235	
Town of Millsboro	50,714	2.4412	
Town of Milton	23,714	1.1416	
Town of Newport	14,211	0.6840	
Town of Ocean View	37,338	1.7973	
Town of Selbyville	37,673	1.8134	
Town of Smyrna	41,691	2.0069	
Town of South Bethany	24,140	1.1620	
Town of Wyoming	7,961	0.3832	
Townsend Fire Co.	4,382	0.2109	
Vol. Hose Co. Middletown	22,949	1.1047	
<b>Total</b>	<b>\$ 2,077,434</b>	<b>100</b>	<b>%</b>

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

**Delaware Public Employees' Retirement System**  
**County & Municipal Other Employees' Pension Plan**  
**Schedule of Pension Amounts by Employer**  
**As of and for the year ended June 30, 2016**

Employer	Net Pension Liability	Deferred outflows of resources				Deferred inflows of resources				Pension expense excluding that attributable to employer-paid member contributions			Total pension expense excluding that attributable to employer-paid member contributions
		Differences between expected and actual experience	Changes of assumptions	Investments	Changes in proportion	Total deferred outflows of resources	Differences between expected and actual experience	Changes of assumptions	Investments	Changes in proportion	Proportionate share of pension expense allocated plan	Total deferred inflows of resources	
Atena Hose Hook and Ladder	\$ 130,758	35,511	19,104	48,907	24,827	128,349	11,059	-	-	54,208	11,059	3,103	57,311
Bethany Beach Fire	85,045	23,096	12,425	31,809	17,202	84,532	7,193	-	-	35,257	7,193	2,415	37,672
Cheswold Fire Co.	6,649	1,806	971	2,487	1,262	6,526	562	-	-	2,757	562	158	2,915
City of Harrington	144,665	39,288	21,136	54,108	-	114,532	12,236	-	-	59,973	20,697	(1,533)	58,440
City of Milford	672,454	182,623	98,246	251,515	-	532,384	56,876	-	-	278,778	125,465	(2,066)	266,712
City of New Castle	157,286	42,715	22,980	58,829	-	124,524	13,303	-	-	65,206	115,408	(4,818)	60,388
City of Wilmington	1,337,264	363,170	195,375	500,167	177,420	1,236,132	113,105	-	-	554,387	115,408	34,715	589,102
Cranston Heights Fire Co.	67,089	18,220	9,802	25,093	7,557	60,672	5,674	-	-	27,813	8,537	1,324	29,137
Delaware City Fire Co.	39,949	10,849	5,837	14,942	476	32,104	3,379	-	-	16,562	3,802	(913)	16,649
Elsmere Fire Co.	39,868	10,827	5,825	14,912	547	32,111	3,372	-	-	16,528	3,802	7	16,535
Felton Fire Co.	47,159	12,807	6,890	17,639	-	37,336	3,989	-	-	19,551	8,899	(796)	18,755
Five Points Fire Co.	20,052	5,446	2,930	7,500	73	15,949	1,696	-	-	8,313	5,518	(713)	7,600
Georgetown EMS	64,146	17,421	9,372	23,992	12,179	62,964	5,425	-	-	26,593	5,425	1,522	28,115
Good Will Fire Co.	95,374	25,901	13,934	35,672	462	75,969	8,067	-	-	39,539	19,478	(2,162)	37,377
Harrington Fire Co.	17,397	4,725	2,542	6,507	44	13,818	1,471	-	-	7,212	2,017	(96)	7,116
Kent Conservation District	657,216	178,485	96,020	245,815	-	520,320	55,587	-	-	272,461	87,751	(5,391)	267,070
Lewes Fire Co.	101,038	27,440	14,762	37,791	6,503	86,496	8,546	-	-	41,887	12,085	954	42,841
Mill Creek Fire Co.	91,075	24,734	13,306	34,064	1,555	73,659	7,703	-	-	37,757	12,085	(454)	37,303
Milville Fire Co.	90,768	24,651	13,261	33,950	1,231	73,093	7,677	-	-	37,630	12,102	(716)	36,914
Minquatale Fire	71,297	19,363	10,417	26,667	13,537	69,984	6,030	-	-	29,557	6,030	1,692	31,249
Port Penn Fire Co.	36,117	9,809	5,277	13,509	43	28,638	3,055	-	-	14,973	6,378	(608)	14,365
Rehoboth Beach Fire	84,614	22,979	12,362	31,648	18,469	85,458	7,157	-	-	35,078	7,157	2,911	37,989
Riverton Development Corp	173,986	47,251	25,420	65,075	34	137,780	14,716	-	-	72,129	21,175	(989)	71,140
Sussex Conservation District	229,977	62,456	33,600	86,017	2,189	184,262	19,451	-	-	94,341	28,855	(1,011)	94,330
Talleyville Fire Co.	73,006	19,827	10,666	27,306	-	57,799	6,175	-	-	16,980	16,980	(1,908)	28,358
Town of Bethany	298,781	81,142	43,652	111,752	1,856	238,402	25,271	-	-	123,865	31,921	(671)	123,194
Town of Blades	33,161	9,006	4,845	12,403	307	26,561	2,805	-	-	13,748	5,388	(437)	13,311
Town of Camden	62,575	16,994	9,142	23,405	2,752	52,293	5,293	-	-	25,942	7,289	(17)	25,925
Town of Cheswold	7,713	2,095	1,127	2,885	160	6,267	652	-	-	3,198	1,585	(159)	3,039
Town of Clayton	86,822	23,579	12,685	32,474	-	68,738	7,343	-	-	35,994	13,199	(1,001)	34,993
Town of Felton	28,754	7,809	4,201	10,755	-	22,765	2,432	-	-	11,920	6,973	(714)	11,206
Town of Georgetown	210,123	57,065	30,699	78,591	-	166,355	17,772	-	-	87,110	36,015	(3,400)	83,710
Town of Laurel	143,958	39,096	21,032	53,844	5,300	119,272	12,793	-	-	59,680	27,705	(1,825)	57,855
Town of Millsboro	151,251	41,076	22,098	56,572	-	119,746	12,793	-	-	62,704	28,568	(2,558)	60,146
Town of Milton	70,728	19,208	10,333	26,454	499	56,494	5,982	-	-	29,322	14,029	(1,333)	27,989
Town of Newport	42,382	11,510	6,192	15,852	-	33,554	3,585	-	-	17,570	6,524	(503)	17,067
Town of Ocean View	111,359	30,242	16,270	41,651	281	88,444	9,419	-	-	46,166	13,257	(687)	45,479
Town of Selbyville	112,356	30,513	16,415	42,024	224	89,176	9,503	-	-	46,579	20,620	(2,040)	44,539
Town of Smyrna	124,341	33,768	18,166	46,507	25,329	123,770	10,517	-	-	51,548	10,517	3,597	55,145
Town of South Bethany	71,996	19,552	10,519	26,928	-	56,999	6,089	-	-	29,847	10,264	(739)	29,108
Town of Wyoming	23,744	6,448	3,469	8,881	1,002	19,800	2,008	-	-	9,844	3,435	(136)	9,708
Townsend Fire Co.	13,070	3,549	1,910	4,888	68	10,415	1,105	-	-	5,418	4,387	(496)	4,922
Vol. Hose Co. Middletown	68,444	18,588	10,000	25,600	111	54,299	5,789	-	-	28,375	13,822	(1,508)	26,867
<b>Total</b>	<b>\$ 6,195,807</b>	<b>1,682,640</b>	<b>905,215</b>	<b>2,317,387</b>	<b>323,499</b>	<b>5,228,741</b>	<b>524,038</b>	<b>-</b>	<b>-</b>	<b>2,568,586</b>	<b>847,537</b>	<b>323,499</b>	<b>2,568,586</b>

