

2015  
DELAWARE

Comprehensive Annual  
Financial Report

For the Fiscal Year Ended  
June 30, 2015

Report Issued: December 30, 2015

# State of Delaware

## Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

**Jack A. Markell**  
**Governor**

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

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

Prepared by the Department of Finance, Division of Accounting

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

## **Acknowledgments**

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

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

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

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

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

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

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

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

**Jennifer Thornton, CICA**  
State Accountant III

Special appreciation to:

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

**State of Delaware  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2015  
Table of Contents**

**INTRODUCTORY SECTION**

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

**FINANCIAL SECTION**

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

**Basic Financial Statements**

**Government –Wide Financial Statements**

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

**Governmental Fund Financial Statements**

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

**Proprietary Fund Financial Statements**

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

**Fiduciary Fund Financial Statements**

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

**Table of Contents**  
**(continued)**

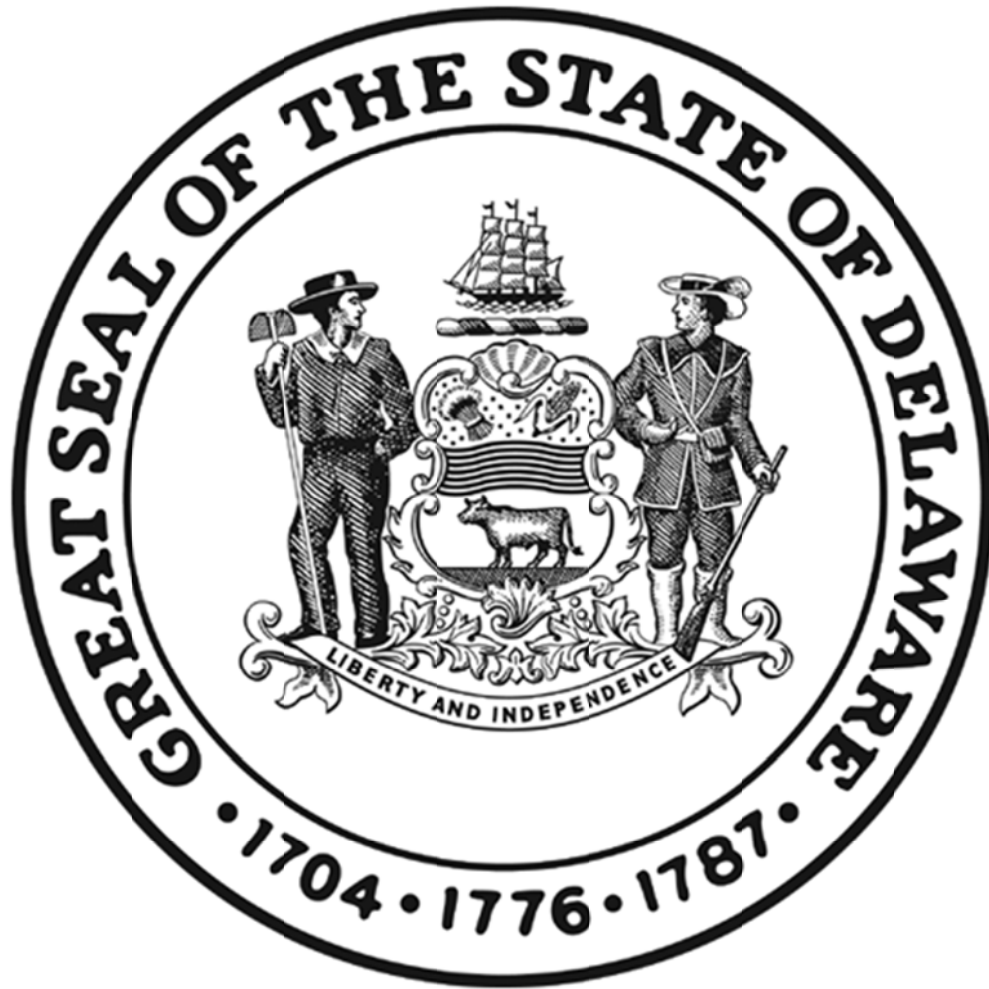
	<u>Page</u>
<b>Component Unit Financial Statements</b>	
Combining Statement of Net Position .....	31
Combining Statement of Activities.....	32
<b>Notes to the Financial Statements</b>	
Note 1 - Summary of Significant Accounting Policies .....	33
Note 2 - Cash, Investments and Restricted Assets .....	49
Note 3 - Receivables .....	65
Note 4 - Interfund Receivables, Payables and Transfers .....	67
Note 5 - Deferred Outflows and Inflows of Resources.....	68
Note 6 - General Obligation Bonds.....	69
Note 7 - Revenue Bonds .....	72
Note 8 - Loans and Notes Payable .....	81
Note 9 - Lease Commitments.....	82
Note 10 - Other Long-Term Obligations .....	83
Note 11 - Changes in Long-Term Obligations.....	84
Note 12 - No Commitment Debt (Not Included In Financial Statements).....	85
Note 13 - Capital Assets.....	85
Note 14 - Risk Management .....	87
Note 15 - Other Post-Employment Benefits (OPEB) .....	88
Note 16 - Pensions .....	95
Note 17 - Governmental Fund Balance.....	114
Note 18 - Affiliated Organizations .....	116
Note 19 - Commitments .....	116
Note 20 - Contingencies.....	116
Note 21 - Restatements .....	118
<b>Required Supplementary Information</b>	
Notes to Required Supplementary Information .....	121
Budgetary Comparison Schedule – General Fund.....	123
Budgetary Comparison Schedule – Special Fund.....	123
Statutory/Budgetary Reconciliations .....	124
Information About Infrastructure Assets Reported Using the Modified Approach.....	126
Delaware Public Employees’ Retirement System (DPERS) Schedule of Liabilities and Contributions.....	128
DelDOT – Delaware Transit Corporations – Pension Data Schedule of Liability and Contributions .....	133
OPEB Trust	
Schedule of Funding Status and Progress.....	136
Schedule of Employer Contributions .....	136

