STATE OF DELAWARE
DEPARTMENT OF TRANSPORTATION

Financial Statements
June 30, 2015
(With summarized financial information for the year ended June 30, 2014)

(With Independent Auditors' Report Thereon)

Issuance Date: November 25, 2015

State of Delaware
Department of Transportation

Table of Contents

Santora CPA Group
Right, By Your Side

William A. Santora, CPA
John A. D'Agostino, CPA, MST
Heath N. Kahrs, CPA
Robert S. Smith, CPA
Stacey A. Powell, CPA, CFE, CICA

Robert Freed, Principal
Linda A. Pappajohn, Principal

Independent Auditors' Report

State of Delaware Department of Transportation
Dover, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements, as listed in the table of contents, of the business-type activities and each major fund of the State of Delaware Department of Transportation (the Department), which is an enterprise fund of the State (the State) as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the Department's basic financial statements.

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 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.

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.

Christiana Executive Campus ▲ 220 Continental Drive ▲ Suite 112 ▲ Newark, DE 19713-4309
Phone: (302) 737-6200 ▲ (800) 347-0116 ▲ Fax: (302) 737-3362
E-Mail: info@santoracpagroup.com ▲ www.santoracpagroup.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Department as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Princple Resulting from the Adoption of New Accounting Pronouncements

As discussed in Note 2(n) to the financial statements, during the Fiscal Year Ended June 30, 2015, the Department adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Financial Statement Presentation

As discussed in Note 1, the financial statements of the Department are intended to present the financial position, changes in financial position, and cash flows of only that portion of the business-type activities and major funds of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Prior Year Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Department's financial statements for the year ended June 30, 2014, from which such partial information was derived. The financial statements for the year ended June 30, 2014 were audited by other auditors whose report, dated December 10, 2014, expressed unmodified opinions on those financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information 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, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated November 23, 2015, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Department's internal control over financial reporting and compliance.

Santora CPA Group

November 23, 2015
Newark, Delaware

State of Delaware
Department of Transportation
Management's Discussion and Analysis
June 30, 2015

This section of the State of Delaware Department of Transportation's (the Department) annual financial statements presents our discussion and analysis of the Department's financial performance during the Fiscal Year Ended June 30, 2015.

Background

The mission of the Department is to provide a safe, efficient, and environmentally sensitive transportation network that offers a variety of convenient, cost-effective mobility opportunities for the movement of people and goods. The Department is responsible for the construction and maintenance of the State of Delaware's (the State) roadways, bridges, and public transportation systems, and for the coordination and development of the State's comprehensive, balanced transportation planning and policies.

Financial Highlights

- Outstanding revenue bonds payable continued to decrease as the Department continues to limit long-term borrowing and decrease debt-service costs. Revenue bonds payable decreased to $861.4 million at June 30, 2015 from $939.1 million at June 30, 2014.

- Operating revenues increased by $26.6 million to $510.9 million during the Fiscal Year Ended June 30, 2015, primarily from 1) increased motor vehicle related revenues as a result of continued strong auto sales, 2) increases in SR-1 toll revenues due to implementation of weekend toll increase, and 3) increased motor fuel taxes as a result of lower fuel prices.

- Operating expenses increased by $33.3 million to $601.0 million during the Fiscal Year Ended June 30, 2015, primarily as a result of increases in road maintenance, preservation, and repair expenses due to an increased focus on maintaining the State's transportation infrastructure in a state of good repair.

- Total capital assets (net of depreciation) increased $49.0 million to $4,321.3 million during Fiscal Year 2015, primarily as a result of the following infrastructure and equipment spending: West Dover Connector - $6.7 million; US 301 - $12.8 million; Wilmington Riverfront/Christina River Bridge - $5.3 million; SR-1/I-95 Interchange - $5.8 million; and truck and tractor purchases - $7.5 million.

Overview of the Financial Statements

The Department is an agency of the State and operates as an enterprise fund. Included within the Department is the Delaware Transportation Authority (the Authority), which is a blended component unit of the Department. The Authority is made up of the activities of the Transportation Trust Fund (the Trust Fund) and the Delaware Transit Corporation (DTC).

The financial section of this annual report consists of five parts: (1) management's discussion and analysis, (2) the basic financial statements, (3) notes to the financial statements, (4) required supplementary information, and (5) supplementary information.

The financial statements provide both long- and short-term information about the Department's overall financial status.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by required supplementary information and supplementary information that further explain and support the information in the financial statements.

The Department's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statement of revenues, expenses, and changes in fund net position. All assets and liabilities associated with the operation of the Department are included in the statement of net position.

Financial Analysis of the Department

Net Position

The Department's total assets were $4,705.8 million at June 30, 2015, compared to $4,675.4 million at June 30, 2014. Total liabilities were $1,252.4 million at June 30, 2015, compared to $1,316.8 million at June 30, 2014. Net position at June 30, 2015 was $3,440.7 million, compared to $3,361.9 million at June 30, 2014.

Condensed Financial Information - Department of Transportation
Net Position as of June 30
(Dollars expressed in millions)

	2015	2014	Change ($)	Change (%)
Current assets	$ 309.2	$ 313.2	$ (4.0)	(1.3)
Capital assets	4,321.3	4,272.3	49.0	1.1
Other noncurrent assets	75.3	89.9	(14.6)	(16.2)
Total assets	4,705.8	4,675.4	30.4	0.7
Deferred outflows of resources	29.4	22.8	6.6	28.9
Current liabilities	181.1	179.7	1.4	0.8
Noncurrent liabilities	1,071.3	1,137.1	(65.8)	(5.8)
Total liabilities	1,252.4	1,316.8	(64.4)	(4.9)
Deferred inflows of resources	42.1	19.6	22.5	114.8
Net position				
Net investment in capital assets	3,445.9	3,267.4	178.5	5.5
Restricted	153.1	160.5	(7.4)	(4.6)
Unrestricted	(158.3)	(66.0)	(92.3)	139.8
Total net position	$ 3,440.7	$ 3,361.9	$ 78.8	2.3

The increase in capital assets is primarily a result of the following infrastructure and equipment spending: West Dover Connector - $6.7 million; US 301 - $12.8 million; Wilmington Riverfront/Christina River Bridge - $5.3 million; SR-1/I-95 Interchange - $5.8 million; and truck and tractor purchases - $7.5 million.

Although there were increases in the net post-employment benefits obligations adding to liabilities, the decrease in total liabilities is primarily the result of not issuing new debt during the year and the payment of existing bonds.

For Fiscal Year 2015, the unrestricted net position decreased due to the decision to draw down existing cash balances to pay for capital assets instead of issuing new debt during the year, as well as the effect of implementing new accounting standards related to pensions.

Changes in Net Position

The Department's net position at June 30, 2015 was $3,440.7 million, compared to $3,361.9 million at June 30, 2014. Operating revenues were $510.9 million and $484.3 million in Fiscal Years 2015 and 2014, respectively. Total operating expenses were $601.0 million and $567.8 million in Fiscal Years 2015 and 2014, respectively.

Condensed Financial Information - Department of Transportation
Changes in Net Position for the Years Ended June 30
(Dollars expressed in millions)

			Change	
	2015	2014	($)	(%)
Operating revenues	$ 510.9	$ 484.3	$ 26.6	5.5
Operating expenses				
Operating expenses	573.8	534.5	39.3	7.4
Depreciation	27.2	33.2	(6.0)	(18.1)
Total operating expenses	601.0	567.7	33.3	5.9
Operating loss	(90.1)	(83.4)	(6.7)	8.0
Nonoperating revenues, net	212.3	188.5	23.8	12.6
Income before transfers	122.2	105.1	17.1	16.3
Transfers, net	(7.1)	39.7	(46.8)	(117.9)
Change in net position	115.1	144.8	(29.7)	(20.5)
Total net position - beginning of year, as previously stated	3,361.9	3,217.1	144.8	4.5
Prior period adjustment - Implementation of GASB Nos. 68 and 71	(36.3)	-	(36.3)	N/A
Total net position - beginning of year, as restated	3,325.6	3,217.1	108.5	3.4
Total net position - end of year	$ 3,440.7	$ 3,361.9	$ 78.8	2.3

The increase in operating revenues from 2014 to 2015 is primarily attributed to increased toll revenues and an increase in motor vehicle and related revenues as a result of increased auto sales.

The increase in total operating expenses from 2014 to 2015 is primarily due to increased professional fees for the planning of projects and increases in materials and supplies from a challenging winter season.

The increase in nonoperating revenues from 2014 to 2015 is a result of increased federal grant revenues relating to federal capital projects.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015, the Department had invested $4,530.2 million in capital assets, including roads, bridges, buildings, land, and equipment. Net of accumulated depreciation, the Department's net capital assets at June 30, 2015 totaled $4,321.3 million. This amount represents a net increase (including additions and disposals, and net of depreciation) of $49.0 million over June 30, 2014. The increase is primarily a result of the following infrastructure and equipment spending: West Dover Connector - $6.7 million; US 301 - $12.8 million; Wilmington Riverfront/Christina River Bridge - $5.3 million; SR-1/I-95 Interchange - $5.8 million; and truck and tractor purchases - $7.5 million.

The Department is using the "modified approach" related to depreciation 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.

It is the Department's policy to maintain at least 85% of its highway system at a fair or better condition rating and 75% of its bridge system (combined structural and deck ratings) at a good or better condition rating as follows:

The condition of 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 for poor pavement to 5 for pavement in good condition.

The condition of bridge structures is measured using the "Bridge Condition Rating" (BCR), which is based on the Federal Highway Administration's (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 are taken as those with ratings of 6 to 9. A rating of 5 is considered fair. The information is taken from past "Bridge Inventory Status" reports.

The Department performs condition assessments of eligible infrastructure assets at least every three years.

Of the Department's 1,626 bridge structures that were rated in 2015, 74.5% received a good or better BCR rating, 18.7% were rated fair, and 6.8% received a substandard rating. Of the 8,049,340 square feet of bridge deck that was rated, 74.3% or 5,979,029 square feet received an OPC condition rating of good or better, 21.1% received a fair rating, and 4.6% received a substandard deck rating. In 2013, 4,448 centerline miles were rated; 98.6% received a fair or better OPC rating and 1.4% received a poor rating. No roadway condition assessment was performed for Fiscal Year 2015.

The estimate to maintain and preserve the Department's infrastructure was \$241.9 million and \$198.9 million for 2015 and 2014, respectively. The actual expenditures were \$291.6 million and \$234.8 million for 2015 and 2014, respectively.

Debt Administration

Transportation Systems Revenue Bonds are issued with the approval of the State and the State's Bond Issuing Officers (the Governor, the Secretary of Finance, the Secretary of State, and the State Treasurer) to finance improvements to the State's transportation systems. Approval by the General Assembly of the State is not required for the Authority to issue bonds to refund any of its bonds provided that a present value debt service savings is achieved in such refunding. The sales must comply with the rules and regulations of the United States Treasury Department and the United States Securities and Exchange Commission.

At June 30, 2015, the Authority had \$861.4 million in revenue bonds outstanding, an 8.3% decrease from June 30, 2014. On June 30, 2015 and 2014, the Authority had a total of \$262.4 million in authorized but unissued revenue bonds.

Of the 10 outstanding Senior Bond Issues, all bonds are rated AA+ and Aa2 by Standard and Poor's and Moody's Investors Services, respectively. The GARVEE Bond, 2010 Series is rated AA and A1 by Standard and Poor's and Moody's Investors Services, respectively.

The Department's investment portfolio is actively managed by Wilmington Trust Company and primarily consists of U.S. government securities, U.S. government agency securities, and high-grade commercial paper. The majority of these investments have maturities of less than one year. The Department's bond ratings have allowed continued access to the municipal bond market at favorable interest rates.

Contacting the Department's Financial Management

This financial report is designed to provide bondholders, patrons, and other interested parties with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the State of Delaware Department of Transportation, Finance Unit, P.O Box 778, Dover, Delaware 19903.

State of Delaware
Department of Transportation
Statement of Net Position
June 30, 2015
(with summarized financial information for June 30, 2014)

		Delaware Transportation Authority		2015	2014
	DELDOT	TTF	DTC	Total	Total
Current assets					
Cash and cash equivalents					
Unrestricted	$ 258,338	$ 26,447,592	$ 34,715,497	$ 61,421,427	$ 46,816,405
Restricted	6,799	3,655,737	-	3,662,536	26,655,174
Pooled cash and investments	12,401,297	-	-	12,401,297	14,355,895
Investments - at fair value					
Unrestricted	-	55,413,618	-	55,413,618	79,197,865
Restricted	195,896	110,039,426	-	110,235,322	70,517,154
Accounts receivable					
Trade	10,617,916	8,891,270	1,016,993	20,526,179	18,189,511
Federal grants	26,268,004	276,291	765,313	27,309,608	39,121,024
Interest	-	398,661	-	398,661	454,745
Inventory	14,554,901	-	3,096,249	17,651,150	17,702,410
Other assets	-	-	207,330	207,330	213,325
Total current assets	64,303,151	205,122,595	39,801,382	309,227,128	313,223,508
Noncurrent assets					
Capital assets, not depreciable					
Land	144,769,155	152,306,437	1,872,536	298,948,128	288,612,090
Infrastructure	2,543,143,814	1,216,991,300	-	3,760,135,114	3,723,674,937
Construction in progress	17,169,477	-	-	17,169,477	34,086,538
Service concession buildings and improvements	-	22,100,000	-	22,100,000	22,100,000
Capital assets, depreciable					
Buildings and improvements	71,596,684	8,072,030	57,862,351	137,531,065	118,630,402
Fixtures, vehicles, and equipment	111,904,656	-	182,422,919	294,327,575	296,476,030
Total capital assets	2,888,583,786	1,399,469,767	242,157,806	4,530,211,359	4,483,579,997
Less: accumulated depreciation	85,923,293	4,217,142	118,779,115	208,919,550	211,273,388
Capital assets, net	2,802,660,493	1,395,252,625	123,378,691	4,321,291,809	4,272,306,609
Investments - at fair value, net of current portion					
Unrestricted	-	4,563,474	-	4,563,474	26,553,523
Restricted	-	70,484,736	-	70,484,736	59,626,299
Net pension asset	-	-	253,443	253,443	3,707,985
Total noncurrent assets	2,802,660,493	1,470,300,835	123,632,134	4,396,593,462	4,362,194,416
Total assets	2,866,963,644	1,675,423,430	163,433,516	4,705,820,590	4,675,417,924
Deferred outflows of resources					
Loss on refundings of debt	-	20,448,278	-	20,448,278	22,823,445
Changes in employer proportionate share of net pension liability	212,160	-	-	212,160	-
Pension contributions made after the measurement date	6,508,133	-	2,232,549	8,740,682	-
Total deferred outflows of resources	6,720,293	20,448,278	2,232,549	29,401,120	22,823,445

