

**State of Delaware
Deferred Compensation Plan**

Financial Statements

December 31, 2015 and 2014

Report Issued: June 13, 2017

State of Delaware Deferred Compensation Plan

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Independent Auditors' Report

To the Plans Management Board
State of Delaware Deferred Compensation Plan
Dover, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of State of Delaware Deferred Compensation Plan, which comprise the statements of net position available for plan benefits as of December 31, 2015 and 2014, and the related statements of changes in net position available for plan benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Plan's preparation and fair presentation of the financial

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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 Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position available for plan benefits of State of Delaware Deferred Compensation Plan as of December 31, 2015 and 2014 and the changes in net position available for plan benefits for the years 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 on pages 4 and 5 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2017, on our consideration of the State of Delaware Deferred Compensation Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters.

To the Plans Management Board
State of Delaware Deferred Compensation Plan
Dover, Delaware

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in consideration of the State of Delaware Deferred Compensation Plan's internal control over financial reporting and compliance.

Belfint, Lyons & Shuman, P.A.

June 5, 2017
Wilmington, Delaware

State of Delaware Deferred Compensation Plan

Management's Discussion and Analysis
December 31, 2015, 2014, and 2013

This discussion and analysis of the State of Delaware Deferred Compensation Plan (the "Plan") financial performance provides an overview of the Plan's financial activities for the years ended December 31, 2015, 2014, and 2013. Please read this section in conjunction with the Plan's financial statements, which follow this section.

Financial Highlights

- Net position available for plan benefits decreased by \$4 million during 2015 from \$545 million at December 31, 2014 to \$541 million at December 31, 2015. This decrease was primarily due to the loss on investments and increase in distributions made to participants during 2015. Net position available for plan benefits increased by \$37.1 million during 2014 from \$507.9 million at December 31, 2013 to \$545 million at December 31, 2014. This increase was primarily due to contributions made to the Plan as well as gains on investments, net of distributions made to participants during 2013.
- Employee contributions were \$38.2 million, \$37.2 million, and \$36.2 million for the years ended December 31, 2015, 2014, and 2013, respectively. Changes in contributions are primarily due to fluctuations in the average contribution per participant and number of active plan participants. There were approximately 11,000, 12,200, and 12,400, active participants as of December 31, 2015, 2014, and 2013, respectively.
- Transfers into the Plan were \$2.5 million, \$3.0 million, and \$1.7 million for the years ended December 31, 2015, 2014, and 2013, respectively. Changes in the amount of transfers in from year to year vary greatly and are the direct result of changes in the number of individuals performing these transactions.
- Net investment income decreased to \$500,000 in 2015 from \$35.3 million in 2014. Fluctuations in income are primarily due to changes in the funds offered by the Plan, changes in interest rates for fixed earnings investments as well as fluctuations in the financial market from year to year.
- Distributions paid to participants were \$45.3 million, \$38.4 million, and \$30.1 million for the years ended December 31, 2015, 2014, and 2013, respectively. Fluctuations in the amount of distributions paid from year to year are primarily due to changes in the number of retirees per year as well as the average distribution per retiree. There were approximately 1,500, 1,300, and 2,100 individuals who received a distribution from the Plan during the years ended December 31, 2015, 2014, and 2013, respectively.
- Administrative expenses and investment fees were \$4,607, \$38,640, and \$56,586 for the years ended December 31, 2015, 2014, and 2013, respectively. Fluctuations in these fees directly relate to changes in amount of total investments and the allocation of investments amongst the Plan's various investment options.

State of Delaware Deferred Compensation Plan

Management's Discussion and Analysis
December 31, 2015, 2014, and 2013

Overview of the Financial Statements

This financial report consists of the statements of net position available for plan benefits and the statements of changes in net position available for plan benefits. These statements provide information about the financial position and activities of the Plan as a whole. The notes to financial statements provide additional information that is essential to a full understanding of the financial statements. The notes are an integral part of the financial statements and include detailed information not readily evident in the basic financial statements.