**Table of Contents**  
**(continued)**

	<u>Page</u>
Delaware Transit Corporation - OPEB Trust	
Schedule of Funding Status and Progress .....	137
Schedule of Employer Contributions .....	137
<b>Supplementary Information – Combining Statements</b>	
Delaware Public Employees Retirement System:	
Combining Statement of Fiduciary Net Position .....	139
Combining Statement of Changes in Fiduciary Net Position .....	140
Investment Trust Funds:	
Combining Statement of Net Position .....	141
Combining Statement of Changes in Net Position .....	142
All Agency Funds:	
Combining Statement of Changes in Assets and Liabilities.....	143
Local School District Funds:	
Combining Balance Sheet.....	144
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	146

**STATISTICAL SECTION**

Statistical Section Index.....	148
Net Position by Component .....	149
Changes in Net Position.....	150
Changes in Fund Balances, Governmental Funds .....	152
Fund Balances, Governmental Funds .....	154
Personal Income by Industry .....	155
Personal Income Tax Rates.....	156
Personal Income Tax Filers and Liability by Income Level .....	157
Franchise Taxes .....	158
Ratios of Outstanding Debt by Type .....	159
Debt Limits .....	160
General Obligation Debt Support .....	161
Pledged Revenue Coverage .....	162
Demographic and Economic Statistics .....	163
Principal Employers by Industry .....	164
State Employees by Function.....	165
Operating Indicators by Function .....	166
Capital Assets Statistics by Function.....	167
Capital Asset Balances by Function .....	168
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	169



# Introductory Section

Comprehensive Annual Financial Report





**STATE OF DELAWARE  
DEPARTMENT OF FINANCE  
OFFICE OF THE SECRETARY**

**THOMAS J. COOK  
SECRETARY OF FINANCE**

December 28, 2015

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

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the State of Delaware (the State) for the fiscal year ended June 30, 2015. This report has been prepared in accordance with U.S. generally accepted accounting principles (GAAP) applicable to state and local governments, as prescribed by the Governmental Accounting Standards Board (GASB). The State continues to follow the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for the form and content of government financial reports and participates in the GFOA's program for the Certificate of Achievement for Excellence in Financial Reporting.