(Continued)

State of Delaware
Department of Transportation
Statement of Net Position (Continued)
June 30, 2015
(with summarized financial information for June 30, 2014)

		Delaware Transportation Authority		2015	2014
	DELDOT	TTF	DTC	Total	Total
Current liabilities					
Accounts payable and other accrued expenses	$ 15,711,288	$ 15,608,211	$ 10,317,149	$ 41,636,648	$ 41,444,293
Accrued payroll	3,749,874	-	2,124,008	5,873,882	5,342,023
Escrow deposits	6,411,575	2,259,980	-	8,671,555	10,112,519
Customer toll deposits	-	14,487,762	-	14,487,762	11,921,228
Interest payable	-	20,737,791	-	20,737,791	20,733,321
Unearned revenue	-	-	-	-	56,675
Pollution remediation obligations	685,000	-	-	685,000	1,280,000
Insurance loss reserve	-	-	2,485,340	2,485,340	2,427,420
Compensated absences payable	963,077	-	1,127,251	2,090,328	1,787,132
General obligation bonds payable	-	-	-	-	103,426
Revenue bonds payable	-	72,580,000	-	72,580,000	77,655,000
Bond issue premium - net of accumulated amortization	-	11,902,313	-	11,902,313	6,823,880
Total current liabilities	27,520,814	137,576,057	16,053,748	181,150,619	179,686,917
Noncurrent liabilities					
Other post-employment benefits payable	112,946,392	-	101,508,765	214,455,157	194,503,873
Compensated absences - net of current portion	7,629,630	-	2,194,981	9,824,611	10,479,463
Insurance loss reserve - net of current portion	-	-	9,168,660	9,168,660	9,583,580
Pollution remediation obligations - net of current portion	1,308,000	-	-	1,308,000	2,231,500
Revenue bonds payable - net of current portion	-	788,820,000	-	788,820,000	861,400,000
Bond issue premium - net of accumulated amortization and current portion	-	33,576,224	-	33,576,224	58,915,314
Net pension liability	14,114,288	-	-	14,114,288	-
Total noncurrent liabilities	135,998,310	822,396,224	112,872,406	1,071,266,940	1,137,113,730
Total liabilities	163,519,124	959,972,281	128,926,154	1,252,417,559	1,316,800,647
Deferred inflows of resources					
Service concession arrangement	-	18,942,857	-	18,942,857	19,574,286
Differences between projected and actual earnings on pension plan investments	22,430,145	-	706,367	23,136,512	-
Total deferred inflows of resources	22,430,145	18,942,857	706,367	42,079,369	19,574,286
Net position					
Net investment in capital assets	2,802,660,493	519,840,247	123,378,691	3,445,879,431	3,267,408,989
Restricted	202,695	152,713,740	253,443	153,169,878	160,506,612
Unrestricted	(115,128,520)	44,402,583	(87,598,590)	(158,324,527)	(66,049,165)
Total net position	$ 2,687,734,668	$ 716,956,570	$ 36,033,544	$ 3,440,724,782	$ 3,361,866,436

See accompanying notes to financial statements.

State of Delaware
Department of Transportation
Statement of Revenues, Expenses, and Changes in Fund Net Position
June 30, 2015
(with summarized financial information for June 30, 2014)

	DELDOT	Delaware Transportation Authority TTF	Delaware Transportation Authority DTC	2015 Total	2014 Total
Operating revenues					
Pledged revenue					
Turnpike revenue	$ -	$ 120,363,461	$ -	$ 120,363,461	$ 122,404,184
Motor fuel tax revenue	-	116,968,447	-	116,968,447	114,555,916
Motor vehicle document fee revenue	-	94,037,087	-	94,037,087	84,830,376
Motor vehicle registration fee revenue	-	51,184,304	-	51,184,304	49,243,279
Other motor vehicle revenue	-	25,757,326	-	25,757,326	26,259,772
International Fuel Tax Agreement revenue	-	2,694,453	-	2,694,453	2,372,142
Toll revenue - Delaware SR-1	-	55,767,180	-	55,767,180	47,561,542
Passenger fares	-	-	18,452,285	18,452,285	16,332,281
Miscellaneous	13,299,683	9,571,417	2,820,574	25,691,674	20,751,376
Total operating revenues	13,299,683	476,343,675	21,272,859	510,916,217	484,310,868
Operating expenses					
Road maintenance, preservation, and repairs	106,012,905	45,864,274	-	151,877,179	122,087,638
Payroll expense	115,000,588	-	79,833,141	194,833,729	200,998,978
Professional fees	51,168,591	99,182,481	21,598,327	171,949,399	157,477,186
Materials, supplies, and other	7,360,703	26,165,562	21,590,493	55,116,758	53,947,378
Depreciation	7,872,770	188,500	19,131,585	27,192,855	33,242,994
Total operating expenses	287,415,557	171,400,817	142,153,546	600,969,920	567,754,174
Operating income (loss)	(274,115,874)	304,942,858	(120,880,687)	(90,053,703)	(83,443,306)
Nonoperating revenues (expenses)					
Income from investments - pledged	-	1,844,953	-	1,844,953	2,257,110
Income from investments	-	-	-	-	24,083
Bad debt recovery	-	923,348	-	923,348	887,732
Federal grant revenue	226,266,879	276,291	7,475,681	234,018,851	224,087,434
Pass-through grant revenue	-	-	3,336,385	3,336,385	3,206,584
Pass-through grant expense	-	-	(4,962,061)	(4,962,061)	(5,973,876)
Interest expense	-	(23,482,198)	-	(23,482,198)	(38,529,291)
Service concession arrangement	-	631,428	-	631,428	2,525,714
Excess (deficiency) of nonoperating revenues over nonoperating expenses	226,266,879	(19,806,178)	5,850,005	212,310,706	188,485,490
Income (loss) before transfers	(47,848,995)	285,136,680	(115,030,682)	122,257,003	105,042,184

(Continued)

State of Delaware
Department of Transportation
Statement of Revenues, Expenses, and Changes in Fund Net Position (Continued)
June 30, 2015
(with summarized financial information for June 30, 2014)

		Delaware Transportation Authority		2015	2014
	DELDOT	TTF	DTC	Total	Total
Transfers to other governmental agencies	$ -	$ (5,484,944)	$ -	$ (5,484,944)	$ (3,743,385)
Transfers to State General Fund	-	(5,000,000)	-	(5,000,000)	(5,000,000)
Transfers from State General Fund	-	3,388,738	-	3,388,738	48,467,109
Capital contributions	(13,791,965)	-	13,791,965	-	-
Transfers to DTC	(7,331,880)	(85,583,707)	92,915,587	-	-
Transfers to DelDOT	104,103,279	(104,103,279)	-	-	-
Change in fund net position	35,130,439	88,353,488	(8,323,130)	115,160,797	144,765,908
Fund net position - beginning of year, as previously stated	2,687,157,063	628,603,082	46,106,291	3,361,866,436	3,217,100,528
Prior period adjustment - Implementation of GASB Nos. 68 and 71					
Net pension liability (measurement date)	(41,255,617)	-	(3,815,944)	(45,071,561)	-
Deferred outflows - Contributions made during Fiscal Year 2014	6,702,783	-	2,066,327	8,769,110	-
Total prior period adjustment	(34,552,834)	-	(1,749,617)	(36,302,451)	-
Fund net position - beginning of year, as restated	2,652,604,229	628,603,082	44,356,674	3,325,563,985	3,217,100,528
Fund net position - end of year	$ 2,687,734,668	$ 716,956,570	$ 36,033,544	$ 3,440,724,782	$ 3,361,866,436

See accompanying notes to financial statements.

State of Delaware
Department of Transportation
Statement of Cash Flows
June 30, 2015
(with summarized financial information for June 30, 2014)

	DELDOT	Delaware Transportation Authority TTF	Delaware Transportation Authority DTC	2015 Total	2014 Total
Cash flows from operating activities					
Receipts from customers	$ 10,419,238	$ 477,878,722	$ 18,374,660	$ 506,672,620	$ 481,661,002
Payments to suppliers	(172,003,495)	(167,947,809)	(39,820,124)	(379,771,428)	(316,709,002)
Payments to employees	(109,680,352)	-	(63,791,063)	(173,471,415)	(177,134,285)
Insurance claims paid	-	-	(5,537,731)	(5,537,731)	(3,960,884)
Other receipts	-	-	2,820,390	2,820,390	2,445,960
Net cash provided by (used in) operating activities	(271,264,609)	309,930,913	(87,953,868)	(49,287,564)	(13,697,209)
Cash flows from noncapital financing activities					
Transfers from State General Fund	-	3,388,738	-	3,388,738	48,467,109
Transfers to State General Fund	-	(5,000,000)	-	(5,000,000)	(5,000,000)
Federal operating subsidies	-	-	7,475,681	7,475,681	4,516,222
Pass-through grant revenue	-	-	3,528,336	3,528,336	2,159,344
Pass-through grant payments	-	-	(4,962,061)	(4,962,061)	(5,973,876)
Transfers from TTF	96,963,350	(189,686,986)	92,723,636	-	(701,690)
Transfers to other governmental agencies	-	(5,484,944)	-	(5,484,944)	(3,743,385)
Net cash provided by (used in) noncapital financing activities	96,963,350	(196,783,192)	98,765,592	(1,054,250)	39,723,724
Cash flows from capital and related financing activities					
Payments of revenue bond principal	-	(77,655,000)	-	(77,655,000)	(84,450,000)
Payments of general obligation bond principal	-	(103,426)	-	(103,426)	(142,867)
Premium from revenue bond sale	-	-	-	-	15,983,075
Loss from bond refunding	-	-	-	-	8,089,500
Federal reimbursement of debt service	-	276,291	-	276,291	-
Proceeds from capital grants	230,404,449	6,623,370	-	237,027,819	207,200,107
Bond issuance costs from revenue bond sale	-	-	-	-	2,380,684
Proceeds from capital contributions	(14,842,441)	-	14,842,441	-	-
Acquisition of capital assets	(43,740,034)	(12,131,568)	(20,356,310)	(76,227,912)	(127,250,270)
Payments of interest	-	(41,363,218)	-	(41,363,218)	(47,745,720)
Net cash provided by (used in) capital and related financing activities	171,821,974	(124,353,551)	(5,513,869)	41,954,554	(25,935,491)
Cash flows from investing activities					
Purchase of investments	-	(2,352,695,177)	-	(2,352,695,177)	(23,433,296)
Proceeds from sale of investments	7,922	2,347,884,946	-	2,347,892,868	26,945,974
Collection on loans previously written off	-	923,348	-	923,348	887,732
Escrow insurance deposits	-	-	22,971	22,971	37,176
Interest received	-	1,901,036	-	1,901,036	2,200,048
Net cash provided by (used in) investing activities	7,922	(1,985,847)	22,971	(1,954,954)	6,637,634

(Continued)

State of Delaware
Department of Transportation
Statement of Cash Flows (Continued)
June 30, 2015
(with summarized financial information for June 30, 2014)

		Delaware Transportation Authority		2015	2014
	DELDOT	TTF	DTC	Total	Total
Net increase (decrease) in cash and cash equivalents	$ (2,471,363)	$ (13,191,677)	$ 5,320,826	$ (10,342,214)	$ 6,728,658
Cash and cash equivalents - beginning of year	15,137,797	43,295,006	29,394,671	87,827,474	81,098,816
Cash and cash equivalents - end of year	$ 12,666,434	$ 30,103,329	$ 34,715,497	$ 77,485,260	$ 87,827,474

	DELDOT	TTF	DTC	2015 Total	2014 Total
Reconciliation of operating income (loss) to net cash used in operating activities					
Net operating income (loss)	$ (274,115,874)	$ 304,942,858	$ (120,880,687)	$ (90,053,703)	$ (83,443,306)
Adjustment to reconcile net operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	7,872,770	188,500	19,131,585	27,192,855	33,242,994
Adoption of GASB Nos. 68 and 71	3,698,443	-	(178,743)	3,519,700	-
Changes in assets and liabilities					
(Increase) decrease in accounts receivable - trade	(1,934,359)	(479,934)	77,625	(2,336,668)	(292,694)
(Increase) decrease in inventory	(425,683)	-	476,943	51,260	722,917
Decrease in prepaid expenses	-	-	28,965	28,965	1,012,651
(Increase) decrease in net pension asset	-	-	361,402	361,402	(395,894)
Increase (decrease) in accounts payable and other accrued expenses	(5,517,113)	3,264,508	2,444,960	192,355	7,341,928
Increase (decrease) in escrow deposits	(946,086)	(494,878)	-	(1,440,964)	3,990,487
Increase (decrease) in insurance loss reserve	-	-	(357,000)	(357,000)	2,164,000
Increase (decrease) in compensated absences	(482,196)	-	130,540	(351,656)	(1,678,389)
Increase (decrease) in accrued payroll and related expenses	271,542	-	260,317	531,859	(287,931)
Decrease in unearned revenue	-	(56,675)	-	(56,675)	(535,890)
Increase (decrease) in customer toll deposits	-	2,566,534	-	2,566,534	(1,864,354)
Increase (decrease) in pollution remediation obligations	(1,518,500)	-	-	(1,518,500)	99,365
Decrease in net pension liability	(7,568,612)	-	-	(7,568,612)	-
Increase in post-employment benefits payable	9,401,059	-	10,550,225	19,951,284	26,226,907
Net cash provided by (used in) operating activities	$ (271,264,609)	$ 309,930,913	$ (87,953,868)	$ (49,287,564)	$ (13,697,209)

See accompanying notes to financial statements.

(1) Organization

The Delaware Department of Transportation (the Department) is a major fund of the State of Delaware (the State). The Department has the overall responsibility for coordinating and developing comprehensive, balanced transportation planning and policies for the State. In addition, the Department has overall responsibility for maintenance and operation of roadways and bridges that fall under its jurisdiction. To assist the Department in their mission, the State and the Department 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 Secretary), the Director of the Office of Financial Management and Budget, and the Administrator of the Trust Fund. The Authority's principal role is to provide financing to the Department and, as a result, is a blended component unit of the State and is included in these financial statements on a blended basis.