The following analysis focuses on net position available for plan benefits (Table 1) and changes in net position available for plan benefits (Table 2):

Table 1
Net Position Available for Plan Benefits

	2015	2014	2013
Investments	\$ 540,917,792	\$ 544,949,398	\$ 507,910,813
Net Position Available for Plan Benefits	\$ 540,917,792	\$ 544,949,398	\$ 507,910,813

Table 2
Changes in Net Position Available for Plan Benefits

	2015	2014	2013
Additions:			
Participant Contributions	\$ 38,237,653	\$ 37,161,200	\$ 36,161,572
Rollovers	2,499,222	3,012,099	1,742,704
Employer QNEC	3,250	-	-
Net Investment Income	512,834	35,298,349	80,482,091
Deductions:			
Benefits Paid to Participants	45,279,958	38,394,423	30,114,710
Administrative and Investment Fees	4,607	38,640	56,586
Change in Net Position	\$ (4,031,606)	\$ 37,038,585	\$ 88,215,071

Financial Contact

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

State of Delaware Deferred Compensation Plan

Statements of Net Position Available for Plan Benefits

December 31, 2015

(See Independent Auditors' Report)

	<u>2015</u>	<u>2014</u>
Assets		
Investments, at Fair Value	\$ 540,917,792	\$ 544,949,398
Liabilities	<u>-</u>	<u>-</u>
Net Position Available for Plan Benefits	<u>\$ 540,917,792</u>	<u>\$ 544,949,398</u>

The accompanying notes are an integral part of the financial statements

State of Delaware Deferred Compensation Plan

Statements of Changes in Net Position Available for Plan Benefits

December 31, 2015

(See Independent Auditors' Report)

	<u>2015</u>	<u>2014</u>
Additions		
Investment Income		
Net Appreciation (Depreciation) in Fair Value of Investments	\$ (26,519,916)	\$ 5,014,232
Interest and Dividends	26,634,480	30,052,412
Other Income	398,270	231,705
	<u>512,834</u>	<u>35,298,349</u>
Net Investment Income		
Contributions:		
Participants	38,237,653	37,161,200
Rollovers	2,499,222	3,012,099
Employer QNEC	3,250	-
	<u>40,740,125</u>	<u>40,173,299</u>
Total Contributions		
Total Additions	<u>41,252,959</u>	<u>75,471,648</u>
Deductions		
Benefits Paid to Participants	45,279,958	38,394,423
Administrative Expenses and Investment Fees	4,607	38,640
	<u>45,284,565</u>	<u>38,433,063</u>
Total Deductions		
Net Increase (Decrease) in Net Position	<u>(4,031,606)</u>	<u>37,038,585</u>
Net Position		
Beginning of Year	<u>544,949,398</u>	<u>507,910,813</u>
End of Year	<u>\$ 540,917,792</u>	<u>\$ 544,949,398</u>

The accompanying notes are an integral part of the financial statements

State of Delaware Deferred Compensation Plan

Notes to Financial Statements
December 31, 2015 and 2014
(See Independent Auditors' Report)

1. Description of the Plan

The following description of the State of Delaware Deferred Compensation Plan (the "Plan") provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

General

Delaware Code Title 29, Part V, Chapter 60A sets forth the requirements for deferred compensation programs for public officers and employees of the State of Delaware (the "State"). The purpose of Chapter 60A is to create a vehicle through which all employees of the State may, on a voluntary basis, provide for additional retirement income security.

The Plan is a defined contribution plan, under Section 457(b) of the Internal Revenue Code (IRC), covering all employees of the State, including elected or appointed officials, who receive compensation wholly or in part directly from the State Treasurer or from the Treasury through an agency within the State that is wholly or in part supported by the State. Under the Plan's provisions, employees of the State who are otherwise eligible for the State's employee benefit plans are eligible to participate in the Plan. The Plan excludes individuals hired on a temporary basis, including "casual/seasonal" employees, and consultants.

Contributions

Each year, participants may contribute up to 100% of pretax annual compensation, as defined by the plan document, up to the maximum limits of the IRC. Participants who have attained age 50 before the end of the plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The State does not make any contributions to the Plan.

Participants direct the investment of all contributions into various investment options offered by the Plan. Contributions are subject to certain limitations.

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

For one or more of the participant's last three taxable years ending before the participant attains normal retirement age, notwithstanding the limits set above, the maximum amount that may be contributed shall be the lesser of:

- a. Twice the dollar amount in effect (\$18,000 for calendar year 2015 and \$17,500 for calendar year 2014) (Basic Limitation); or
- b. The underutilized limitation. For such purposes, the underutilized amount is the sum of:
 1. An amount equal to (i) the Basic Limitation identified above (\$18,000 for calendar year 2015 and \$17,500 for calendar year 2014) of the taxable year plus each calendar year beginning after December 31, 2001 during which the participant was an employee under the Plan reduced by (ii) the participant's annual deferrals under the Plan during such years, and

State of Delaware Deferred Compensation Plan

Notes to Financial Statements
December 31, 2015 and 2014
(See Independent Auditors' Report)

Contributions - Continued

2. An amount equal to such limitation as established under Section 457(b)(2) of the IRC for each taxable year beginning after December 31, 1978 and before January 1, 2002 in which the participant was eligible to participate less the amount of the participant's annual deferrals to Pre-2002 Coordination Plans (as defined in the plan document) for such prior taxable year or years (disregarding any age 50 catch-up deferrals). In determining the underutilized limitation for taxable years prior to 2002, the special rules set forth in Treas. Reg § 1.457-4(c)(3)(iv) shall be applied.

Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of plan earnings and charged with an allocation of administrative expenses. Allocations are based on participant earnings, specific transactions, or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Employees electing to participate in the Plan may contribute to any variable earnings investments consisting of various publicly-traded mutual funds and a self-directed brokerage fund.

Vesting

Participants are immediately vested in their contributions plus actual earnings thereon.

Payment of Benefits

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 his/her account or periodic payments. A participant may retire when he/she reaches normal retirement age, as defined by the Plan, which is defined as the age designated by the participant that falls within the range of ages beginning at the earlier of age 65 or the age at which the participant has the right to retire and receive, under the State pension plan applicable to the participant, immediate retirement benefits without actuarial or similar reduction because of retirement before some later specified age, and ending at age 70½. In addition, the Plan allows for hardship distributions if certain criteria are met.

A participant may elect, at such time as he or she is otherwise entitled to a distribution (other than on account of an unforeseeable emergency), to transfer part or all of the account to purchase service credit under a defined benefit plan maintained by the State that permits the acceptance of such plan-to-plan transfers.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Governmental Accounting Standards Board (GASB) issues regulatory guidance defining generally accepted accounting principles for state and local governments in the United States. The accompanying financial statements of the Plan have been prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP) as prescribed by GASB. Any

State of Delaware Deferred Compensation Plan

Notes to Financial Statements
December 31, 2015 and 2014
(See Independent Auditors' Report)

Basis of Accounting - Continued

references to U.S. GAAP in the financial statements and the related disclosures refers to standards established by GASB.

The financial statements of the Plan are prepared on the accrual basis of accounting using the economic resources measurement focus.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Variable earnings investments in publicly-traded mutual funds are presented at fair value based on published daily net asset value.

Purchases and sales of securities are recorded on a trade-date basis.

Interest income is recorded on the accrual basis.

Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the gains and losses on investments bought and sold as well as held during the year.

Administration of Plan Assets

Until July 1, 2016, the State of Delaware's Deferred Compensation Council was responsible for the administration of the State's 403(b) Plan. As reported in the Subsequent Events section below, the Plans Management Board became responsible for administration of the Plan effective July 1, 2016. The daily operations of the Plan are administered by Delaware's Office of the State Treasurer.

The Plan's assets are administered under contract with Fidelity Management Trust Company, the trustee of the Plan. The trustee invests funds received from contributions, investment sales, interest, and dividend income and makes distribution payments to participants. Certain administrative expenses of maintaining the Plan are paid by the State.

Participants may also select a self-directed brokerage account through Brokeragelink. The annual account fee for this account was waived for the years ended December 31, 2015 and 2014.

Payment of Benefits

Benefits are recorded when paid.

State of Delaware Deferred Compensation Plan

Notes to Financial Statements
December 31, 2015 and 2014
(See Independent Auditors' Report)

Administrative Expenses

Certain expenses of maintaining the Plan are paid by the Plan, unless otherwise paid by the State. Expenses paid by the State are excluded from these financial statements. Costs associated with participant-initiated transactions are paid by the respective participant's accounts. Some administrative expenses are paid from the annual operating expenses of the Plan's designated investment alternatives, which are netted against the investment earnings for the relevant participant-directed investments.

Subsequent Events

The Plan has evaluated subsequent events for recognition or disclosure through the date the financial statements were available to be issued.

Effective July 1, 2016, Delaware House of Representatives Bill Number 358 amended Delaware Code Title 29 to consolidate the governing boards of the Deferred Compensation Plan, the Achieving a Better Life Experience (ABLE) Program, and the Delaware College Investment Plan to one common board - the Plans Management Board.

In 2015, the Deferred Compensation Council agreed to engage Cammack Retirement as plan consultant. Additionally, the Deferred Compensation Council resolved to change custodial and trustee duties to Voya Retirement Insurance and Annuity Company (Voya).

On September 14, 2016, all assets with Fidelity Investments were transferred to Voya.

3. Related-Party Transactions

Two State of Delaware employees are required to serve on the Deferred Compensation Council/Plans Management Board. One State employee representative must be eligible to participate in the Plan.