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

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

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

## PROFILE OF THE GOVERNMENT

The State is located on the eastern seaboard of the United States and is bordered by the Atlantic Ocean, the Delaware Bay and the states of New Jersey, Pennsylvania and Maryland. The State is 96 miles long and has a land area of 1,955 square miles. In 2014, it is estimated that over 935,000 people reside here. As the first state to ratify the United States Constitution on December 7, 1787, The State of Delaware is known as "The First State." The structure of the State's government, which is similar to other states, consists of three branches that operate through a system of checks and balances. The executive branch is comprised of the Governor, Lt. Governor, State Treasurer, State Auditor, Attorney General and Insurance Commissioner. The legislative branch is bicameral and consists of a 21-member Senate and a 41-member House of Representatives. The judicial branch includes the Supreme Court, Superior Court, Court of Chancery, and other courts.

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

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

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

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

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

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

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

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

### **Budget Process**

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

### **Appropriation Limit**

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

from the previous fiscal year.

### **Tax Limitations**

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

### **Revenue and Expenditure Forecasting**

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

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

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

## **ECONOMIC CONDITION AND OUTLOOK**

Delaware's recent economic performance has largely mirrored national trends in terms of employment and income growth. The State's average unemployment rate for calendar year 2014 fell to 5.7% from 6.7% in calendar year 2013 comparing favorably to the nation and to the Mid-Atlantic region both at 6.2%. Positive job gains in the professional business services, financial services, and construction sectors bode well for the State's medium term employment outlook. In addition, Delaware's per capita personal income is expected to align with the nation over the next two years, helped by the job outlook and strong levels of in-migration. The Federal

Reserve Bank of Philadelphia's leading index for the State suggests expansion in the state's economy into the first quarter of 2016.

As a result of active economic development policies, Delaware's economy is now based in large part on service-providing enterprises, especially financial activities. Delaware has targeted statutory and tax policy changes to encourage financial sector development and the State's major employers, Bank of America, N.A., JPMorgan Chase & Co., Barclays Bank Delaware and Capital One, continue to maintain a major presence in the State and demonstrate the State's importance as a financial center. In the short and medium terms, Delaware's financial sector is expected to benefit from a rebound in the credit card industry as a result of improving consumer fundamentals, a steady U.S. economic recovery, and rising demand for credit card borrowing.

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

To enhance its position in an increasingly competitive gaming market and to increase employment across the State, Delaware diversified its gaming portfolio to include sports betting and Keno at multiple retail venues and, in fiscal 2016, will have over 100 retail outlets available to players. Since i-gaming was introduced in 2013, Delaware and Nevada created the Multi-State Internet Gaming Agreement allowing poker players to participate in regulated multi-jurisdictional online poker rooms. Delaware continues to explore additional multistate compacts for online gaming as well as additional gaming offerings and launched mobile i-gaming in time for the summer 2015 tourist season.

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

Delaware's business-friendly legal system continues to attract new incorporations. Even though initial public offering ("IPO") activity has not reached pre-Recession levels, the State has continued to register a record number of business formations in the form of limited liability companies and limited partnerships. At the end of calendar year 2014, the number of new business entities that were formed in Delaware rose to 16,140, bringing the total number of business entities registered in the State to more than 1,114,000 business entities.

## INDEPENDENT AUDIT

The accounting firm of CliftonLarsonAllenLLP has audited the State's basic financial statements for the fiscal year ended June 30, 2015. Based upon that audit, the independent auditor has issued an unmodified opinion that the State of Delaware's basic financial statements are presented fairly, in all material respects, in conformity with GAAP. Their report on the basic financial statements has been included in the financial section of this CAFR.

The State Auditor of Accounts performs periodic financial and compliance audits of the various State departments, agencies and institutions of higher education and has primary responsibility for conducting audits under the federal Single Audit Act of 1984 which was amended by Single Audit Act of 1996. Results of these audits may be found in separately issued audit reports and may be obtained by contacting the Office of Auditor of Accounts, Townsend Building, Suite 1, 401 Federal Street, Dover, Delaware 19901.