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

# Delaware Public Employees' Retirement System County & Municipal Other Employees' Pension Plan

## Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

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### 1. Plan Description

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

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

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

The following are brief descriptions of the Plan in effect as of June 30, 2016. For a more complete description, please refer to the DPERS Comprehensive Annual Financial Report.

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

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

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

The Plan covers employees of counties or municipalities that have joined the Plan.

#### *(b) 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.

#### *(c) Vesting*

Five years of credited service.

#### *(d) Retirement*

Age 62 with 5 years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service.

#### *(e) Disability benefits*

Same as Service Benefits. Employee must have 5 years of credited service.

# Delaware Public Employees' Retirement System County & Municipal Other Employees' Pension Plan

## Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

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### (f) *Survivor Benefits*

If employee is receiving a pension, then eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62.

## 2. Basis of Presentation

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

## 3. Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in the Plan to recognize their proportionate share of the collective net pension liability, collective deferred inflows of resources, collective deferred outflows of resources and collective pension expense. The employer allocation percentages presented in the Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of each employer's contribution to the Plan's total employer contributions during the measurement period July 1, 2015 through June 30, 2016, adjusted to remove contributions to separately finance specific liabilities of an individual employer. Employer contributions to the plan are recognized when due pursuant to legal requirements. Employer contributions are determined by the Board of Pension Trustees, Employer contributions were 6.2% of earnings for the Fiscal Year 2016.