Certain investments of the Plan are managed by the trustee and, therefore, these transactions qualify as party-in-interest transactions.

Certain administrative functions of the Plan are performed by officers or employees of the State. No such officer or employee receives compensation from the Plan.

4. Plan Termination

Although it has not expressed any intent to do so, the State has the right at any time to terminate the Plan.

5. Tax Status

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

State of Delaware Deferred Compensation Plan

Notes to Financial Statements
December 31, 2015 and 2014
(See Independent Auditors' Report)

6. Risks and Uncertainties

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

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are managed by several fund managers. The concentration of investments is determined by the participants' elections to invest in the available investment options as selected by the Council. The investments that exceed 5% are identified in Note 7.

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan would not be able to recover the value of its deposits, investments, or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent, but not in the Plan's name. Investments are held in a trust account for the benefit of the Plan. As a result, the investments of the Plan are not exposed to custodial credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. The Plan invests in mutual funds, including debt-based mutual funds. Such funds are subject to interest rate risk; funds holding bonds with longer maturities are more subject to this risk than funds holding bonds with shorter maturities.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds of countries outside the United States that invest in securities not required to disclose the individual assets within the fund. The fair value of these investments was \$24,115,432 and \$26,367,598 as of December 31, 2015 and 2014, respectively. The individual funds are identified in Note 7.

7. Investments

Delaware Code Title 29 Section 6057 outlines the types of allowable investments of the Plan. The Deferred Compensation Council/Plans Management Board has overall responsibility for ensuring the assets of the Plan are in compliance with all applicable laws governing the operation of the Plan and establishing the related investment guidelines and policies. These investments include the following:

- Savings accounts in federally insured banking institutions.
- United States government bonds or debt instruments.
- Life insurance and annuity contracts, provided the company offering such contracts are subject to regulation by the Insurance Commissioner of the State.
- Investment Funds registered under the Investment Company Act of 1940.

State of Delaware Deferred Compensation Plan

Notes to Financial Statements
December 31, 2015 and 2014
(See Independent Auditors' Report)

7. Investments - Continued

- Securities that are traded on the New York Exchange National Association of Securities Dealers Automated Quotations (NASDAQ) and American Stock Exchange.

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

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

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

The Plan's investments, (including gains and losses on investments bought, sold, as well as held during the year) appreciated (depreciated) in value by (\$26,519,916) and \$5,014,232 during 2015 and 2014, respectively.

The fair value of investments held by the Plan at December 31, 2015 and 2014 were as follows. Investments marked with an asterisk (*) represent individual investment options, which exceed 5% of the net position available for benefits as of December 31, 2015 and/or 2014. Investments marked with two asterisks (**) represent international funds.

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2015 and 2014

(See Independent Auditors' Report)

	Fair Value	
	2015	2014
Fidelity Variable Earnings Investments:		
Fidelity Fund	\$ 4,367,540	\$ 4,365,542
Puritan	7,526,965	7,771,677
Trend	281,279	481,544
Select Computers	379,826	469,285
Select Electronics	1,215,508	1,427,084
Select Cons Staples	1,065,217	993,234
Value Strat	131,891	157,673
GNMA	1,364,393	1,494,987
Magellan	356,946	343,244
Contra Fund	12,273,807	11,662,871
Equity Inc	983,539	1,085,770
Growth Company	4,823,227	4,648,131
Invst Gr Bd	546,041	675,132
Growth & Inc	1,192,329	1,231,210
Select Software	1,487,376	1,368,003
Intermed Bond	964,494	1,146,995
Select Air Transprt	197,637	217,225
Capital & Income	2,267,021	2,373,963
Value	2,561,050	2,888,617
Mortgage Sec	197,216	212,749
Select Gold	890,220	957,135
Select Biotech	7,128,334	4,801,702
Select Energy Svcs	308,349	489,875
Select Insurance	227,517	187,493
Select Retailing	1,252,774	718,351
US Govt Res	-	1,112,708
Fidelity Govt Income	1,070,732	1,180,072
Fidelity Cash Resrve	3,777,457	4,430,665
Select Energy	1,083,868	1,560,465
Select Leisure	357,382	415,240
Select Healthcare	4,560,413	3,995,196
Select Technology	2,562,067	2,404,977
Select Utilities	373,782	532,635
Select Financial	139,220	129,792
Select Defense	1,193,622	1,278,399
Select Brokerage	107,836	125,351
Select Chemicals	909,765	1,104,312
Independence	983,511	1,179,303
Select Money Market	-	6,423,116
OTC Portfolio	1,423,649	1,614,983
Overseas	300,635 **	286,905 **
Select Telecomm	176,716	197,236