## CERTIFICATE OF ACHIEVEMENT

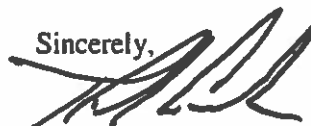
The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the State of Delaware for its CAFR for the fiscal year ended June 30, 2014. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish a timely, easily readable, and efficiently organized comprehensive annual financial report that conforms to program standards. The report must comply with both generally accepted accounting principles and all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The State has received a Certificate of Achievement for the last 20 consecutive years (fiscal years 1995 – 2014). We believe that this year's report continues to conform to the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGEMENTS

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

Sincerely,



Thomas J. Cook  
Secretary of Finance



Government Finance Officers Association

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

Presented to

**State of Delaware**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

**State of Delaware**  
**Selected State Officials**  
**As of June 30, 2015**

**KEY ELECTED OFFICIALS:**

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

**KEY LEGISLATIVE OFFICIALS:**

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

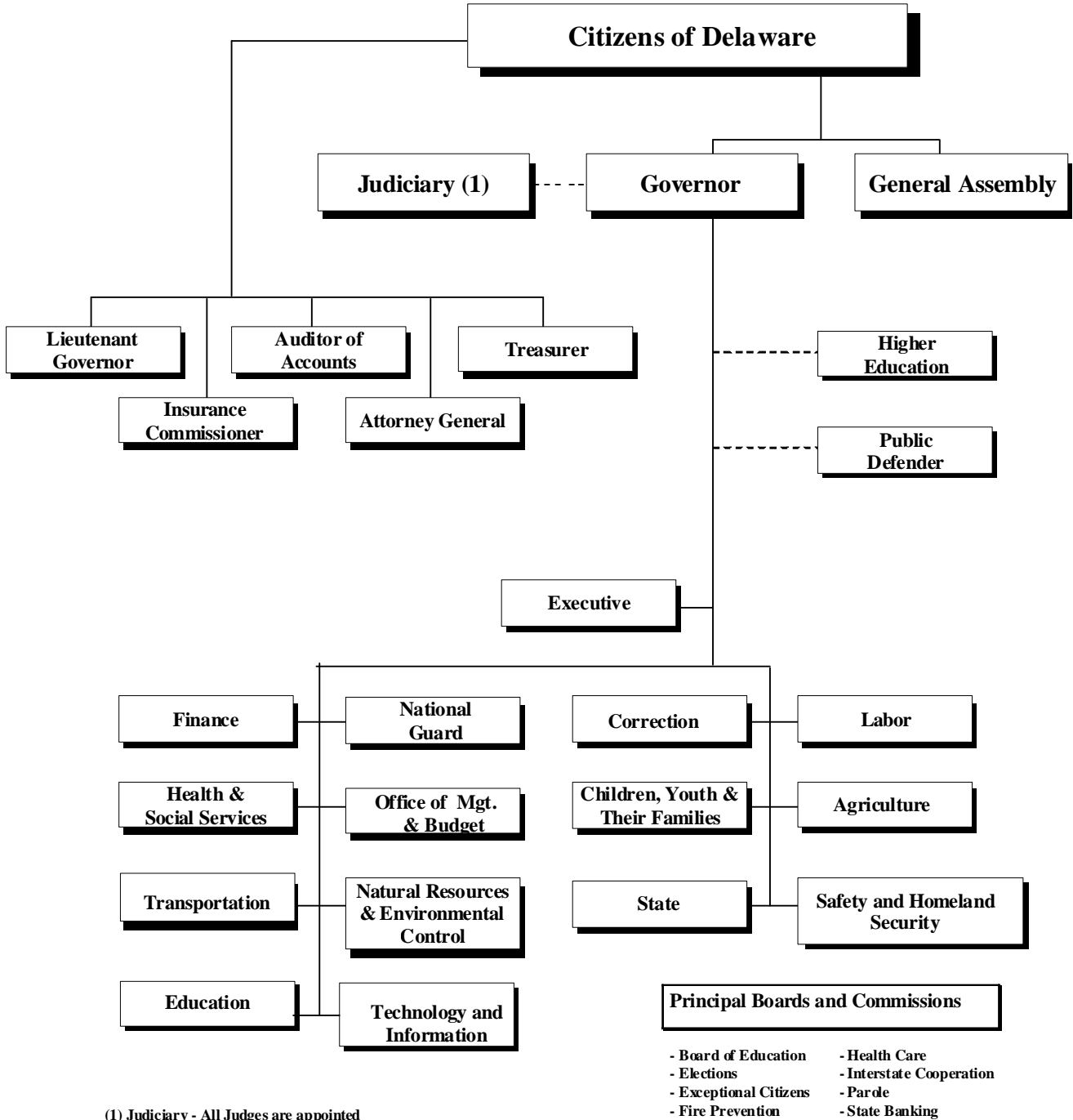
**CABINET POSITIONS AND OTHER APPOINTED OFFICIALS:**