The Trust Fund was created by the State as a special fund with its corporate powers held by the Authority, under the Transportation Trust Fund Act of 1987 (the TTF Act). The underlying purpose of the TTF Act and the Trust Fund is to address the growing urgency to provide additional means to finance the maintenance and development of the integrated highway, air, and water transportation system in the State for the economic benefit of the State and for the welfare and safety of the users of the transportation system. The primary funding of the Trust Fund comes from motor fuel taxes, motor vehicle document fees, motor vehicle registration fees, and other transportation-related fees, which are imposed and collected by the State and transferred to the Trust Fund. The State has irrevocably pledged, assigned, and continuously appropriated to the Trust Fund these taxes and fees. The other major sources of revenue for the Trust Fund are the Delaware Turnpike and the Delaware SR-1 Toll Roads. The Authority may apply Trust Fund revenue for transportation projects, subject to the approval of the State, and may pledge any or all of this revenue to secure financing for these projects. The TTF Act also granted the Authority the power to issue bonds payable from and secured by the revenues pledged and assigned to the Trust Fund.

The trust agreements in effect are the Motor Fuel Tax Revenue Bond Trust Agreement (the Motor Fuel Tax Agreement), dated September 1, 1981, as supplemented, and the Transportation Trust Fund Agreement (the Trust Agreement), dated August 1, 1988, as supplemented. The Trust Agreement is a bond indenture, intended to ensure payment to bondholders through assets and revenues pledged to the Trust Fund. Pledged revenues fund certain accounts created under Section 4.02 of the Trust Agreement and, to the extent those revenues are not needed for that purpose, they are deposited, lien-free, to the Trust Fund. Surplus pledged revenues and nonpledged revenues of the Trust Fund may be used to fund the operations of the Department. The provisions of the Motor Fuel Tax Agreement and the Trust Agreement govern the disposition of revenues and other income and prescribe certain accounting practices, including the conditions for transfer of monies among the various funds and accounts held by the Authority or the Trustee and the use of such funds.

Pursuant to Title 2 of the Delaware Code, Sections 1304(a) and 1307(a) as enacted by 69 Delaware Law Chapter 435, DTC was created in Fiscal Year 1995 as a subsidiary public benefit corporation of the Authority. With approval of the Governor, the Secretary appoints the Director of DTC, who serves at the pleasure of the Secretary. The Authority provides significant operational subsidies to DTC annually. DTC is authorized to operate the public transportation system within the State and provides services directly to the public. As a result, it is a blended component unit of the Authority. Separate financial statements for DTC are available by writing to the State of Delaware Department of Transportation, 800 Bay Road, Dover, Delaware 19903.

(2) Summary of Significant Accounting Policies

(a) Measurement Focus and Basis of Accounting

The Department, which is comprised of three funds - DelDOT, the Trust Fund, and DTC, operates as an enterprise fund. The Department's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

(b) Cash and Cash Equivalents

Cash and 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 when purchased.

The Department maintains cash escrow accounts for administrative purposes and has classified these cash balances as restricted. An offsetting liability is recorded in the accompanying statement of net position.

(c) Allowance for Doubtful Accounts

Accounts receivable are expected to be fully collectible at June 30, 2015, and accordingly, a provision for uncollectible accounts has not been established.

(d) Inventory

Inventory is accounted for at the lower of cost or market. Cost is determined using the weighted average method.

(e) Investments

Investments are recorded at fair value. Fair value is determined using quoted market prices in an active market, if available. For certain U.S. government agency and corporate fixed-income securities, for which an active market does not exist, fair value is determined using a discounted cash flow model. Significant inputs to the discounted cash flow model are the coupon, yield, and expected maturity date of the security.

(f) Management 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(g) Capital Assets

Capital assets, which include land, buildings, improvements, fixtures, equipment, and infrastructure assets (such as roads and bridges, which are normally immovable and of value only to the State), are reported in the Department's financial statements.

Capital assets are defined by the State as assets with an initial individual cost of more than $25,000 at the date of acquisition and an estimated useful life in excess of one year. It is the policy of the Department, with the exception of DTC, to capitalize all buildings and land regardless of cost, improvements to land and buildings when the cost of projects exceed $100,000, and infrastructure when the cost of individual items or projects exceeds $1,000,000. Such assets are recorded at historical cost, or estimated historical cost, if original cost is not determinable. Donated capital assets are recorded at estimated fair market value at the time of the donation. Buildings, improvements, fixtures, and equipment are depreciated on a straight-line basis.

Capital assets are defined by DTC as all assets purchased with State and federal grant funds, as well as any asset with a cost greater than $5,000 purchased with operating funds.

For assets not part of infrastructure, the costs of normal preservation, maintenance, and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

For infrastructure, the Department uses the "modified approach" to account for roads and bridges, as provided by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Under this process, the Department does not record depreciation expense nor are amounts expended in connection with improvements to these assets capitalized, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the Department to: (1) commit to maintaining and preserving affected assets at or above a condition level established by the Department, (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.

The Department maintains two asset management systems, one for the roads and one for the bridges. In addition, the Department completes condition assessments on its roads and bridges at least every three years.

Buildings, improvements, fixtures, and equipment, other than those associated with service concession agreements, are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 - 40 years
Revenue vehicles	4 - 25 years
Service vehicles and equipment	3 - 20 years
Communications equipment	10 - 40 years
Furniture and fixtures	3 - 10 years
Bus signs and shelters	10 years

(h) Compensated Absences

Compensated absences are absences for which Department employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Department and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Department and its employees are accounted for in the period in which such services are rendered or such events take place.

(i) Line of Credit

The Trust Fund has a line of credit agreement with PNC Bank for $50,000,000 that matures November 2016. There were no borrowings against the line at June 30, 2015. The line bears interest on the amount that has been advanced from time to time pursuant to the bank loan agreements. At June 30, 2015, the rate was equal to 0.6975%.

(j) Revenue Recognition

Turnpike/Toll Revenue - Turnpike/Toll revenues consist primarily of fees for the usage of the Delaware Turnpike and the toll portion of Delaware SR-1 and are recognized at the time vehicles pass through the toll plazas.

Motor Fuel Tax Revenue - Motor fuel tax revenues are generally recognized at the time fuel is dispensed to the ultimate user.

Motor Vehicle Revenue - Motor vehicle revenues are recognized at the time services are provided to customers.

*Passenger Fare*s - Passenger fare revenues are recorded at the time services are provided.

(k) Bond Issue Premiums/Discounts

Amortization of bond issue premiums/discounts is provided using the straight-line method over the life of the bond issue. Net amortization resulted in $20,260,657 of reductions of interest expense in 2015.

(l) Revenues and Expenses

The Department defines nonoperating revenues as federal grant revenue, investment income, and collections on loans previously written off. Pledged revenue represents taxes, fees, and investment income committed to repayment of revenue bonds. All other revenues are derived from normal operations of the Department. Nonoperating expenses are defined as grant expenses and interest expense. All other expenses are a result of normal operations.

(m) 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 future reporting periods. 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 financial statements as of June 30, 2015 were as follows:

Deferred outflows of resources:	
Loss on refundings of debt	$ 20,448,278
Changes in employer proportionate share of net pension liability	212,160
Pension contributions made after the measurement date	8,740,682
Total deferred outflows of resources	$ 29,401,120
Deferred inflows of resources:	
Service concession arrangement	$ 18,942,857
Differences between projected and actual investment earnings on pension plan investments	23,136,512
Total deferred inflows of resources	$ 42,079,369

(n) New Accounting Standards Adopted

During the Fiscal Year Ended June 30, 2015, the Department adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan. Adoption of GASB No. 68 resulted in the recognition of a net pension liability of $45,071,561 and a reduction of net position of $45,071,561 as of June 30, 2014.

GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in November 2013. GASB No. 71 addresses an issue regarding application of the transition provisions of GASB No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer, or nonemployer contributing entity, to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The adoption of GASB No. 71 resulted in the recognition of deferred outflows and an increase in net position of $8,769,110 as of June 30, 2014.

(o) Summarized Comparative Information

The basic financial statements include certain prior year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Department's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

(3) Cash and Investments

(a) Cash Management Policy and Investment Guidelines

The Department follows the *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* (the Policy) of 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 the Delaware Pension Employee Retirement System, the Other Post-Employment Benefits Trust (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 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 Department. Investments of the Department are further restricted to “Qualified Investments” as defined in the Trust Agreement.

All deposits and investments of the Department are categorized as “Authority Accounts.”

As defined by the Policy, the investment objectives of Authority Accounts include maximizing yield and maintaining the safety of principal. At June 30, 2015, investments of the Department are primarily in U.S. government securities, U.S. government agency securities, and commercial paper rated in the highest rating category by either Moody's or Standard & Poor's. All of these meet the objectives defined by the Policy and are Qualified Investments in accordance with the Trust Agreement.

The Policy is available on the Office of the State Treasurer's website at http://treasury.delaware.gov.

(b) Custodial Credit Risk

Deposits

Per the Policy, all State deposits are required by law to be collateralized by direct obligations of, or obligations that 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 B by Fitch, Inc. Bank Watch.

The Board has also determined that State demand deposits need not be collateralized, provided that any bank that holds these funds has, for any quarter during the most recent eight quarters, a return on average assets of 0.5% or greater and an average capital ratio (total equity to total assets) of 5% or greater. If the bank does not meet either of these criteria, collateral must be pledged and shall consist of one or more of the following securities:

- 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 the State with a Moody's Investors Service rating of A or better.

Additionally, the bank must ensure that those securities pledged as collateral (except for Federal Home Loan Board letters of credit) have a market value equal to or greater than 102% of the total average monthly ledger balance(s) (net of Federal Deposit Insurance Corporation limits) held in all accounts and ensure that the securities pledged as collateral are housed at the Federal Reserve Bank. Financial institutions must provide reports on a monthly basis to the State Treasurer's Office detailing the collateral pledged and provide a Call Report on a quarterly basis to the State Treasurer's Office.

The Department's cash and cash equivalents held at external financial institutions at June 30, 2015 were $65,083,963, and the bank balances were $65,143,472. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits-in-transit. Of the bank balances, $65,025,933 was covered by federal depository insurance or by collateral held by the Department's agent, in the Department's name, at June 30, 2015. The remaining bank balances of $117,539 were neither insured nor collateralized at June 30, 2015.

As of June 30, 2015, the Department also had $12,401,297 held in the State Investment Pool by the State Treasurer's Office. The State Treasurer's Office controls these funds and any investment decisions are made by the State Treasurer's Office. The State Investment Pool includes deposit accounts and short- and long-term investments. The deposits held in the State Investment Pool are allocated to the Department, but the custodial credit risk cannot be categorized for these deposits.

Investments

Investments of the Department are stated at fair value. At June 30, 2015, all of the Department's investments were insured or registered, with securities held by the Department or the counterparty in the Department's name.

(c) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the value of an investment. The Policy provides that maximum maturity for investments in Department accounts, at the time of purchase, shall not exceed 10 years, except when it is 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.

The following table presents a listing of directly held investments and related maturities at June 30, 2015:

		Investment maturities (in years)		
Investment type	**Fair value**	**Less than 1**	**1 - 5**	**6 - 10**
U.S. government securities	$ 44,163,109	$ 7,465,654	$ 15,762,877	$ 20,934,578
U.S. government agency securities	133,670,692	96,036,031	16,993,478	20,641,183
Commercial paper	62,863,349	61,951,359	911,990	-
Total investments	$240,697,150	$165,453,044	$ 33,668,345	$ 41,575,761

(d) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Department follows the Policy and the Trust Agreement by investing only in authorized securities. The Department's general investment policy for credit risk is to apply the prudent-person rule. 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.

In addition, the Trust Agreement limits investments in commercial paper to those with a Moody's rating of P-1 or a Standard & Poor's rating of A-1 for short-term investments. The Department had investments in commercial paper of $62,863,349 at June 30, 2015. All commercial paper held matures within five years and is rated in accordance with the Trust Agreement. The investments in U.S. government and government agency securities are rated at Aaa with Moody's and AA+ with Standard & Poor's.

(e) Investments in Excess of 5%

Concentration of credit risk is the risk of loss attributed to the magnitude of the Department'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 that the purchase of securities cannot exceed 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 deposit, time deposits, and bankers acceptances - 50% total; 5% in any one issuer.

   1. Domestic - No additional restrictions.

   2. Nondomestic - 25%.

   3. 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.

1. Domestic - No additional restrictions.
2. Nondomestic - 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, if applicable).

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 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, if applicable).

The following issuers have investments at fair value in excess of 5% of the investment portfolio at June 30, 2015:

Federal National Mortgage Association	$ 94,370,094	39%
United States Treasury	44,163,109	18
Federal Home Loan Mortgage Corporation	29,108,830	12
Commonwealth Bank of Australia	14,499,285	6

(f) Investment Commitments

The Department has made no investment commitments as of June 30, 2015.

(g) Funding of Unpaid Loss Insurance Reserve Liability

Included in cash at Fiscal Years June 30, 2015 and 2014 was $- and $-, respectively, which will by utilized to fund the remaining loss insurance liability (Note 15) less the escrow insurance deposits.

(4) Capital Assets

Capital asset activity for the Fiscal Year Ended June 30, 2015 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated:				
Land	$ 288,612,090	$ 10,336,038	$ -	$ 298,948,128
Infrastructure	3,723,674,937	36,460,177	-	3,760,135,114
Service concession buildings and improvements	22,100,000	-	-	22,100,000
Construction-in-progress	34,086,538	2,451,633	(19,368,694)	17,169,477
Total capital assets not being depreciated	4,068,473,565	49,247,848	(19,368,694)	4,098,352,719
Capital assets being depreciated:				
Buildings and improvements	118,630,402	18,905,663	(5,000)	137,531,065
Furniture, vehicles, and equipment	296,476,030	27,806,694	(29,955,149)	294,327,575
Total capital assets being depreciated	415,106,432	46,712,357	(29,960,149)	431,858,640
Less accumulated depreciation for:				
Buildings and improvements	41,172,399	3,942,305	(5,000)	45,109,704
Furniture, vehicles, and equipment	170,100,989	23,250,550	(29,541,693)	163,809,846
Total accumulated depreciation	211,273,388	27,192,855	(29,546,693)	208,919,550
Total capital assets being depreciated, net	203,833,044	19,519,502	(413,456)	222,939,090
Total capital assets, net	$ 4,272,306,609	$ 68,767,350	$ (19,782,150)	$ 4,321,291,809

Depreciation expense for Fiscal Year 2015 was $27,192,855.