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2015 and 2014

(See Independent Auditors' Report)

	Fair Value	
	2015	2014
Fidelity Variable Earnings Investments - Continued:		
Select Consumer Fin	\$ 47,900	\$ 97,119
Leverged Co Stockk	1,579,693	1,971,342
New Millen	128,856	291,251
Europe	321,216 **	294,969 **
Pacific Basin	76,151 **	103,834 **
Real Estate Invs	1,229,990	1,345,846
Balanced	4,916,964	5,002,704
International Discovery	972,083 **	1,146,818 **
Capital Apprec	7,535,321	7,588,243
Convertible Sec	346,805	354,884
Canada	553,777 **	964,513 **
Telecom & Util	200,464	209,924
Blue Chip Gr	4,916,004	4,365,650
Asset Mgr 50%	865,334	941,827
Disciplnd Eqty	310,961	298,358
Low Priced Stk	7,361,662	8,041,806
Worldwide	395,362 **	365,142 **
Eq Div Income	14,997,199	16,916,744
Stk Select All Cap	355,536	413,912
Asset Mgr 70%	1,620,977	1,391,295
Emerging Mkts	566,517 **	585,614 **
Growth Strat	9,707,187	9,734,962
Diversifd International	5,223,003 **	5,359,003 **
Asset Mgr 20%	677,644	771,295
Dividend Gr	5,480,051	5,884,957
New Markets Inc	1,231,645	1,435,493
Export & Multi	953,158	1,023,170
Focused Stock	1,061,005	340,089
Global Balanced	1,100,980 **	1,160,525 **
International Cap Apprec	337,900 **	278,022 **
Stk Select Sm Cap	359,059	336,957
Mid Cap Stock	2,485,482	2,724,321
Large Cap Stock	897,515	908,194
Growth Disc	1,091,612	1,002,809
Small Cap Stock	913,092	936,509
Nordic	307,271 **	256,362 **
Asset Mgr 85%	1,118,961	1,193,535

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2015 and 2014

(See Independent Auditors' Report)

	Fair Value	
	2015	2014
Fidelity Variable Earnings Investments - Continued:		
Latin America	\$ 401,963 **	\$ 593,216 **
Japan	26,170 **	25,459 **
Emerging Asia	358,690 **	401,933 **
China Region	712,172 **	1,076,006 **
Select IT Services	1,041,669	604,167
Select Med Eq & Sys	846,338	831,512
Four In One Idx	1,682,234	1,921,824
Japan Small Co	132,650 **	112,249 **
Mega Cap Stock	1,032,132	1,007,728
Strategic Income	1,557,453	1,558,088
Freedom Income	4,012,113	4,110,410
Freedom 2010	13,521,646	15,926,212
Freedom 2020	56,197,194 *	53,942,235 *
Freedom 2030	35,142,654 *	33,877,323 *
Sm Cap Discovery	1,311,066	1,612,637
Treasury Only Mm	688,101	714,529
Short Term Bond	897,623	818,954
Intm Govt Income	343,608	290,579
High Income	485,947	641,904
Fifty	-	838,369
Select Automotive	28,266	34,497
Select Multimedia	324,281	559,222
Select Medical Del	824,470	701,799
Select Banking	267,068	269,790
Select Materials	233,372	294,863
Select Indust Equip	24,711	67,928
Select Constr/House	206,932	218,941
Select Transport	336,291	537,783
Select Natural Gas	330,340	547,579
Select Natural Res	347,053	464,970
Select Industrials	220,925	240,365
Select Env Alt Engy	121,088	105,425
Select Cons Discr	64,873	43,215
Select Comm Equip	95,200	117,589
Select Pharmaceutcl	1,588,850	1,007,397
Retire Mmkt	16,089,818	17,783,449
Ret Govt Mm	1,496,485	1,027,620

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2015 and 2014

(See Independent Auditors' Report)