Agriculture	W. Edwin Kee, Jr.
Correction	Robert Coupe
Delaware Economic and Development Office	Bernice Whaley
Delaware State Housing Authority	Anas Ben-Addi
Education	Mark Murphy
Finance	Thomas J. Cook
Health and Social Services	Rita M. Landgraf
Labor	John McMahon
Delaware National Guard	(Major General) Frank D. Vavala
Natural Resources and Environmental Control	David Small
Office of Management and Budget	Ann S. Visalli
Safety and Homeland Security	Lewis D. Schiliro
Services for Children, Youth and Their Families	Jennifer Ranji
State	Jeffrey W. Bullock
Technology and Information	James Collins
Transportation	Jennifer Cohan



# State of Delaware

## Organizational Chart



# Financial Section

Comprehensive Annual Financial Report



INDEPENDENT AUDITORS' REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Delaware (the State), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

	Percentage Audited by Other Auditors		
	Assets and Deferred Outflows of Resources	Revenues	Net Position/ Fund Balance
Governmental Activities	0%	0%	27%
Business-type Activities	98%	91%	98%
Discretely Presented Component Units	100%	100%	100%
General Fund	1%	0%	3%
Lottery Fund	100%	100%	100%
DeIDOT Fund	100%	100%	100%
Aggregate Remaining Fund Information	95%	74%	97%

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

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

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Delaware as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### *Change in Accounting Principles*

During fiscal year ended June 30, 2015, the State adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the State reported a restatement for the change in accounting principle (see Note 21). Our auditors' opinion was not modified with respect to the restatement.

#### *Correction of Errors*

As described in Note 21 to the financial statements, the State restated beginning balances resulting from the correction of accounting errors that occurred in the prior period. Our opinion is not modified with respect to that matter.

### ***Other Matters***

#### *Required Supplementary Information*

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

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

financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2015, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 28, 2015

## **STATE OF DELAWARE**

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

The following is a discussion and analysis of the State of Delaware's (the State's) financial activities as of and for the fiscal year ended June 30, 2015. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages i-vi of this report, and the State's financial statements, which follow this section.

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

#### **Financial Highlights**

- The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,650.9 million (net position). Discretely presented component units reported a net position of \$1,132.1 million, an increase of \$41.6 million from the previous year as restated, resulting from the implementation of GASB 68 and conformance with other GASB pronouncements.
- As a result of its operations, the primary government's total net position increased by \$54.9 million (1.5%) in fiscal year 2015 when compared to the previous year's ending net position as restated with the implementation of GASB 68. Net position of governmental activities decreased by \$125.0 million (45.5%) from the previous year, while net position of the business-type activities increased \$179.9 million (5.4%) from the previous year.
- The State's governmental funds reported combined ending fund balances of \$1,975.0 million, an increase of \$63.0 million (3.3%) in comparison with the prior year balance.
- The general fund reported unassigned fund balance of \$763.2 million which was 16.3% of total general fund expenditures.
- The State's total general obligation debt increased \$50.0 million (2.7%) during fiscal year 2015 to \$1,875.4 million. Of the State's outstanding general obligation debt, \$533.5 million (28.4%) has been issued on behalf of local school districts, which is supported by the property tax revenues of those districts. In addition, the State has \$914.3 million in outstanding revenue bonds with \$52.9 million for energy conservation projects and \$861.4 million for transportation projects.
- The State's adoption of GASB No. 68 requires additional disclosures of pension information. The implementation of GASB No. 68 resulted in a prior period adjustment to the net position of \$1,085.8 million for the primary government. This is comprised of the Net Pension Liability of \$1,283.0 million, offset by the Deferred Outflows of Resources for contributions made during fiscal year 2014 of \$197.2 million. Additional information for the pension can be found in Note 16 of the financial statements.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