(5) Changes in Long-Term Liabilities

Long-term liability activity for the Fiscal Year Ended June 30, 2015 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Revenue bonds	$ 939,055,000	$ -	$ (77,655,000)	$ 861,400,000	$ 72,580,000
General obligation bonds	103,426	-	(103,426)	-	-
Bond issue premium, net of accumulated amortization	65,739,194	-	(20,260,657)	45,478,537	11,902,313
Insurance loss reserve	12,011,000	5,180,731	(5,537,731)	11,654,000	2,485,340
Post-employment benefits	194,503,873	31,551,284	(11,600,000)	214,455,157	-
Pollution remediation obligations	3,511,500	-	(1,518,500)	1,993,000	685,000
Net pension liability	-	14,114,288	-	14,114,288	-
Compensated absences	12,266,595	-	(351,656)	11,914,939	2,090,328
Long-term liabilities	$ 1,227,190,588	$ 50,846,303	$ (117,026,970)	$ 1,161,009,921	$ 89,742,981

(6) Revenue Bonds Outstanding

Date of issue/maturity	Amount of original issue	Description and fixed interest rates	Bonds outstanding at June 30, 2015
Senior Bonds:			
2005/2025	150,000,000	Transportation System Senior Revenue Bonds, 2005, 5.00%	$ 7,870,000
2006/2026	127,445,000	Transportation System Senior Revenue Bonds, 2006, 3.50% - 5.00%	39,035,000
2007/2021	87,890,000	Transportation System Senior Revenue Bonds, 2007A, 4.00% - 5.00%	50,135,000
2008/2028	84,720,000	Transportation System Senior Revenue Bonds, 2008A, 4.00% - 5.00%	62,575,000
2008/2029	117,875,000	Transportation System Senior Revenue Bonds, 2008B, 5.00%	97,620,000
2009/2029	105,315,000	Transportation System Senior Revenue Bonds, 2009A, 5.00%	92,180,000
2010/2019	47,715,000	Transportation System Senior Revenue Bonds, 2010A, 5.00%	32,990,000
2010/2030	72,120,000	Transportation System Senior Revenue Bonds, 2010B, 3.95% - 5.80%	72,120,000
2012/2024	222,870,000	Transportation System Senior Revenue Bonds, 2012, 3.00% - 5.00%	211,540,000
2014/2024	108,760,000	Transportation System Senior Revenue Bonds, 2014, 2.25% - 5.00%	108,760,000
GARVEE Bonds:			
2010/2025	113,490,000	Transportation System Grant Anticipation Bonds, 2010, 3.25% - 5.00%	86,575,000
		Total bonds payable	861,400,000
		Less: current portion	72,580,000
		Long-term portion	$788,820,000

The State has pledged turnpike, motor fuel tax, and motor vehicle fee revenues to the Trust Fund in order to support repayments of revenue bonds. Proceeds from the revenue bonds were used to finance the infrastructure maintenance, preservation, and construction-related projects of the State's highway transportation system, as well as security for the repayment of the outstanding revenue bonds of the Authority.

The revenue bonds do not constitute a debt of the State or of any political subdivision thereof, or a pledge of the general taxing power or the faith and credit of the State or of any such political subdivision.

Annual principal and interest payments on the revenue bonds are expected to require less than 35% of pledged revenues. Principal and interest paid on the revenue bonds for the Fiscal Year Ended June 30, 2015 was $119,121,644

The Transportation System Senior Revenue Bonds have fixed interest rates and are limited obligations of the Authority secured only by the pledged revenues of the Trust Fund. The pledged revenues of the Authority were as follows at June 30, 2015:

Pledged operating revenues	$ 411,005,078
Investment income	1,844,953
Total pledged revenues	$ 412,850,031

The Transportation System GARVEE Bonds have fixed interest rates and are limited obligations of the Authority secured by and payable solely from the annual federal appropriation for the State's federal aid transportation projects. On average, the State has been apportioned approximately $160 million in federal highway aid annually over the past five fiscal years. At that level, principal and interest payments on the GARVEE bonds are expected to require approximately 6.5% of pledged federal highway aid annually. While the Authority believes that sufficient pledged federal highway aid will be available during the term of the bonds to meet all required principal and interest payments, various factors beyond the Authority's control may impact the ability to make all payments when due, including, but not limited to, subsequent reauthorization of federal highway aid and federal budgetary limitations.

At June 30, 2015, the Authority had a total of $262,369,957 in authorized but unissued revenue bonds, including $11,510,000 in GARVEE bond authorization, to fund a portion of the Department of Transportation Capital Improvement Program.

The annual requirement to amortize all revenue bonds payable as of June 30, 2015 was as follows:

Years ending June 30,	**Principal maturity**	**Interest maturity**	**Total**
2016	$ 72,580,000	$ 39,767,858	$ 112,347,858
2017	70,595,000	36,317,308	106,912,308
2018	69,880,000	32,895,008	102,775,008
2019	73,945,000	29,336,333	103,281,333
2020	74,185,000	25,684,475	99,869,475
2021 - 2025	338,290,000	77,410,200	415,700,200
2026 - 2030	154,715,000	19,277,974	173,992,974
2031	7,210,000	209,090	7,419,090
	$ 861,400,000	$ 260,898,246	$ 1,122,298,246

(7) Debt Defeasance

The Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt had been issued and the proceeds had 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 is considered defeased, and therefore, not reported as a liability. As of June 30, 2015, the amount of defeased debt outstanding amounted to $130,535,000.

(8) Restricted Net Position

Restricted net position was as follows at June 30, 2015:

Pension funds:		
Prepaid DTC pension contribution	$	253,443
Rebate funds:		
Amounts generated from operations to meet future arbitrage rebate requirements		366,165
Debt service funds:		
Amounts generated from operations required by the Trust Agreement to be provided to meet current principal and interest payments		87,935,654
Debt reserve funds:		
Amounts generated from operations required by the Trust Agreement to be provided as a reserve for future principal and interest payments		64,411,921
Highway beautification funds:		
Amounts held in trust to be used for highway beautification		202,695
Total restricted net position	$	153,169,878

(9) International Registration Plan

The Department participates in the International Registration Plan (IRP) pursuant to Section 4008 of the Intermodal Surface Transportation Efficiency Act of 1997 (ISTEA). ISTEA requires jurisdictions to join base state agreements for the collection and distribution of commercial vehicle registration fees. IRP is an agreement among member jurisdictions whereby commercial registration fees are collected and reallocated based on a proration of miles traveled in each jurisdiction. Net revenues recorded during Fiscal Year 2015 were $9,222,460. IRP fees are included in motor vehicle registration fee revenue.

(10) International Fuel Tax Agreement

The Department participates in the International Fuel Tax Agreement (IFTA). IFTA is an agreement among member jurisdictions whereby commercial license fees are collected and reallocated based on a proration of miles traveled in each jurisdiction. Net revenues recorded during Fiscal Year 2015 were $2,694,453.

(11) DTC Union Contracts

Operators and maintenance personnel of the North District Fixed Route system are represented by the Amalgamated Transit Union AFL-CIO, Local 842. The term of the current Collective Bargaining Agreement covers the period September 1, 2013 through August 31, 2016.

Paratransit Specialists statewide and South District Fixed Route Operators are also represented by the Amalgamated Transit Union AFL-CIO, Local 842, under a separate Collective Bargaining Agreement. The term of the current Collective Bargaining Agreement covers the period September 1, 2013 through August 31, 2016.

Certain administrative, operations, and maintenance personnel are represented by the Office and Professional Employee International Union AFL-CIO, Local 32. The term of the current Collective Bargaining Agreement covers the period January 1, 2013 through December 31, 2016.

(12) Pension Plan

A. State Employees' Pension Plan

With the exception of DTC employees (see Note 12B); the Department's full-time employees are covered by the State Employees' Pension Plan, a cost-sharing, multiple-employer, defined benefit plan, which 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).

Detailed information concerning the State Employees' Pension Plan is presented in its publicly available annual basic financial statements, which can be obtained by writing the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite 1, 860 Silver Lake Blvd., Dover, Delaware 19904-2402.

(1) Plan Description and Eligibility

The State Employees' Pension Plan 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) and 2) Employees hired on or after January 1, 2012 (Post-2011).

Service Benefits

Final average monthly compensation (employees hired Post-2011 may not include overtime in pension compensation) multiplied by 2% and multiplied by the 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, the average monthly compensation is the monthly average of the highest three periods of 12 consecutive months of compensation.

Vesting

Pre-2012 date of hire members are fully vested after five years of credited service and Post-2011 date of hire members are fully vested after 10 years of credited service.

Retirement

Pre-2012 date of hire members are eligible to retire at age 62 with five 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 members are eligible to retire at age 65 with at least 10 years of credited service; age 60 with 20 years of credited service; or with 30 years of credited service at any age.

Disability Benefits

Pre-2012 date of hire members receive the same as service benefits and must have five years of credited service. In lieu of disability pension benefits, over 90% of members of this plan opted into the Disability Insurance Program offered by the State effective January 1, 2006. Post-2011 date of hire members are provided disability benefits through the State's Disability Insurance Program.

Survivor Benefits

If the deceased member is receiving a pension, the eligible survivor receives 50% of the pension (or 75% with a 3% reduction of benefit). If the deceased member is active with at least five years of credited service, the eligible survivor receives 75% of the benefit the employee would have received at age 62.

Burial Benefit

The burial benefit is $7,000 per member.

Contributions

The Board's employer-determined contributions, based principally on an actuarially determined rate, were 9.5% for Fiscal Year 2014. The Department's contributions to the plan were $6,702,782. Pre-2012 date of hire members are required to contribute 3% of earnings in excess of $6,000, and Post-2011 date of hire members are required to contribute 5% of earnings in excess of $6,000.

(2) Allocation Percentage Methodology

In accordance with GASB 68, DPERS prepared a Schedule of Pension Amounts by Participating Employer, which calculates the employer's proportionate share of the State Employees' Pension Plan's collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. DPERS management has elected to allocate the employer's proportionate shares of the collective pension amounts based on the percentage of actual employer contributions. The Department's proportionate share of the collective pension amounts was 3.8332% and 3.8097% at June 30, 2014 and 2013, respectively.

(3) Net Pension Liability

For the Fiscal Year Ended June 30, 2015, the Department reported a net pension liability in the amount of $14,114,288 for its proportionate share of the State Employees' Pension Plan's collective net pension liability. The net pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The Department reported a decrease in beginning net assets of $41.3 million to account for the net pension liability balance at July 1, 2014. The collective total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation at June 30, 2013. The actuarial valuation and related update procedures used the following actuarial assumptions:

Investment rate of return/discount rate, including inflation	7.20%
Projected salary increases, including inflation	3.50% to 11.50%
Cost-of-living adjustments	Ad-hoc
Inflation	3.00%

These assumptions are based on an 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 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.

Long-Term Expected Rate of Return - 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 plan investments, and adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the DPERS's current and expected asset allocation is summarized in the following table.

Asset class	Long-term expected real rate of return
Domestic equity	5.7%
International equity	5.7
Fixed income	2.0
Alternative investments	7.0
Cash and cash equivalents	7.8

Discount Rate - The discount rate for all plans 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, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all the 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 Net Pension Liability to Changes in the Discount Rate - The following presents the Department's proportionate share of the State Employees' Pension Plan's net pension liability, calculated using the discount rate of 7.2%, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or higher than the current rate (expressed in thousands):

1% Decrease	Discount rate	1% Increase
$ 52,896	$ 14,114	$ (18,664)

Expected and Actual Experience Differences - The difference between expected and actual experience with regard to economic and demographic factors is amortized over the weighted average of the expected remaining service life of active and inactive members, which is six years. The first year of amortization is recognized as pension expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources. The collective amount of the difference between expected and actual experience for the Fiscal Year Ended June 30, 2014 was $0.

Change in Assumptions - The change in assumptions about future economic or demographic factors or other inputs is amortized over the weighted average of the expected remaining service life of active and inactive plan members, which is six years. The first year of amortization is recognized as pension expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources. The collective amount of change in assumptions for the Fiscal Year Ended June 30, 2014 was $0.

Changes in Employer Proportionate Share - The change in employer proportionate share is the amount of the difference between the employer proportionate share of the net pension liability in the prior year compared to the current year. This change in proportion is amortized over the weighted average of the expected remaining service life of active and inactive plan members, which is six years. The first year of amortization is recognized as pension expense, with the remaining years recognized as a deferred outflow of resources. The amount of difference of the Department's proportionate share from Fiscal Year 2013 to Fiscal Year 2014 was $254,592, of which $42,432 was recognized in current year pension expense and $212,160 was recognized as a deferred outflow of resources at June 30, 2015.

Differences between Projected and Actual Investment Earnings on Pension Plan Investments - The difference between the actual earnings on plan investments compared to the plan's expected rate of return of 7.2% is amortized over a closed period of five years. The first year of amortization is recognized as pension expense, with the remaining four years recognized as a deferred inflow of resources. The collective amount of the difference between projected and actual earnings for the Fiscal Year Ended June 30, 2014 was $28,037,681, of which $5,607,536 was recognized in current year pension expense and $22,430,145 was recognized as a deferred inflow of resources at June 30, 2015.

(4) Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the Fiscal Year Ended June 30, 2015, the Department recognized $2.8 million in pension expense, which represents its proportionate share of the State Employees' Pension Plan's collective pension expense.

As of June 30, 2015, the Department reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on plan investments	$ -	$ 22,430,145
Net difference to change in proportion	212,160	-
Contributions made subsequent to the measurement date	6,508,133	-
Totals	$ 6,720,293	$ 22,430,145

Contributions made subsequent to the measurement period of June 30, 2014 (Fiscal Year 2015 contributions) will be recognized as a reduction to the net pension liability in Fiscal Year 2016. The remaining components of collective deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual earnings on DPERS investments, are amortized into pension expense over a closed period, which reflects the weighted average remaining service life of all plan members, beginning in the year in which the deferred amount occurs. The amortization period is six years for the State Employees' Pension Plan for deferred amounts arising in 2014. The annual difference between the projected and actual earnings on investments is amortized over a five-year closed period beginning the year in which the difference occurs. The net amount of the Department's proportionate share of the net collective deferred outflows (inflows) will be recognized in pension expense during the Fiscal Years Ended June 30,:

2016	$ (5,565,104)
2017	(5,565,104)
2018	(5,565,104)
2019	(5,565,104)
2020	42,431

B. DTC Pension Plans

(1) Plan Descriptions

DTC administers the Delaware Transit Corporation Pension Plan (DTC Plan) and the DART Contributory Pension Plan (DART Plan).