	Fair Value	
	2015	2014
Fidelity Variable Earnings Investments - Continued:		
Managed Income Portfolio	\$ 9,954,641	\$ 10,366,379
Ltd Term Govt	408,297	411,701
Stock Select Lgcap Val	350,000	439,257
Freedom 2040	15,362,309	14,274,508
Mid Cap Value	976,157	988,934
Inflat Prot Bond	329,781	405,374
Float Rt Hi Inc	302,980	316,939
International Small Cap	581,137 **	558,647 **
Total Bond	1,565,260	1,265,610
Value Discov	752,645	621,541
Real Estate Inc	494,042	569,528
Select Wireless	578,782	728,540
Blue Chip Value	505,292	512,035
Nasdaq Comp Indx	688,207	452,275
Freedom 2005	1,693,257	1,764,634
Freedom 2015	20,777,207	23,567,971
Freedom 2025	29,678,219 *	26,125,968
Freedom 2035	17,284,799	15,506,616
Strat Div & Inc	311,882	505,524
Focused High Inc	151,352	154,802
Fidelity International Real Estate	381,332 **	386,526 **
Fidelity Small Cap Growth	679,960	357,441
Fidelity Small Cap Value	444,711	540,952
Fidelity International Sm Cap Opp	268,294 **	169,979 **
Fidelity Strat Real Ret	97,253	100,322
Spartan Tot Mkt Idx Adv	2,646,587	2,592,707
Spartan Ext Mkt Idx Adv	1,308,612	1,284,525
Spartan International Index Adv	1,263,830 **	1,217,192 **
Spartan 500 Index Adv	4,121,552	3,702,926
Spartan St Tr Idx Adv	373,845	349,648
Spartan Int Tr Idx Adv	675,213	644,993
Spartan Lt Tr Idx Adv	530,727	388,269
International Value	49,715 **	24,701 **
Freedom 2045	7,080,001	6,411,629
Freedom 2050	4,360,963	3,821,182
LC Core Enh Indx	89,250	66,694
LC Val Enh Indx	103,635	48,950

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2015 and 2014

(See Independent Auditors' Report)

	Fair Value	
	2015	2014
Fidelity Variable Earnings Investments - Continued:		
LC Gro Enh Indx	\$ 413,633	\$ 405,189
Asset Mgr 30%	114,286	176,166
Asset Mgr 40%	55,684	21,985
Asset Mgr 60%	59,094	73,809
Global Strat	29,706 **	25,292 **
Total International Eq	8,969 **	76 **
International Growth	83,869 **	67,319 **
International Enh Index	116,914 **	6,875 **
Sm Cap Enh Indx	221,704	136,953
Mid Cap Enh Indx	363,229	326,865
Emea	118,745 **	126,773 **
Global Comdty Stk	87,782 **	114,146 **
Corporate Bond	209,373	145,096
Consv Inc Bd	3,204	3,050
Global High Income	40,180 **	31,654 **
Spartan Us Bond Idx Adv	1,140,214	1,108,058
Fidelity Freedom 2055	719,964	439,950
Spartan Em Mkts Idx Adv	83,112	84,008
Spartan Global Xus Idx Adv	69,892 **	59,269 **
Spartan Mid Cap Idx Adv	198,410	145,930
Spartan Real Es Idx Adv	112,480	61,201
Spartan Sm Cap Idx Adv	182,118	153,430
Fidelity Total Emerg Mkts	32,736 **	37,338 **
Fidelity Emerg Mkts Disc	38,956 **	28,488 **
SA Core Multi Mgr	14,079	21,449
SA Growth Multi Mgr	23,870	3,403
SA Value Multi Mgr	10,764	5,422
SA Smid Multi Mgr	5,270	4,073
SA Intl Multi Mgr	54 **	-
SA Emerging Mkts Fof	323 **	-
Fidelity Global Eq Income	71,788 **	48,781 **
Fidelity Stk Select Mid Cap	207,029	268,114
Spartan Infl Pr Idx Adv	80,243	45,996
Fidelity Global Bond	10,952 **	11,193 **
Fidelity International Bond	42,899 **	18,829 **
SA Income Oppty Fof	14,687	10,895
SA Core Income Multi	-	82

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2015 and 2014

(See Independent Auditors' Report)