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

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

The government-wide financial statements include not only the State (known as the primary government), but also legally separate entities for which the State is financially accountable (discretely presented component units). These entities include the Delaware State Housing Authority, the Diamond State Port Corporation, the Riverfront Development Corporation, the Delaware State University, the Delaware Agricultural Lands Preservation Foundation and 24 charter schools (31 charter schools have been approved by the State but 7 were not operating during fiscal year 2015). Financial information for these component units is reported separately from the financial information presented for the primary government. The government-wide financial statements can be found on pages 20 - 21 of this report.

## Fund Financial Statements

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

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

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

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

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

The combining schedule for the local school districts that reflects the local school district fund can be found on pages 144 - 147 of this report.

The State budgets and controls its financial activities on the cash basis of accounting. In compliance with State law, the State records its financial transactions in either of two major categories – the General Fund or the Special Fund. References to these funds in this report include the terms “budgetary” or “budgetary basis” to differentiate them from the GAAP funds of the same name which encompass different funding categories. The State adopts an annual appropriated budget for its budgetary general fund and special fund. A budgetary comparison schedule has been provided for the budgetary general fund and special fund to demonstrate compliance with the budget. The schedules can be found on page 123 of this report.



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

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

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

The basic fiduciary fund financial statements can be found on pages 29 – 30 of this report. The combining fiduciary and agency fund statements can be found on pages 139 - 143.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 – 119 of this report.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain Required Supplementary Information (RSI) concerning the status of the State's legally adopted budget, the maintenance of the State's infrastructure and additional schedules related to funding status and progress, annual pension costs and actuarial methods and assumptions for the State's pension and OPEB trusts. The RSI can be found on pages 121 - 137 of this report.

### **Statewide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$3,650.9 million at the close of the most recent fiscal year.

The largest portion of the State's net position of 142.7% reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment) less any related outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to

liquidate these liabilities. Restricted net position, comprising 26.3% of total net position, represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The remaining portion of the State's net position represents the unrestricted deficit net position (69.0%).

<b>Condensed Financial Information - Primary Government</b>						
<b>As of June 30, 2015</b>						
(Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets:</b>						
Non-capital Assets	\$ 2,902,212	\$ 2,793,638	489,973	\$ 507,395	\$ 3,392,185	\$ 3,301,033
Capital Assets	3,716,412	3,752,433	4,321,292	4,272,307	8,037,704	8,024,740
Total Assets	<u>6,618,624</u>	<u>6,546,071</u>	<u>4,811,265</u>	<u>4,779,702</u>	<u>11,429,889</u>	<u>11,325,773</u>
Deferred Outflows of Resources	191,069	-	29,645	22,823	220,714	22,823
<b>Liabilities:</b>						
Long-term Liabilities						
Outstanding	5,183,775	4,318,891	1,078,635	1,142,790	6,262,410	5,461,681
Other Liabilities	913,974	885,076	218,128	276,318	1,132,102	1,161,394
Total Liabilities	<u>6,097,749</u>	<u>5,203,967</u>	<u>1,296,763</u>	<u>1,419,108</u>	<u>7,394,512</u>	<u>6,623,075</u>
Deferred Inflows of Resources	562,296	17,995	42,911	19,574	605,207	37,569
<b>Net Position:</b>						
Net Investment in						
Capital Assets	1,764,526	1,808,658	3,445,879	3,267,409	5,210,405	5,076,067
Restricted	745,852	728,406	212,681	161,483	958,533	889,889
Unrestricted Deficit	(2,360,730)	(1,212,955)	(157,324)	(65,049)	(2,518,054)	(1,278,004)
Total Net Position *	<u>\$ 149,648</u>	<u>\$ 1,324,109</u>	<u>\$ 3,501,236</u>	<u>\$ 3,363,843</u>	<u>\$ 3,650,884</u>	<u>\$ 4,687,952</u>

The State implemented GASB Statement No. 68 during fiscal 2015. The provisions of GASB Statement No. 68 required the State to record its net pension liability (asset) and deferred outflows of resources and deferred inflows of resources related to the pension liability. The net pension liability in excess of the deferred contributions was expensed resulting in the restatement of the State's net position as of July 1, 2014. In addition, there was a correction of an error for a prior period understatement of the tax refund liability in the Unemployment Insurance Fund. Fiscal 2014 amounts for governmental and business-type activities reported above have not been restated to reflect this change in accordance with the standard.