The DTC Plan is a single-employer, defined benefit, contributory plan covering noncollectively bargained employees of DTC, Delaware Authority for Regional Transit (DART), and Delaware Administration for Special Transit.

The DART Plan is a single-employer, defined benefit, contributory plan covering members of Local 32, Office and Professional Employees International Union AFL-CIO, and Local 842, Amalgamated Transit Union AFL-CIO and its collective bargaining units: the North District Fixed Route and Maintenance Employees and the Paratransit and Greater Dover Area Fixed Route Drivers, who are employed by DTC.

Each plan provides retirement, disability, and death benefits to plan members and beneficiaries.

Both plans issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing DTC at 900 Public Safety Boulevard, Dover, Delaware 19901-4503.

At June 30, 2014, the following employees were covered by the DTC Plan:

Active members	256
Inactive members or beneficiaries currently receiving benefits	52
Terminated, vested members	53
Total	361

At December 31, 2014, the following employees were covered by the DART Plan:

Active members	648
Inactive members or beneficiaries currently receiving benefits	155
Terminated, vested members	72
Total	875

(2) Benefits

The DTC Plan provides retirement, disability, and death benefits. All employees with 10 years of credited service are eligible to retire at age 55. All employees may retire at any age after 25 years of credited service or upon reaching the age of 62. If an employee terminates their employment after at least five years of credited service, but before normal retirement age, they may defer pension benefits until reaching retirement age. Employees who retire after reaching normal retirement age with at least five years of credited service are entitled to receive pension benefits equal to 70% of the participant's average earnings, offset by 100% of the primary insurance amount, reduced by 1/25 for each year of service less than 25, at the later of the participant's normal retirement date or actual retirement, computed to the nearest dollar. Benefits fully vest after five years of credited service. The disability retirement benefit of a participant shall be the participant's normal retirement benefit determined by computing their average earnings for the period ending on the last day that the employee worked prior to commencement of disability. Death benefits for a participant who dies while employed after completing five years of credited service is equal to 75% of the service pension to which the participant would have been eligible at age 65; for a former participant who dies after completing five years of service, 50% of the accrued benefit that would have been payable at age 65.

The DART Plan provides retirement, disability, and death benefits. All employees with 10 years of credited service are eligible to receive pension benefits at age 65. All employees may retire at any age after 25 years of credited service or upon reaching the age of 65 with a minimum of five years of continuous service. If an employee terminates their employment after at least five years of continuous service, but before normal retirement age, they may defer pension benefits until reaching retirement age. Monthly benefits are calculated as $65 multiplied by the applicable years of service credited to the eligible participant. DTC may offset its contribution by the employer contributions made on behalf of a participant who terminated and withdrew their contributions. Upon the death of a retiree or active participant, a lump-sum payment will be made comprised of the aggregate of the participant's contributions that exceed the aggregate of the payments that have been made to the participant.

(3) Funding Policy

For the DTC Plan, DTC retains the authority to establish, evaluate, and amend the obligations to contribute to the Plan. DTC's annual contribution determined by the actuary is funded monthly until the required contribution is met. Employees hired after June 30, 2012 are required to contribute 3% of eligible annual compensation in excess of $6,000.

For the DART Plan, the DTC Pension Committee retains the authority to establish, evaluate, and amend the obligations to contribute to the Plan of both the Plan members, as collectively bargained, and DTC. Plan members are required to contribute 5% of their hourly wages for each hour worked to a maximum of 2,080 hours per year. DTC contributes 5% of the regular hourly wages to the Plan.

The contributions recognized by the DTC Plan and the DART Plan during the Fiscal Year Ended June 30, 2015 were $1,157,550 and $908,777, respectively.

(4) Net Pension Liability (Asset)

The DTC Plan's net pension liability (asset) for the Fiscal Year Ended June 30, 2015 was determined by an actuarial valuation as of June 30, 2014. Update procedures were used to roll forward the 2014 valuation results. There have been no changes between the measurement date of the net pension liability (asset) and the report date that are expected to have a significant effect on the net pension liability (asset).

The total pension liability used to calculate the net pension liability (asset) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.5%, net of plan investment expense, including inflation
Salary increases	2.5%, including inflation
Inflation	2.0%
Mortality	RP-2000 Combined Healthy tables with generational projection by Scale AA

The long-term expected rate of return on DTC Plan investments was determined using a building-block method where return expectations are established for each asset class. The building-block approach uses the current underlying fundamentals, not historical returns. These return expectations are weighted based on the following asset/target amounts:

Asset class	Long-term expected real rate of return
Domestic equity	5.2%
International equity	5.2
Emerging equity	5.7
Core fixed income	3.0
Intermediate IG Corp	3.8
Bank loans	2.7
High yield	4.3
Emerging debt	4.8

The DART Plan's net pension asset/liability for the calendar year ended December 31, 2014 was determined by an actuarial experience study as of January 1, 2015. There have been no changes between the measurement date of the net pension asset/liability and the report date that are expected to have a significant effect on the net pension asset/liability. The total pension liability used to calculate the net pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.0%
Salary increases	4.0%, including inflation
Inflation	2.0%
Mortality	RP-2000 Blue Collar table without any future mortality improvements

The long-term expected rate of return on DART Plan investments was determined using a building-block method where return expectations are established for each asset class. The building-block approach uses the current underlying fundamentals, not historical returns. These return expectations are weighted based on the following asset/target amounts:

Asset class	Long-term expected real rate of return
Domestic equity	5.2%
International equity	5.2
Emerging equity	5.7
Core fixed income	3.0
Intermediate IG Corp	3.8
Bank loans	2.7
High yield	4.3
Emerging debt	4.8
Cash equivalents	0.8

(5) Discount Rate

The discount rate used to measure the total pension liability was 7.5% for the DTC Plan and 7.0% for the DART Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from DTC will be made at rates determined by the Pension Committee, actuarially calculated. Based on those assumptions, the Plan's 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(6) Changes in the Net Pension Liability (Asset)

Changes in DTC's net pension liability (asset) for the Fiscal Year Ended June 30, 2015 were as follows:

	DTC Plan			DART Plan			Total		
	Total pension liability (a)	**Plan fiduciary net position (b)**	**Net pension liability (asset) (a) - (b)**	**Total pension liability (a)**	**Plan fiduciary net position (b)**	**Net pension liability (asset) (a) - (b)**	**Total pension liability (a)**	**Plan fiduciary net position (b)**	**Net pension liability (asset) (a) - (b)**
Balances at 7/1/13 (DTC Plan) and 1/1/14 (DART Plan)	$ 20,057,790	$ 17,937,922	$ 2,119,868	$ 37,483,272	$ 39,495,181	$ (2,011,909)	$ 57,541,062	$ 57,433,103	$ 107,959
Changes for the year:									
Service cost	840,320	-	840,320	1,765,669	-	1,765,669	2,605,989	-	2,605,989
Interest	1,483,009	-	1,483,009	2,675,064	-	2,675,064	4,158,073	-	4,158,073
Changes of benefit terms	-	-	-	1,029,691	-	1,029,691	1,029,691	-	1,029,691
Differences between expected and actual experience	-	-	-	4,126	-	4,126	4,126	-	4,126
Contributions - employer	-	1,157,550	(1,157,550)	-	908,777	(908,777)	-	2,066,327	(2,066,327)
Contributions - member	-	30,251	(30,251)	-	1,262,888	(1,262,888)	-	1,293,139	(1,293,139)
Net investment income	-	2,443,142	(2,443,142)	-	2,605,668	(2,605,668)	-	5,048,810	(5,048,810)
Benefit payments, including refunds of member contributions	(568,654)	(568,654)	-	(2,103,050)	(2,103,050)	-	(2,671,704)	(2,671,704)	-
Administrative expenses	-	(115,578)	115,578	-	(133,417)	133,417	-	(248,995)	248,995
Net changes	1,754,675	2,946,711	(1,192,036)	3,371,500	2,540,866	830,634	5,126,175	5,487,577	(361,402)
Balances at 6/30/14 (DTC Plan) and 12/31/14 (DART Plan)	$ 21,812,465	$ 20,884,633	$ 927,832	$ 40,854,772	$ 42,036,047	$ (1,181,275)	$ 62,667,237	$ 62,920,680	$ (253,443)

(7) Sensitivity of Net Pension Liability (Asset) to Changes in the Discount Rate

The sensitivity of the net pension liability to changes in the DTC Plan's discount rate as of June 30, 2014, and the DART Plan's discount rate as of December 31, 2014 is as follows:

	1% Decrease	Current Discount rate	1% Increase
DTC Plan (7.5%)	$ 3,619,855	$ 927,832	$ (1,343,018)
DART Plan (7.0%)	$ 3,236,223	$ (1,181,275)	$ (4,978,492)

(8) Expected and Actual Experience Difference

The difference between expected and actual experience with regard to economic and demographic factors is amortized over the weighted average of the expected remaining service life of active and inactive members, which is six years. The first year of amortization is recognized as pension expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources. The collective amount of the difference between expected and actual experience for the Fiscal Year Ended June 30, 2014 and December 31, 2014 was $0.

(9) Change in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over the weighted average of the expected remaining service life of active and inactive plan members, which is six years. The first year of amortization is recognized as pension expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources. The collective amount of change in assumptions for the Fiscal Year Ended June 30, 2014 and December 31, 2014 was $0.

(10) Difference between Projected and Actual Investment Earnings on Pension Plan Investments

The difference between the actual earnings on plan investments compared to the DTC Plan's expected rate of return of 7.5% and DART Plan's expected rate of return of 7.0% is amortized over a closed period of five years. The first year of amortization is recognized as pension expense with the remaining four years recognized as a deferred inflow of resources. The collective amount of the difference between projected and actual earnings for the Fiscal Year Ended June 30, 2014 and December 31, 2014 was $706,367.

(11) Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

The components of pension expense for the DTC Plan and DART Plan for Fiscal Year 2015 were as follows:

	DTC Plan	DART Plan
Service cost	$ 840,320	$ 1,765,669
Interest	1,483,009	2,675,064
Member contributions	(30,251)	(1,262,888)
Benefit changes	-	1,029,691
Difference between actual and expected experience	-	4,126
Administrative expenses	115,578	133,417
Projected earnings on plan investments	(1,364,227)	(2,762,433)
Amortization of investment return differences	(215,783)	-
Pension expense	$ 828,646	$ 1,582,646

For the Fiscal Year Ended June 30, 2015, DTC reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Contributions made subsequent to the measurement date	$ 2,232,549	$ -
Pension plan investment return differences	-	706,367
Totals	$ 2,232,549	$ 706,367

Amounts reported as deferred outflows of resources will be recognized as a reduction to the net pension liability in Fiscal Year 2016. Amounts reported as deferred inflows of resources will be recognized in pension expense as follows:

2016	$ 184,430
2017	184,430
2018	184,430
2019	184,430
2020	(31,353)

(13) Other Post-Employment Benefits (OPEB)

With the exception of DTC employees (see Note 13A), the Department's eligible employees are covered under the OPEB Trust.

(a) Plan Description

On July 1, 2007, the 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, Open 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.

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, benefits	3,205
Active eligible plan members	36,748
Total	60,923

The Department has approximately 1,700 active eligible plan members, which is the basis on which plan costs are allocated.

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 January 1, 2012): Age 62 with five years of service, age 60 with 15 years of service, or any age with 30 years of service.

Normal Retirement (hired on or after January 1, 2012): Age 65 with 10 years of service, 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, 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, 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: Employed at age 55 with 10 years of service, 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, 2015, 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, as follows:

Years of service	Percent of premium paid by State
Less than 10	0 %
10 - 14	50
15 - 19	75
20 or more	100

(b) Funding Policy

The State funds the OPEB Trust 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. 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 and 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.

(c) 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 percentage of covered payroll, with an additional amount to pre-fund benefits, which is not actuarially determined. For Fiscal Year 2015, the State contribution in relation to the annual required contribution (ARC) totaled $226.3 million. The portion of the contribution allocated to the Department for Fiscal Year 2015 was $11.4 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 during Fiscal Year 2015 totaled $8.0 million.

(d) Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the ARC, 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 30 years. Amounts "required" but not actually set aside to pay for these benefits are accumulated as part of the net OPEB obligation.

The following table shows the components of the State's annual OPEB cost, the amount actually contributed to the Plan, the State's net OPEB obligation, and the amounts allocated to the Department for the Fiscal Year Ended June 30, 2015:

	(in Millions)	
	State total	**Department allocation**
Net OPEB obligation as of June 30, 2014	$ 1,988.6	$ 103.6
Annual required contribution	404.4	20.4
Interest on net OPEB obligation	84.5	4.2
Adjustment to annual required contribution	(76.7)	(3.9)
Annual OPEB cost	2,400.8	124.3
Employer contributions	(226.3)	(11.4)
Net OPEB obligation as of June 30, 2015	$ 2,174.5	$ 112.9

The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation are as follows (dollar amounts in millions):

Fiscal Year Ended	**Annual OPEB cost**	**Percentage of annual OPEB cost contributed**	**Net OPEB obligation**
06/30/2015	$ 124.3	9 %	$ 112.9
06/30/2014	113.9	9	103.6
06/30/2013	103.5	10	92.8

(e) Funded Status and Funding Progress

As of June 30, 2015, the plan was 4.9% funded. The actuarial accrued liability for benefits was $6,321.2 million, and the actuarial value of assets was $312.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of $6,008.8 million for the State. The covered payroll (annual payroll of active employees covered by the Plan) was $2,048.0 million, and the ratio of the UAAL to the covered payroll was 293.4%. Specific amounts related to the Department cannot be determined.

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 ARC are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

(f) 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, 2015 actuarial valuation, the entry age normal actuarial cost method was used. Investments are valued at fair value. The actuarial assumptions included a 4.25% 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 an initial medical inflation rate of 4.25%. 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.

A. DTC OPEB

(1) Plan Description

In June 2010, the Delaware Transit Corporation OPEB Fund Trust (the 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 OPEB benefits 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 retired employees 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, 2014:

Retirees and beneficiaries receiving benefits	148
Terminated plan members entitled to, but not yet receiving, benefits	31
Active eligible plan members	817
Total	996

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.

Normal Retirement:

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

Benefits

During the Fiscal Year Ended June 30, 2015, 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.

Employee Contributions

No contributions are required by the employees.