	Fair Value	
	2015	2014
Fidelity Variable Earnings Investments - Continued:		
SA Multi Mgr Income	\$ 168	\$ -
SA Multi Mgr 2010	77,659	77,472
SA Multi Mgr 2015	22,275	-
SA Multi Mgr 2020	84,061	82,631
SA Multi Mgr 2025	5,404	1,887
SA Multi Mgr 2030	13,239	8,191
SA Multi Mgr 2035	21,009	6,845
SA Multi Mgr 2040	25,093	14,833
SA Multi Mgr 2045	12,152	1,838
SA Multi Mgr 2050	8,329	6,762
SA Multi Mgr 2055	9,370	4,875
Fidelity Treasury Mmkt	-	51,892
Fidelity SH Dur High Inc	1,155	516
Fidelity Ltd Term Bond	111,946	47,402
Fidelity Event Drvn Opp	12,668	11,148
Fidelity Freedom 2060	28,342	-
SA Multi Mgr 2060	11,317	10,225
Fidelity Money Mkt Prm	6,841,626	-
Fidelity Govt MMRK Prm	1,239,694	-
Fidelity Treas MM	91,470	-
WF Common Stock A	67,283	-
WF Discovery A	47,589	-
WF Govt Secs A	92,688	-
WF Growth A	831,550	-
WF Opportunity A	173,208	-
WF Short-Term Bond A	48,807	-
Janus Global Research T	3,458,437 **	3,628,170 **
Neuberger Guardian Trust	8,232	15,684
Pim Total Rt Inst	8,976,632	10,221,703
Domini Social Eq Inv	1,755,209	1,898,737
Janus Forty S	926,999	753,412
DWS Core Equity S	62,547	51,958
American Centuryt Ultra Inv	73,376	64,656
ABF Balanced Inv	230,137	298,396
ABF International Equity Inv	50,975 **	93,551 **
ABF Sh Term Bond Inv	-	57,599
MSIF Growth I	191,665	211,441

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2015 and 2014

(See Independent Auditors' Report)

	Fair Value	
	2015	2014
Fidelity Variable Earnings Investments - Continued:		
Tmpl Frgn Sm Co A	\$ 54,745 **	\$ 67,944 **
Mutual Gbl Discvry A	675,776 **	822,778 **
Baron Growth	1,994,877	2,147,897
Baron Asset Fund	257,020	227,092
Calvert Balanced A	14,066	16,182
Calvert Equity A	56,342	80,242
Calvert Cap Acc A	45,504	46,359
Calvert International Eq A	21,258 **	20,036 **
Loomis Sm Cap Val R	42,691	35,293
JH Small Company A	36,743	62,384
FPA Crescent	791,809	941,173
RHJ Micro Cap	163,803	183,178
Mckee International Eq	33,443 **	33,196 **
Ariel Fund	401,212	366,227
Ariel Appreciation	484,803	502,621
Neuberger Core Bond Inv	12,256	11,474
Alger Cap Apprec I	1,839,771	1,594,870
Alger Midcap Grth I	945,704	970,622
Alger Sm Cap Gr Is I	103,461	134,193
Dreyfus Mid-Cap Grth F	70,857	70,892
Fkln Smmidcap Grth A	427,461	435,881
Harbor Cap Appr Inst	1,001,856	546,690
Janus Flexible Bd T	928,843	738,223
Templeton Foreign A	567,705 **	742,168 **
MSIF Global Strat A	9,490 **	15,010 **
MSIF Cp Fx Inc A	40,402	77,808
MSIF Mid Cap Grth A	71,944	123,927
MSIF Sm Co Grth A	67,257	82,272
MSIF Active International A	10,438 **	26,605 **
MSIF Emerging Mkts A	96,885 **	123,439 **
Mutual Shares A	535,874	596,196
AMG M Special Eq Srv	35,338	32,239
Neuberger Focus Trust	35,616	38,644
Neuberger Genesis - Tr Cl	771,141	845,216
Neuberger Mdcap Grth Trust	15,566	12,258
Neuberger Lg Cap Val Tr	26,022	34,849
Neuberger Socially Resp Tr	88,013	98,211

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2015 and 2014

(See Independent Auditors' Report)

	Fair Value	
	2015	2014
Fidelity Variable Earnings Investments - Continued:		
Oakmark Selectect I	\$ 670,541	\$ 771,994
Oakmark Eq & Inc I	3,230,515	3,395,352
Oakmark Fund I	1,070,178	1,309,801
AMG Mc Cap Appr Srv	53,000	80,262
AMG Mc Mid Cap Srv	13,981	11,025
Pimco Global bnd Ad Unhdgd	426,898 **	492,971 **
Pimco High Yield Adm	529,180	626,387
Pimco Low Dur Adm	823,564	1,016,790
Pimco Lt Us Govt Adm	896,889	936,197
CB Value Tr I	3,338,875	3,746,919
WFA Ultra St Inc Inv	-	43,803
WFA Shrtterm Bnd Inv	-	20,633
WFA Discovery Inv	-	72,982
WFA Growth Inv	-	946,764
WFA Common Stock Inv	-	60,651
WFA Opportunity Inv	-	194,372
WFA Lg Cap Grth Inv	-	81,349
WFA Govt Securty Inv	-	97,506
Templeton Dev Mkts A	131,070 **	209,428 **
Templeton Growth A	352,371	405,382
Tmpl Global Bond A	1,099,719 **	1,569,092 **
Templeton World A	353,801 **	408,422 **
USAA Crnstn Mod Aggr	163,968	161,973
USAA Govt Sec	102,717	59,511
USAA Income Fund	1,346,641	1,121,458
USAA Income Stock	134,601	168,419
USAA International	152,268 **	145,052 **
USAA Growth Fund	428,213	377,156
USAA Emerging Mkts	90,167 **	126,287 **
Aberdeen Global Fx Inc Is	5,219 **	16,644 **
Artisan International	843,716 **	863,294 **
WF Sm Cap Value A	238,127	-
MSIF International Equity A	58,394 **	62,067 **
Royce Low Pr Stk Is	414,654	505,886
Invesco Smcp Grth Inv	187,083	214,559
Dreyfus Strategic Val I	298,165	319,509
Dreyfus Research Grth Z	91,054	99,869