The capital assets of the governmental activities decreased by \$36.0 million (1.0%) since June 30, 2015. The decrease is the result of completing or discontinuing prior year construction projects in process with limited new construction projects begun, along with the current year depreciation expense.

The increase in governmental activities non-capital assets is due to an increase in cash and investments with increased collections of personal and corporate income tax revenues.

The increase in governmental activities long-term liabilities outstanding of \$864.9 million (20.0%) is primarily due to the recording of the net pension liability of \$703.3 million and an increase in the other post-employment benefits liability and general obligation bonds. The State implemented GASB 68 which required recording the net pension liability, which is the difference between the pension assets and the actuarially determined liability. At June 30, 2015,

the long-term obligation for OPEB was \$2,058.2 million, an increase of \$176.1 million (9.4%) from fiscal year 2014. The OPEB obligation will increase each year as the State continues to defer full funding of its annual required contribution.

The implementation of GASB 68 also required recording deferred outflows of resources and deferred inflows of resources related to the pension liability. Deferred outflows of resources were recorded in the amount of \$200.3 million, largely for the pension contributions made subsequent to the measurement date of June 30, 2014. Deferred inflows of resources were recorded in the amount of \$566.3 million mostly for the differences between the projected and actual investment earnings on the pension plan assets.

In addition, the general obligation long term debt increased by \$50.0 million (2.7%) from fiscal year 2014. The State's debt as a percentage of the State's personal income was 7.1% in fiscal year 2014 and 6.8% in fiscal year 2015. The State's debt burden reflects its centralized role in financing facilities, such as schools and prisons.

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

<b>Changes in Net Position - Primary Government</b>						
<b>For Year End June 30, 2015</b>						
<b>(Expressed in Thousands)</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 534,246	\$ 537,503	\$ 1,245,535	\$ 1,201,749	\$ 1,779,781	\$ 1,739,252
Operating Grants and Contributions	2,076,241	1,953,254	234,092	43,760	2,310,333	1,997,014
Capital Grants and Contributions	-	-	-	210,985	-	210,985
General Revenues:						
Taxes:						
Personal Income Taxes	1,140,248	1,040,341	-	-	1,140,248	1,040,341
Business Taxes	2,291,067	2,061,007	-	-	2,291,067	2,061,007
Real Estate Taxes	552,215	537,395	-	-	552,215	537,395
Other Taxes	224,842	232,017	-	-	224,842	232,017
Investment Income (Loss)	10,511	14,192	2,213	2,375	12,724	16,567
Miscellaneous	13,654	28,878	-	-	13,654	28,878
Total Revenues	<u>6,843,024</u>	<u>6,404,587</u>	<u>1,481,840</u>	<u>1,458,869</u>	<u>8,324,864</u>	<u>7,863,456</u>
<b>Expenses:</b>						
General Government	572,708	683,643	-	-	572,708	683,643
Health and Children's Services	3,007,367	2,850,068	-	-	3,007,367	2,850,068
Judicial and Public Safety	718,645	705,218	-	-	718,645	705,218
Natural Resources and Environmental Control	172,886	134,294	-	-	172,886	134,294
Labor	73,155	68,997	-	-	73,155	68,997
Education	2,612,590	2,482,569	-	-	2,612,590	2,482,569
Interest Expense	60,557	59,747	-	-	60,557	59,747
Lottery	-	-	358,907	344,389	358,907	344,389
Transportation/DeIDOT	-	-	624,452	606,738	624,452	606,738
Unemployment	-	-	68,699	110,063	68,699	110,063
Total Expenses	<u>7,217,908</u>	<u>6,984,536</u>	<u>1,052,058</u>	<u>1,061,190</u>	<u>8,269,966</u>	<u>8,045,726</u>
Increase (Decrease) in Net Position Before Transfers	(374,884)	(579,949)	429,782	397,679	54,898	(182,270)
Transfers	249,896	215,006	(249,896)	(215,006)	-	-
Increase (Decrease) in Net Position	(124,988)	(364,943)	179,886	182,673	54,898	(182,270)
Net Position - Beginning of Year As Restated	* 274,636	1,689,052	3,321,350	3,181,170	3,595,986	4,870,222
Net Position - End of Year	<u>\$ 149,648</u>	<u>\$ 1,324,109</u>	<u>\$ 3,501,236</u>	<u>\$ 3,363,843</u>	<u>\$ 3,650,884</u>	<u>\$ 4,687,952</u>