(2) Funding Policy

DTC funds the DTC OPEB Trust on a pay-as-you-go basis with additional funding provided on an ad-hoc basis. Funds are recorded in the DTC 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 and is responsible for the financial management of the DTC OPEB Trust. The cash basis costs associated with these benefits were $1,399,775 for the Fiscal Year Ended June 30, 2015.

(3) 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 $0.23 per month per $1,000 of coverage for each employee.

(4) Annual OPEB Cost and Net OPEB Obligation

DTC's annual OPEB cost is calculated based on the 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 obligation. The following table shows the components of DTC's annual OPEB cost, the amount actually contributed to the plan, and DTC's net OPEB obligation for the Fiscal Year Ended June 30, 2015:

Net OPEB obligation as of June 30, 2014	$	90,958,540
Annual required contribution		12,868,000
Interest on net OPEB obligation		3,606,000
Adjustment to annual required contribution		(4,524,000)
Annual OPEB cost		102,908,540
Employer contributions		(1,399,775)
Net OPEB obligation as of June 30, 2015	$	101,508,765

DTC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Fiscal Year Ended	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
06/30/2015	$ 11,950,000	11.71 %	$ 101,508,765
06/30/2014	16,748,000	7.69	90,958,540
06/30/2013	15,671,000	7.62	75,498,140

(5) Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 2.1% funded. The actuarial accrued liability was $104,434,000, and the actuarial value of assets was $2,188,606, resulting in a UAAL of $102,245,394. The covered payroll (annual payroll of active employees covered by the plan) was $42,716,806, and the ratio of the UAAL to the covered payroll was 239.4%.

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 ARC 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 financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(6) 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 July 1, 2014 actuarial valuation, the projected unit credit method was used with linear proration to assumed benefit commencement. The actuarial assumptions included a 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 for pre-age 65 retirees. Sample trends are as follows:

2015	4.5%
2020	5.3
2025	5.0
2050	4.8

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

(14) Commitments and Contingencies

(a) Construction Commitments

The Department had contractual commitments of $295,901,907 for construction of various highway projects at June 30, 2015. Current and future appropriations will fund these commitments as work is performed.

(b) Litigation

The Department is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Department.

(c) Pollution Remediation

GASB No. 49 provides guidance for state and local governments in estimating and reporting the potential costs of pollution remediation. While GASB No. 49 does not require the Department to search for pollution, it does require the Department to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

a. Pollution poses an imminent danger to the public and the Department is compelled to take action;

b. The Department is in violation of a pollution-related permit or license;

c. The Department is named, or has evidence that it will be named, as a responsible party by a regulator;

d. The Department is named, or has evidence that it will be named, in a lawsuit to enforce a cleanup; or

e. The Department commences, or legally obligates itself to conduct, remediation activities.

The Department becomes aware of pollution conditions in the fulfillment of its mission, and site investigation, planning and design, cleanup, and site monitoring are typical remediation activities of the Department. The Department has the knowledge and expertise to estimate the remediation obligations presented herein based upon prior experience in identifying and funding similar remediation activities. GASB No. 49 requires the Department to calculate pollution remediation liabilities using the expected cash flow technique. Where the Department cannot reasonably estimate a pollution remediation obligation, it does not report a liability; however, the Department has not identified any of these situations.

The remediation obligation estimates presented in these financial statements 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 Department's obligation. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

At June 30, 2015, the Department had outstanding pollution remediation liabilities of $1,993,000.

(15) Risk Management

The Department is exposed to various risks of loss related to workers' compensation, healthcare, automobile, and casualty claims. Except as noted below, the Department is a participant in the State of Delaware's Risk Management Program, which covers all claim settlements and judgments out of its General Fund. The Department pays premiums to the General Fund for this coverage.

(a) Workers' Compensation Insurance

DTC maintains coverage for workers' compensation benefits. DTC manages the coverage through both the retention of risk and the purchase of commercial insurance. The payment of workers' compensation claims is processed through a third-party administrator.

For years prior to 2003, DTC established workers' compensation loss contingency reserves based upon insurance carriers' actuarial reviews. Benefit claims in an amount of $100,000 or less per person, per coverage year are paid by DTC from the workers' compensation loss contingency reserve. Once any claim exceeds $100,000 or total claims for a given policy period exceed the maximum loss amount, the insurance policy covers the excess.

For Fiscal Year 2003, DTC changed its coverage to a first dollar program. Also, all claims were subject to a $5,000 deductible for the medical portion of a claim. All other expenses related to a claim were covered by the insurance carrier.

Subsequent to Fiscal Year 2003, DTC changed its coverage and was insured through Fiscal Year 2011 by the State. For Fiscal Years 2012 through 2014, DTC was insured through Liberty Mutual. In Fiscal Year 2015, DTC returned to being covered by the State and the premium was calculated as $9.00 per $100 on gross wages. DTC is not responsible for any costs other than the premium paid, thus no loss contingency reserves were established.

(b) Auto Insurance

DTC 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.

For years prior to 2003, DTC established auto loss reserves based upon insurance carriers' actuarial reviews. Individual claims in an amount of $100,000 or less per incident, per coverage year were paid from the auto loss reserve funds. Once a specific claim exceeds $100,000 or total claims for a given policy period exceed the maximum loss amount established by the insurance carrier, the insurance policy covers the excess.

For 2003 and subsequent years, DTC changed its auto insurance coverage whereby they established self-insured retention thresholds up to certain dollar amounts and purchased commercial insurance (wrap-around) policies for coverage amounts in excess of the self-insured retention thresholds. DTC established initial loss reserve insurance liabilities for each of the years based upon actuarially determined valuations assuming DTC's maximum liability exposure to be $1,000,000 per occurrence (this reflects the sovereign immunity cap pursuant to Title 2 of the Delaware Code, Subsection 1329). DTC had several cases that were settled in excess of the sovereign immunity cap.

For individual claims in excess of the sovereign immunity cap, DTC established a maximum amount of loss based upon their self-insured retention program, as well as purchasing commercial insurance coverage in the amounts identified in the table below:

Fiscal Year	**Initial loss reserve insurance liability established**	**Maximum amount of loss under self-insured retention program (per occurrence)**	**Excess commercial coverage (aggregate)**
2015	$ 5,078,000	$ 1,000,000	***
2014	4,510,000	1,000,000	***
2013	4,304,004	1,000,000	***
2012	3,828,996	1,000,000	***
2011	3,372,000	1,000,000	***
2010	3,467,000	1,000,000	***
2009	3,129,000	900,000	**
2008	3,106,000	900,000	**
2007 (01/15/07 - 06/30/07)	*	900,000	**
2007 (07/01/06 - 01/14/07)	2,607,350	2,300,000	$ 5,000,000
2006	2,858,258	2,300,000	5,000,000
2005	2,763,367	2,300,000	5,000,000
2004	2,666,763	1,300,000	6,000,000
2003	2,561,000	1,300,000	10,000,000

* Initial loss reserve established July 1, 2006 in the amount of $2,607,350 for the entire fiscal year.

** For these loss years, DTC is self-insured for the first $900,000, and the next $100,000 is commercial coverage. DTC has no additional coverage beyond this point.

*** For these years, DTC is self-insured with no commercial coverage.

The components of the remaining insurance loss reserve on DTC's statement of net position were as follows at June 30, 2015:

Auto loss reserve remaining for Fiscal Year 2015	$	3,456,000
Auto loss reserve remaining for Fiscal Year 2014		3,355,000
Auto loss reserve remaining for Fiscal Year 2013		3,792,000
Auto loss reserve remaining for Fiscal Year 2012		742,000
Auto loss reserve remaining for Fiscal Year 2011		189,000
Auto loss reserve remaining for Fiscal Year 2010		116,000
Auto loss reserve remaining for Fiscal Year 2000		4,000
	$	11,654,000

Changes in the balance of total claim liabilities during Fiscal Year 2015 were as follows:

Beginning balance - July 1, 2014	Current year estimated claims and changes in estimates	Actual claim payments	Ending balance - June 30, 2015
$ 12,011,000	$ 5,180,731	$ (5,537,731)	$ 11,654,000

(16) Operating Leases

The Department has several noncancellable operating leases, primarily for operation and maintenance facilities, which expire at various times through June 29, 2020. Those leases require the Department to pay for maintenance and liability insurance costs. Rental expenses were $257,649 for the Fiscal Year Ended June 30, 2015.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2015 are as follows:

2016	$	188,747
2017		47,993
2018		1,800
2019		1,800
2020		1,800
	$	242,140

DTC had an operating lease agreement for transit vehicle tires, which expired on August 31, 2014. The lease agreement can be automatically renewed for two additional one year periods, which extends the lease through August 31, 2016. The lease agreement requires DTC to make monthly payments based on miles driven multiplied by a mileage rate as set forth in the agreement. The mileage rate is based on contract year and estimated annual vehicle miles. For the Fiscal Year Ended June 30, 2015, DTC incurred expenses related to this lease of $608,161.

(17) Transfers In From and Out to Other Funds

Per the terms of the Trust Agreement, the Trust Fund is responsible for reimbursing the State for the Department's operating, maintenance, and capital expenses financed by the State's general bank account. However, the State's General Assembly and the State's Division of Revenue transferred the following amounts as general operating support from the State's General Fund to the Department at June 30, 2015:

Amounts transferred to the Trust Fund:	
Division of Motor Vehicles	$ 2,874,726
Division of Revenue, Motor Vehicle Dealer/Lessor License and Document Fees	514,012
	$ 3,388,738

In addition, the Trust Fund is responsible for maintaining funds appropriated by the General Assembly for DTC, and reimbursing DTC for its operating and capital expenses up to the total amount of the appropriated funds. Total reimbursement for the Fiscal Year Ended June 30, 2015 was $92,915,587.

(18) Service Concession Arrangement for Welcome Center and Service Plaza

At the end of Fiscal Year 2010, construction was completed on the Welcome Center and Service Plaza (the 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. The agreement with HMS was entered into in order to improve the comfort of motorists traveling through Delaware and to avoid the issuance of debt. Under the agreement, HMS is responsible for maintaining the Center to current conditions and insuring the Center over the course of the 35 year operations period. The Trust Fund will be entitled to a percentage of all sales from fuel and non-fuel items sold. At the end of the arrangement, operation of the Center will be transferred to the Trust Fund in its enhanced condition. The Department reports the Center as a capital asset with a carrying amount of $22,100,000 at June 30, 2015, and a related deferred inflow of resources of $18,942,857, which is being amortized over 35 years. Amortization expense for the Fiscal Year Ended June 30, 2015 was $631,428.

(19) Subsequent Events

Events and transactions subsequent to year end have been evaluated for potential recognition in the financial statements or disclosure in the notes to financial statements. All events and transactions have been evaluated through November 23, 2015, which is the date the financial statements were available to be issued.

(20) Reclassifications

Certain reclassifications have been made to the prior year's financial statements in order to conform to the current year presentation. The reclassifications had no effect on previously reported changes in net position or net position.

REQUIRED SUPPLEMENTARY INFORMATION

State of Delaware
Department of Transportation

Required Supplementary Information
June 30, 2015

Required Supplementary Information - Governments That Use the Modified Approach for Infrastructure Assets

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 4,448 centerline miles and 1,626 bridges that the State is responsible for maintaining.

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. The 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 good 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. Due to the timing of these condition assessments, information for the Fiscal Year Ended June 30, 2015 is not available.

State of Delaware
Department of Transportation

Required Supplementary Information
June 30, 2015

Structural rating numbers and percentages for bridges

	BCR condition rating	2015 Number	2015 Percentage	2014 Number	2014 Percentage	2013 Number	2013 Percentage
		Calendar year ended December 31,:					
Good	6 - 9	1,211	74.5	1,198	75.3	1,152	73.1
Fair	5	304	18.7	307	19.3	331	21.0
Poor	0 - 4	111	6.8	87	5.4	92	5.9
	Totals	1,626	100.0	1,592	100.0	1,575	100.0

Deck rating numbers and percentages for bridges

	OPC condition rating	2015 Square feet	2015 Percentage	2014 Square feet	2014 Percentage	2013 Square feet	2013 Percentage
		Calendar year ended December 31,:					
Good	6 - 9	5,979,029	74.3	5,886,694	74.9	5,936,967	75.4
Fair	5	1,696,198	21.1	1,650,327	21.0	1,549,714	19.7
Poor	0 - 4	374,113	4.6	321,851	4.1	384,961	4.9
	Totals	8,049,340	100.0	7,858,872	100.0	7,871,642	100.0

Center-line mile numbers and percentages for road pavement

	OPC condition rating	2013 Center-line miles	2013 Percentage	2011 Center-line miles	2011 Percentage	2009 Center-line miles	2009 Percentage
		Calendar year ended December 31,:					
Good	3.0 - 5.0	4,032	90.6	3,796	86.7	3,423	78.5
Fair	2.5 - 3.0	356	8.0	400	9.1	575	13.2
Poor	Below 2.5	60	1.4	182	4.2	362	8.3
	Totals	4,448	100.0	4,378	100.0	4,360	100.0

Comparison of estimated-to-actual maintenance/preservation (in thousands)*

	2015	2014	2013	2012	2011
	Fiscal Year Ended June 30,:				
Estimated	$ 241,900	$ 198,873	$ 185,399	$ 243,600	$ 259,351
Actual	291,630	234,800	233,810	285,923	248,973

* The estimated expenditures represent annual Bond Bill authorization. The actual expenditures represent the current year spending, which includes cumulative authorization.