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2015 and 2014

(See Independent Auditors' Report)

	Fair Value	
	2015	2014
Fidelity Variable Earnings Investments - Continued:		
Invesco Value Opps A	\$ 207,603	\$ 220,451
Tchstn Focused Y	143,649	90,068
Invesco Am Franchise A	116,695	102,546
TCW Sm Cap Grth N	15,091	16,075
Vanguard Inst Index	27,820,695 *	28,455,064 *
Invesco Global Smmdcp Gr A	46,652 **	54,505 **
AMG Mgrs Bond S	1,055,607	1,068,432
Tcw Selectect Equity N	113,714	91,750
Ld Abt Mid Cap Stk A	487,586	506,479
Artisan Mid Cap Inv	727,586	761,158
Tchstn International Smcap Y	61,681 **	28,171 **
WFA Sm Cap Val Inv	-	380,431
Invesco Grth & Inc A	470,614	460,992
DWS Equity Div A	88,029	99,555
Vang Morgan Grth Adm	1,472,580	1,378,130
Invesco Mid Cap Grth A	126,289	135,416
Invesco Equity & Inc A	184,814	255,414
Invesco Mdep Core Eq A	52,800	66,585
Perkins Mid Cp Val T	1,000,608	1,323,420
WA Core Bond Fi	178,533	170,277
Vang Windsor Adm	5,986,951	6,150,150
Alzgi Nfj Smcpvl Adm	711,742	928,756
Tchstn Mid Cap Val Y	80,121	96,396
AF New Perspect R5	601,504	475,296
Aberdeen Us Equity I A	101,788	114,429
ABF Sm Cap Val Inv	78,462	73,538
American Century Lg Co Val Inv	48,344	75,570
American Centuryt Sm Comp Inv	89,807	93,794
ABF Lg Cap Val Inst	1,415,702	1,651,820
Calvert Small Cap A	38,690	54,665
Invesco Divrs Divd Inv	82,728	63,874
Janus Balanced S	200,640	191,092
Janus Flexible Bd S	121,375	129,795
Janus Overseas S	226,848 **	238,193 **
Janus S	50,998	50,797
Janus Global Research S	74,098 **	97,699 **
Aberdeen International Eq Inst Sv	126,555 **	203,775 **

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2015 and 2014

(See Independent Auditors' Report)

	Fair Value	
	2015	2014
Fidelity Variable Earnings Investments - Continued:		
MSIF Global Franchise A	\$ 354,581 **	\$ 335,453 **
Dreyfus/BC S/Md Cp Gr A	190,640	197,171
WF Large Cap Growth A	90,265	-
Dreyfus Research Grth A	191,597	174,834
WF Ultra St Inc A	49,671	-
Aberdeen US Equity I	112,219	98,136
Brokeragelink	9,132,896	9,554,180
	<u>\$ 540,917,792</u>	<u>\$ 544,949,398</u>

* Represents Investments Greater than 5% of Net Assets

** Represents Investments in Foreign Securities



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***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***

To the Plans Management Board
State of Delaware Deferred Compensation Plan
Dover, Delaware

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 financial statements of the State of Delaware Deferred Compensation Plan as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise State of Delaware Deferred Compensation Plan's basic financial statements, and have issued our report thereon dated June 5, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Delaware Deferred Compensation 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Delaware Deferred Compensation Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Delaware Deferred Compensation Plan's internal control.

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.

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 Plan's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a

To the Plans Management Board
State of Delaware Deferred Compensation Plan
Dover, Delaware

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 State of Delaware Deferred Compensation Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Belfint, Lyons & Shuman, P.A.

June 5, 2017
Wilmington, Delaware