## 4. Collective Net Pension Liability and Actuarial Information

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

Employers' total pension liability	\$	45,488
Plan net position		39,292
<b>Employers' net pension liability</b>	<b>\$</b>	<b>6,196</b>

# Delaware Public Employees' Retirement System County & Municipal Other Employees' Pension Plan

## Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

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### *Actuarial Assumptions*

The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

#### *Actuarial assumptions:*

Investment rate of return / discount rate (1)	7.2%
Projected salary increases (1)	2.5% + Merit
Cost of living adjustments	0.0%

(1) Inflation is included at 2.5%.

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016, details of which are provided in the presentation of that study to the Board of Trustees. 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.

Key assumption changes include a reduction in the inflation assumption from 3.0% to 2.5% and a change to use updated mortality tables. Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

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

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

Asset Class	Long-term expected real rate of return	Asset allocation
Domestic equity	5.7%	34.0%
International equity	5.7	14.7
Fixed income	2.0	25.0
Alternative investments	7.8	20.9
Cash and equivalents	-	5.4

**Delaware Public Employees' Retirement System  
County & Municipal Other Employees' Pension Plan**

**Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer**

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*Discount Rate*

The discount rate 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.

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

The following presents the collective net pension liability, calculated using the discount rate of 7.2%, as well as what the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (in thousands):

	1% Decrease	Discount Rate	1% Increase
Collective net pension liability	\$ 13,190	6,196	437

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**Delaware Public Employees' Retirement System  
County & Municipal Other Employees' Pension Plan**

**Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer**

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

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2016:

	Measurement period ending June 30	Amortization Period	Beginning of year balance	Additions	Deductions	End of year balance
<b>Deferred Outflows of Resources:</b>						
Difference between expected and actual experience	2016	9 years	\$ -	\$ 1,892,970	\$ (210,330)	\$ 1,682,640
Changes of assumptions	2016	9 years	-	1,018,367	(113,152)	905,215
Net difference between projected and actual earnings on pension plan investments	2016	5 years	-	3,348,594	(669,719)	2,678,875
	2015	5 years	1,017,632	-	(254,408)	763,224
	2014	5 years	(1,687,069)	-	562,357	(1,124,712)
Subtotal			(669,437)	3,348,594	(361,770)	2,317,387
<b>Total</b>			<b>\$ (669,437)</b>	<b>\$ 6,259,931</b>	<b>\$ (685,252)</b>	<b>\$ 4,905,242</b>
<b>Deferred Inflows of Resources:</b>						
Difference between expected and actual experience	2015	8 years	\$ (611,378)	\$ -	\$ 87,340	\$ (524,038)
<b>Total</b>			<b>\$ (611,378)</b>	<b>\$ -</b>	<b>\$ 87,340</b>	<b>\$ (524,038)</b>

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

*Year ending June 30*

2017	\$ 598
2018	598
2019	1,160
2020	906
2021	236
Thereafter	883
<b>Total</b>	<b>\$ 4,381</b>

***Changes in Proportion***

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 9 years for the 2016 amounts.

**Delaware Public Employees' Retirement System  
County & Municipal Other Employees' Pension Plan**

**Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer**

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**6. Collective Pension Expense**

The components of collective pension expense for the year ending June 30, 2016 (excluding that attributable to employer-paid member contributions) are as follows (in thousands):

Service cost	\$	2,545
Interest on total pension liability		3,087
Member contributions		(946)
Administrative expense		80
Projected earnings on plan investments		(2,795)
Recognition of deferred outflows and inflows of resources:		
Difference between projected and actual earnings on plan investments		362
Difference between expected and actual experiences with regards to factors or other inputs in the measurement of total pension liability		123
Changes in assumptions with regards to factors or other inputs in the measurement of total pension liability		113
<b>Pension Expense</b>	<b>\$</b>	<b>2,569</b>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the schedule of employer allocations and the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions as of and for the year ended June 30, 2016 (specified column totals), included in the schedule of pension amounts by employer of the Delaware Public Employees' Retirement System - County & Municipal Other Employees' Pension Plan (the Plan) and the related notes (hereafter collectively referred to as the Schedules) and have issued our report thereon dated May 26, 2017.

**Internal Control over Financial Reporting**

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

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

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



## Compliance and Other Matters

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

## Purpose of This Report

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

*BDO USA, LLP*

May 26, 2017