State of Delaware
Department of Transportation

Required Supplementary Information
June 30, 2015

Required Supplementary Information - DelDOT/Trust Fund Pension

Schedule of Proportionate Share of Net Pension Liability

Proportionate Share of Net Pension Liability	June 30, 2014
DelDOT/Trust Fund proportion of the net pension liability	3.8332 %
DelDOT/Trust Fund proportion of the net pension liability - dollar value	$ 14,114,288
DelDOT/Trust Fund covered employee payroll	$ 73,603,519
DelDOT/Trust Fund proportionate share of the net pension liability as a percentage of covered employee payroll	19.18 %
Contributions	
Contractually required contribution	$ 6,702,782
Contributions in relation to the contractually required contribution	6,702,782
Contribution deficiency	$ -
DelDOT/Trust Fund covered employee payroll	$ 73,603,519
Contribution as a percentage of covered employee payroll	9.11 %

In accordance with GASB No. 68, this schedule has been prepared prospectively as the above information for the preceding years in not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

State of Delaware
Department of Transportation

Required Supplementary Information
June 30, 2015

Required Supplementary Information - DTC Pensions

The following provides an analysis of the changes in DTC's net pension liability (asset) for each of its plans:

Statement of Changes in Net Pension Liability (Asset) and Related Ratios
(Dollar amounts in thousands)

	DTC Plan 6/30/2014	DART Plan 12/31/2014
Total pension liability		
Service cost	$ 840	$ 1,766
Interest	1,483	2,675
Changes of benefit terms	-	1,030
Differences between expected and actual experience	-	4
Benefit payments, including refunds of member contributions	(569)	(2,103)
Net change in total pension liability	1,754	3,372
Total pension liability - beginning	20,058	37,483
Total pension liability - ending (a)	$ 21,812	$ 40,855
Plan fiduciary net position		
Contributions - employer	$ 1,158	$ 909
Contributions - members	30	1,263
Net investment income	2,443	2,605
Benefit payments, including refunds of member contributions	(569)	(2,103)
Administrative expense	(116)	(133)
Net change in plan fiduciary net position	2,946	2,541
Plan fiduciary net position - beginning	17,938	39,495
Plan fiduciary net position - ending (b)	$ 20,884	$ 42,036
Net pension liability (asset) - ending (a) - (b)	$ 928	$ (1,181)
Plan fiduciary net position as a percentage of total pension liability	95.75 %	102.89 %
Covered-employee payroll	$ 12,099	$ 27,627
Net pension liability (asset) as a percentage of covered-employee payroll	7.67 %	(4.27)%
Expected average remaining service years of all participants	8.5	8.3

Notes to Schedule

Benefit changes: None
Changes of assumptions: None

State of Delaware
Department of Transportation

Required Supplementary Information
June 30, 2015

Schedule of Contributions

Last 10 Fiscal Years
(Dollar amounts in thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
DTC Plan, as of June 30,										
Actuarially determined contribution	$ 1,156									
Contributions in relation to the actuarially determined contribution	1,158									
Contribution deficiency (excess)	$ (2)	Information for FY2013 and earlier is not available								
Covered-employee payroll	$ 12,099									
Contributions as a percentage of covered-employee payroll	9.57 %									
DART Plan, as of December 31,										
Actuarially determined contribution	$ 635	$ 773	$ 715	$ 598	$ 611	$ 859	$ 683			
Contributions in relation to the actuarially determined contribution	908	1,250	1,080	1,074	1,082	1,063	996	Information for FY2007 and		
Contribution deficiency (excess)	$ (273)	$ (477)	$ (365)	$ (476)	$ (471)	$ (204)	$ (313)	earlier is not available		
Covered-employee payroll	$ 25,748	$ 24,788	$ 22,985	$ 22,847	$ 22,675	$ 22,072	$ 18,689			
Contributions as a percentage of covered-employee payroll	3.53 %	5.04 %	4.70 %	4.70 %	4.77 %	4.82 %	5.33 %			

Notes to Schedule

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the immediately following fiscal year. Actuarial valuations are performed every year.

Methods and assumptions used to determine contribution rates:	*DTC Plan*	*DART Plan*
Actuarial cost method	Frozen Entry Age	Entry Age Normal
Amortization method	Level Dollar, Open	Level Percentage of Pay
Remaining amortization period	30 years	15 years
Asset valuation method	Market value	Five-year market smoothed
Inflation	2.0%	2.0%
Salary increases	2.5%, including inflation	4.0%, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation	7.0%, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service	Rates vary by participant age and service
Mortality	RP-2000 Combined Healthy tables with generational projection by Scale AA	RP-2000 Blue Collar table without any future mortality improvements

State of Delaware
Department of Transportation

Required Supplementary Information
June 30, 2015

Required Supplementary Information - DTC OPEB Trust

The following table presents additional information related to funding status and funding progress. It is intended to help readers assess the individual plan's 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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess (Deficit) of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered payroll (c)	Excess (Deficit) as a % of Covered Payroll ((a-b)/c)
07/01/2014	$ 2,189,000	$ 104,434,000	$ (102,245,000)	2.10 %	$ 42,716,806	(239.36)%
07/01/2013	1,878,000	135,237,000	(133,359,000)	1.39	38,546,221	(345.97)
07/01/2012	1,755,283	121,627,000	(119,871,717)	1.44	34,537,878	(347.07)

SUPPLEMENTARY INFORMATION

Delaware Transportation Authority
Transportation Trust Fund
Statement of Net Position in Accordance with Trust Agreement
June 30, 2015
(with comparative totals for June 30, 2014)

	Operations	Trust Holdings	Debt Reserve	(Memorandum Only) 2015	2014
Current assets					
Cash and cash equivalents					
Unrestricted	$ 26,384,024	$ 63,568	$ -	$ 26,447,592	$ 16,648,716
Restricted	-	3,643,014	12,723	3,655,737	26,646,290
Investments - at fair value					
Unrestricted	45,293,433	10,120,185	-	55,413,618	79,197,865
Restricted	-	107,388,612	2,650,814	110,039,426	70,313,336
Accounts receivable					
Trade	8,891,270	-	-	8,891,270	8,411,336
Federal grants	276,291	-	-	276,291	6,899,661
Interest	398,661	-	-	398,661	454,745
Total current assets	81,243,679	121,215,379	2,663,537	205,122,595	208,571,949
Noncurrent assets					
Capital assets, not depreciable					
Land	-	152,306,437	-	152,306,437	146,001,454
Infrastructure	-	1,216,991,300	-	1,216,991,300	1,211,164,715
Service concession buildings and improvements	-	22,100,000	-	22,100,000	22,100,000
Capital assets, depreciable					
Buildings and improvements	-	8,072,030	-	8,072,030	8,072,030
Total capital assets	-	1,399,469,767	-	1,399,469,767	1,387,338,199
Less: accumulated depreciation	-	4,217,142	-	4,217,142	4,028,642
Capital assets, net	-	1,395,252,625	-	1,395,252,625	1,383,309,557
Investments - at fair value, net of current portion					
Unrestricted	408,645	4,154,829	-	4,563,474	26,553,523
Restricted	366,164	8,370,187	61,748,385	70,484,736	59,626,299
Total noncurrent assets	774,809	1,407,777,641	61,748,385	1,470,300,835	1,469,489,379
Total assets	82,018,488	1,528,993,020	64,411,922	1,675,423,430	1,678,061,328
Deferred outflows of resources	-	20,448,278	-	20,448,278	22,823,445

(Continued)

Delaware Transportation Authority
Transportation Trust Fund
Statement of Net Position in Accordance with Trust Agreement (Continued)
June 30, 2015
(with comparative totals for June 30, 2014)

	Operations	Trust Holdings	Debt Reserve	(Memorandum Only) 2015	(Memorandum Only) 2014
Current liabilities					
Accounts payable and other accrued expenses	$ 15,608,211	$ -	$ -	$ 15,608,211	$ 12,343,703
Escrow deposits	-	2,259,980	-	2,259,980	2,754,858
Customer toll deposits	14,487,762	-	-	14,487,762	11,921,228
Interest payable	-	20,737,791	-	20,737,791	20,733,321
Unearned revenue	-	-	-	-	56,675
General obligation bonds payable	-	-	-	-	103,426
Revenue bonds payable	-	72,580,000	-	72,580,000	77,655,000
Bond issue premium - net of accumulated amortization	-	11,902,313	-	11,902,313	6,823,880
Total current liabilities	30,095,973	107,480,084	-	137,576,057	132,392,091
Noncurrent liabilities					
Revenue bonds payable - net of current portion	-	788,820,000	-	788,820,000	861,400,000
Bond issue premium - net of accumulated amortization and current portion	-	33,576,224	-	33,576,224	58,915,314
Total noncurrent liabilities	-	822,396,224	-	822,396,224	920,315,314
Total liabilities	30,095,973	929,876,308	-	959,972,281	1,052,707,405
Deferred inflows of resources	-	18,942,857	-	18,942,857	19,574,286
Net position					
Net investment in capital assets	-	519,840,247	-	519,840,247	378,411,937
Restricted	366,164	87,935,654	64,411,922	152,713,740	156,585,925
Unrestricted	51,556,351	(7,153,768)	-	44,402,583	93,605,220
Total net position	$ 51,922,515	$ 600,622,133	$ 64,411,922	$ 716,956,570	$ 628,603,082

Delaware Transportation Authority
Transportation Trust Fund
Statement of Revenues, Expenses, and Changes in Net Position in Accordance with Trust Agreement
Year Ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	Operations	Trust Holdings	Debt Reserve	(Memorandum Only) 2015	(Memorandum Only) 2014
Operating revenues					
Pledged revenue					
Turnpike revenue	$ 120,363,461	$ -	$ -	$ 120,363,461	$ 122,404,184
Motor fuel tax revenue	116,968,447	-	-	116,968,447	114,555,916
Motor vehicle document fee revenue	94,037,087	-	-	94,037,087	84,830,376
Motor vehicle registration fee revenue	51,184,304	-	-	51,184,304	49,243,279
Other motor vehicle revenue	25,757,326	-	-	25,757,326	26,259,772
International Fuel Tax Agreement revenue	2,694,453	-	-	2,694,453	2,372,142
Total pledged revenue	411,005,078	-	-	411,005,078	399,665,669
Toll revenue - Delaware SR-1	55,767,180	-	-	55,767,180	47,561,542
Miscellaneous	8,258,624	1,312,793	-	9,571,417	12,749,770
Total operating revenues	475,030,882	1,312,793	-	476,343,675	459,976,981
Operating expenses					
Road maintenance, preservation, and repairs	1,387,149	44,477,125	-	45,864,274	49,372,042
Professional fees	49,208,623	49,973,858	-	99,182,481	100,086,311
Materials, supplies, and other	18,837,237	7,328,325	-	26,165,562	23,758,092
Depreciation	-	188,500	-	188,500	154,695
Total operating expenses	69,433,009	101,967,808	-	171,400,817	173,371,140
Operating income (loss)	405,597,873	(100,655,015)	-	304,942,858	286,605,841
Nonoperating revenues (expenses)					
Income from investments - pledged	51,188	1,033,257	760,508	1,844,953	2,257,110
Bad debt recovery	-	923,348	-	923,348	887,732
Federal grant revenue	-	276,291	-	276,291	6,899,661
Interest expense	-	(23,482,198)	-	(23,482,198)	(38,529,291)
Service concession arrangement	-	631,428	-	631,428	2,525,714
Excess (deficiency) of nonoperating revenues over nonoperating expenses	51,188	(20,617,874)	760,508	(19,806,178)	(25,959,074)
Income (loss) before transfers	405,649,061	(121,272,889)	760,508	285,136,680	260,646,767

(Continued)

Delaware Transportation Authority
Transportation Trust Fund
Statement of Revenues, Expenses, and Changes in Net Position in Accordance with Trust Agreement (Continued)
Year Ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

				(Memorandum Only)	
	Operations	**Trust Holdings**	**Debt Reserve**	**2015**	**2014**
Net transfers per agreement	$ (213,271,441)	$ 209,276,573	$ 3,994,868	$ -	$ -
Transfers to other governmental agencies	(5,484,944)	-	-	(5,484,944)	(3,743,385)
Transfers to State General Fund	-	(5,000,000)	-	(5,000,000)	(5,000,000)
Transfers from State General Fund	-	3,388,738	-	3,388,738	48,467,109
Transfers to DTC	(85,583,707)	-	-	(85,583,707)	(83,878,200)
Transfers to DelDOT	(104,103,279)	-	-	(104,103,279)	(112,792,414)
Change in fund net position	(2,794,310)	86,392,422	4,755,376	88,353,488	103,699,877
Fund net position - beginning of year	54,716,825	514,229,711	59,656,546	628,603,082	524,903,205
Fund net position - end of year	$ 51,922,515	$ 600,622,133	$ 64,411,922	$ 716,956,570	$ 628,603,082

Delaware Transportation Authority
Transportation Trust Fund
Schedule of Revenue Bonds Outstanding
June 30, 2015

Principal	2005 Series	2006 Series	2007 A Series	2008 A Series	2008 B Series	2009 A Series	2009 B Series	2010 B Series	2012 Series	2014 Series	Total Senior Bond Series
FY16	$ 7,870,000	$ 5,865,000	$ 105,000	$ 14,620,000	$ 4,550,000	$ 4,270,000	$ 4,170,000	$ -	$ 9,945,000	$ 14,195,000	$ 65,590,000
FY17	-	6,160,000	4,975,000	15,355,000	4,730,000	4,485,000	8,530,000	-	5,395,000	13,685,000	63,315,000
FY18	-	-	5,220,000	2,110,000	4,970,000	4,710,000	9,975,000	-	25,600,000	9,670,000	62,255,000
FY19	-	-	5,455,000	2,215,000	5,215,000	4,945,000	4,830,000	-	38,800,000	4,500,000	65,960,000
FY20	-	-	5,730,000	2,330,000	5,480,000	5,195,000	5,485,000	5,070,000	21,555,000	14,965,000	65,810,000
FY21	-	-	22,130,000	2,445,000	5,750,000	5,455,000	-	5,200,000	12,715,000	10,650,000	64,345,000
FY22	-	-	6,520,000	2,540,000	6,040,000	5,725,000	-	5,340,000	23,100,000	12,330,000	61,595,000
FY23	-	-	-	2,645,000	6,340,000	6,010,000	-	5,495,000	30,280,000	8,060,000	58,830,000
FY24	-	-	-	2,750,000	6,660,000	6,310,000	-	5,655,000	24,800,000	8,465,000	54,640,000
FY25	-	8,695,000	-	2,865,000	7,000,000	6,625,000	-	5,830,000	19,350,000	195,000	50,560,000
FY26	-	9,000,000	-	2,980,000	7,360,000	6,960,000	-	6,015,000	-	12,045,000	44,360,000
FY27	-	9,315,000	-	3,105,000	7,745,000	7,305,000	-	6,215,000	-	-	33,685,000
FY28	-	-	-	3,240,000	8,150,000	7,670,000	-	6,450,000	-	-	25,510,000
FY29	-	-	-	3,375,000	8,580,000	8,055,000	-	6,695,000	-	-	26,705,000
FY30	-	-	-	-	9,050,000	8,460,000	-	6,945,000	-	-	24,455,000
FY31	-	-	-	-	-	-	-	7,210,000	-	-	7,210,000
	$ 7,870,000	$ 39,035,000	$ 50,135,000	$ 62,575,000	$ 97,620,000	$ 92,180,000	$ 32,990,000	$ 72,120,000	$ 211,540,000	$ 108,760,000	$ 774,825,000

Principal	GARVEE 2010 Series	Total GARVEE Bond Series	Totals
FY16	$ 6,990,000	$ 6,990,000	$ 72,580,000
FY17	7,280,000	7,280,000	70,595,000
FY18	7,625,000	7,625,000	69,880,000
FY19	7,985,000	7,985,000	73,945,000
FY20	8,375,000	8,375,000	74,185,000
FY21	8,785,000	8,785,000	73,130,000
FY22	9,210,000	9,210,000	70,805,000
FY23	9,625,000	9,625,000	68,455,000
FY24	10,145,000	10,145,000	64,785,000
FY25	10,555,000	10,555,000	61,115,000
FY26	-	-	44,360,000
FY27	-	-	33,685,000
FY28	-	-	25,510,000
FY29	-	-	26,705,000
FY30	-	-	24,455,000
FY31	-	-	7,210,000
	$ 86,575,000	$ 86,575,000	$ 861,400,000

Delaware Transportation Authority
Transportation Trust Fund
Schedule of Revenue Bond Coverage
June 30, 2015

Oversight responsibility for the issuance of debt by the State and its authorities is centralized under the Secretary of Finance. The following table sets forth certain indebtedness of the Authority. Further information for the Authority may be found in the notes to financial statements, changes in long-term liabilities, and bonds outstanding.

(Dollar amounts in thousands)

		Debt service requirements			
Fiscal Year	**Gross pledged revenue**	**Principal**	**Interest**	**Total**	**Coverage***
2005	$ 300,820	$ 53,920	$ 39,370	$ 93,290	3.22
2006	337,350	58,445	40,573	99,018	3.41
2007	346,954	61,370	45,534	106,904	3.25
2008	381,590	67,640	46,210	113,850	3.35
2009	367,399	73,510	43,619	117,129	3.14
2010	363,948	74,380	50,885	125,265	2.91
2011	376,186	71,760	52,585	124,345	3.03
2012	378,960	76,320	56,411	132,731	2.86
2013	387,918	83,230	48,097	131,327	2.95
2014	401,923	75,205	47,162	122,367	3.28
2015	412,850	77,655	41,467	119,122	3.47

* The above calculation represents the total gross pledged revenue as it relates to the total debt service requirement of all Senior and Junior Bonds. The calculation method used in the Official Statement per the Trust Agreement calculates only the Senior Bond debt service requirement and subtracts investment income revenue from gross pledged revenue.

Santora CPA Group
Right, By Your Side

William A. Santora, CPA
John A. D'Agostino, CPA, MST
Heath N. Kahrs, CPA
Robert S. Smith, CPA
Stacey A. Powell, CPA, CFE, CICA

Robert Freed, Principal
Linda A. Pappajohn, Principal

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*

State of Delaware Department of Transportation
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 business-type activities and each major fund of the State of Delaware Department of Transportation (the Department), an enterprise fund of the State of Delaware as of and for the Fiscal Year Ended June 30, 2015, and the related notes to financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that were 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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, misstatement 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 Department's financial statements 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described as findings 2015-1 and 2015-2 in the accompanying *Schedule of Findings* to be material weaknesses.

Christiana Executive Campus ▲ 220 Continental Drive ▲ Suite 112 ▲ Newark, DE 19713-4309
Phone: (302) 737-6200 ▲ (800) 347-0116 ▲ Fax: (302) 737-3362
E-Mail: info@santoracpagroup.com ▲ www.santoracpagroup.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department'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*.

We noted certain matters that we reported to management of the Department in a separate letter dated November 23, 2015.

The Department's Responses to Findings

The Department's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings*. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

Santora CPA Group

November 23, 2015
Newark, Delaware

State of Delaware
Department of Transportation

Schedule of Findings
June 30, 2015

Finding 2015-1: Financial Reporting (Material Weakness)

Background

Throughout the year, the Department operates and records transactions on the cash and budget basis of accounting using First State Financials (FSF), the State's accounting system. The cash basis of accounting differs significantly from the accrual basis of accounting, which is the Department's basis for reporting information included in the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Since FSF is not used throughout the year to capture transactions on the accrual basis of accounting, the year-end compilation of the Department's financial statements is complex and heavily reliant on manual adjustments to properly record accruals and other non-routine transactions. State agencies on FSF are required to prepare GAAP packages to make various types of adjustments to correct the non-GAAP basis of accounting throughout the year. The Division of Accounting (DOA) provides training and instructions to State personnel on the GAAP package preparation and sets timelines for GAAP package submission to the DOA. In addition, there are some State agencies that use systems outside of FSF to gather and track required information; this adds to the complexity of the year-end GAAP package reporting and reconciliation process.

Condition

The Department's management has overall responsibility for the preparation and fair presentation of their financial statements. The DOA is responsible for compiling the Department's financial statements in accordance with GAAP.

During our audit, we identified several significant adjustments as a result of inaccurate or incomplete information included in the Department's GAAP package:

- $3,044,850 overstatement of the Division of Motor Vehicle's (DMV) direct access accounts receivable. This accounts receivable balance was recorded on both TTF and DelDOT fund trial balances. Subsequently, it was determined that the majority of this accounts receivable had in fact been collected and was recorded in error.

- $1,760,660 overstatement in Computer Software In Process.

- $6,233,368 expensed in current period related to prior-period expenditures on the new DMV Center.

In addition, we noted the following deficiencies in internal control over financial reporting:

- GAAP requires use of the effective interest method in calculating the amortization of bond premiums/discounts. The accumulated amortization and amortization expense reported in the compiled financial statements were recorded using the straight-line method. The impact of adjusting the bond premium amortization to be in accordance with GAAP was $13.4 million.

- GASB Nos. 68 and 71 were implemented by the Department in Fiscal Year 2015. The compiled financial statements did not calculate the impact of GASB No. 68 correctly and did not consider the impact of GASB No. 71. In addition, the compiled financial statements were missing certain disclosures required for compliance with GASB Nos. 68 and 71. The impact of adjusting entries to correctly present the impact of GASB Nos. 68 and 71 was $6.5 million.

- Reconciliations of revenue and expenses (proving out a rollforward of cash basis revenues and expenses from FSF, adding in the impact of accrual entries, and showing an adjusted total that agrees to financial statement line items) was not provided with the compiled financial statements. This type of reconciliation control is necessary to ensure that the financial statements are complete and accurate and reflect all activity of the Department for the fiscal year.

- Several amounts reported in the statement of cash flows were adjusted to reconcile to supporting audit documentation and workpapers.

- Revenues owed to DelDOT under a Park & Ride agreement with DTC in the amount of $757,836 were not properly accrued as a receivable on DelDOT's books and records as of June 30, 2015.

- Transfers to Other Governmental Agencies and Transfers from General Fund line items both overstated by $5 million due to double counting of Municipal Street Aid transfer to General Fund. Transfers from General Fund understated by approximately $514,000 related to Dealer/Lessor license and document fees not being included. In addition, the compiled footnote included a supplemental appropriation from Bond Bill; based on review of the Bond Bill and discussion with management, no supplemental appropriation was approved or received in Fiscal Year 2015.

Criteria

According to the National Council on Government Accounting Concept Statement No. 1, *Objectives of Financial Reporting,* “The overall goal of accounting and financial reporting for governmental units is to provide: 1) financial information useful for making economic, political, and social decisions, and demonstrating accountability and stewardship; and 2) information useful for evaluating managerial and organizational performance.”

Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), defines financial reporting objectives as follows: “Financial reporting objectives address the preparation of reliable published financial statements, including interim and condensed financial statements and selected financial data derived from such statements…Reliable financial statements are a prerequisite to obtaining investor or creditor capital, and may be critical to the award of certain contracts or to dealing with certain suppliers. Investors, creditors, customers, and suppliers often rely on financial statements to assess management’s performance and to compare it with peers and alternative investments. The term ‘reliability’ as used with financial reporting objectives involves the preparation of financial statements that are fairly presented in conformity with generally accepted or other relevant and appropriate accounting principles and regulatory requirements for external purposes."

The financial statements are the responsibility of management. A proper system of internal control over financial reporting is essential in order to prevent, detect, and correct misstatements and to ensure that such information is useful in decision-making and evaluating managerial and departmental performance, as well as demonstrating accountability and stewardship. Controls must be properly designed, in place, and operating effectively to ensure that the Department's accounting and financial information is fairly stated in accordance with GAAP.

Cause

There is not an effective internal management review process to ensure that the financial statements are accurate and complete and that presentation and disclosure is proper prior to submission for audit. Review at both the DOA and Department levels was not performed at a sufficient level of precision to identify these significant misstatements.

All Department and DOA staff working on various aspects of the GAAP reporting process should have sufficient technical expertise to perform the work accurately and timely. Management relies heavily on the audit process to identify financial statement errors and to implement new accounting standards.

The misstatement related to bond premium amortization was caused by the non-GAAP policy of using the straight-line method instead of the effective interest method.

Effect

There were material misstatements to the compiled financial statements submitted for audit.

Recommendation

We recommend that management refine the process used to complete the draft Department financial statements, notes to the financial statements, all significant GAAP adjustments, conversion to accrual adjustments, and prepare the necessary account reconciliations. The review process should include completion of a disclosure checklist to ensure that financial statements include all requirements of GAAP, as well as an evaluation of the reasonableness of individual financial statement line items and their related footnote disclosures by an individual with sufficient accounting and financial reporting experience and knowledge of the processes at the Department to detect and correct material inconsistencies and errors. Focus should be placed on the valuation of accounts associated with the GAAP package process and financial statement presentation, including the completeness and accuracy of the financial statements.

View of Responsible Officials

Fiscal Year 2015 was the second year that the DOA compiled the Department's financial statements, and we are gradually realizing the goals intended in doing so: increased skill and understanding of our financial statements and the processes required to produce them among members of our team, improved controls, and the ability to produce financial statements more frequently and efficiently in order to improve management information and decision making. The conditions cited are reminders of the importance of communication, and we acknowledge an improvement opportunity going forward between the Department and the DOA. We intend to schedule regular meetings with the DOA during the report compilation process to ensure the GAAP package and any adjusting entries are thoroughly understood and agreed to. We will also be engaging the DOA on both the conditions and deficiencies you have communicated.

Taking into account our practice of refunding certain bond issues and the desire to more accurately reflect the value of bond premiums in the financial statements, we agree with your recommendation and adopted the effective interest method. We will continue calculating bond premium amortization using this methodology going forward.

Finding 2015-2: Division of Motor Vehicle Revenues (Material Weakness)

Background

One of the sources of revenue for the Department is the DMV revenue, which is initiated when a customer enters one of the DMV locations to register a vehicle or pay a fee. The customer completes the appropriate forms, and the cashier at the DMV location enters the customer information into the Motor Vehicle and License System (MVALS), which calculates the appropriate fee the customer is to pay. On a daily basis for each location, a Daily Cash Report is created to reconcile the daily total for cash, credit cards, and checks for each cashier. Any discrepancies greater than $5 are investigated. The completed Daily Cash Reports are provided to the Accounting Specialist who reconciles the Daily Cash Reports to the MVALS system report for each location. The Accounting Specialist ensures that any shortages/ overages greater than $5 are reasonable and explained. A second Accounting Specialist then reconciles the MVALS totals to the related bank statement.

Condition

In testing a sample of 11 DMV daily revenue reconciliations, we verified that each daily reconciliation was properly reviewed and approved; this includes an audit by the Accounting Specialist that compares the lane work to what was recorded in MVALS for accuracy. In addition, for each daily reconciliation tested, the daily revenue was properly included in the total deposit submitted for the day, and the daily deposit properly flowed through to the month-end bank statement.

We did not identify control or substantive testing exceptions in the sample of 11 daily reconciliations tested. However, in reviewing the fiscal year DMV revenue reconciliation summary, we identified $3.3 million in "MVALS Adjustments". These amounts represent unreconciled variances between the MVALS system and bank statements. A breakout of the variances by month is detailed below:

Month	**MVALS Adjustments**
July 2014	$ (177,970)
August 2014	(182,898)
September 2014	(197,402)
October 2014	(487,140)
November 2014	502,417
December 2014	(408,585)
January 2015	(243,953)
February 2015	(404,365)
March 2015	(138,596)
April 2015	(383,280)
May 2015	(209,627)
June 2015	(1,041,503)
Total	$ (3,372,902)

In addition, we noted the following regarding the MVALS system:

- It is not possible to run consistent month-end reports, as MVALS system users are able to make changes after the fact (the month period in the system is never officially closed out). As a result, running the same month-end report on different days could generate different report results.

- There are no system controls to ensure that the correct transaction is processed in MVALS. For example, if the cashier incorrectly codes a transaction but enters the correct transaction amount, the cashier may process the transaction without correcting the coding (i.e., cashier processes one type of service but codes it to another service with the same cost). As a result, it is possible for a cashier to manipulate the transaction that is being processed. Because of this system limitation, management review of system reports from MVALS may not catch errors in data entry/coding in the system.

Criteria

Internal Control – Integrated Framework, published by COSO, defines control activities as “policies and procedures that help ensure management directives are carried out.” Control activities occur throughout an organization, at all levels and functions, and include a wide range of activities, such as authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties. To ensure control activities meet the objectives of management, supporting documentation for all such activities should be referred to or maintained with the financial documents. Management review controls are defined as activities of a person different than the preparer analyzing and performing oversight of activities performed and is an integral part of any internal control structure.

Cause

There are system limitations in the reporting functionality of MVALS. As a result, management cannot pinpoint the cause of the "MVALS Adjustments" noted above.

Effect

Without being able to effectively explain all reconciling items included in DMV revenue reconciliations, misstatements to the financial statements could go undetected.

Recommendation

We recommend that the Department consider updated software to use for recording DMV revenues or seek modifications to the current MVALS system that would address the reporting issues noted above. We further recommend that the Department ensure all reconciliations of cash and credit card transactions are performed timely, including explanations for all variances and "MVALS Adjustments", as required by the Department's internal policies and procedures.

View of Responsible Officials

The DMV Financial Services section performs a daily reconciliation of MVALS transactions to include cash, credit card, and checks for each lane (Delaware City, Wilmington, Georgetown, and Dover). This daily reconciliation ensures all revenue received throughout each day is properly accounted for and subsequently deposited in the bank. To address the reporting issues noted in this audit finding, the DMV is making it a priority to work closely with the Department's technology group to explore enhancements that can be made to improve MVALS revenue reporting. Specifically, we will work to identify all adjustments and make this a part of our monthly reconciliation.