The State implemented GASB Statement No. 68 during fiscal 2015. The provisions of GASB Statement No. 68 required the State to record its net pension liability (asset) and deferred outflows of resources and deferred inflows of resources related to the pension liability. The net pension liability in excess of the deferred contributions was expensed resulting in the restatement of the State's net position as of July 1, 2014. In addition, there was a correction of an error for a prior year understatement of the tax refund liability in the Unemployment Insurance Fund. Fiscal 2014 amounts for governmental and business-type activities reported above have not been restated to reflect this change in accordance with the standard.

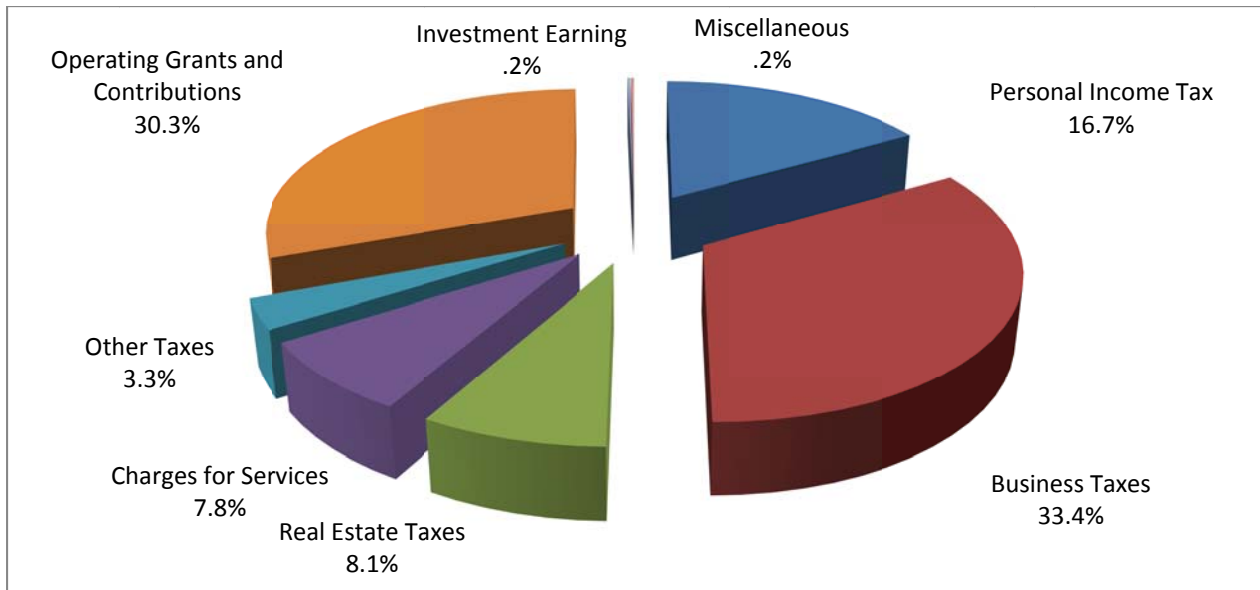
**Governmental Activities**

Since fiscal year 2014, the net position for governmental activities has decreased by \$125.0 million. A comparison of the cost of services by function for the State’s governmental activities is shown in the following chart, along with the revenues used to cover the net expenses of the governmental activities. Key elements of the decrease in the State’s net position from governmental activities are as follows:

Total general revenues of governmental activities increased overall by \$318.7 million (8.1%) relating to increases in personal income taxes of \$99.9 million (9.6%), increase in business and other taxes of \$230.1 million (11.2%), and increases in real estate taxes of \$14.8 million (2.8%). The increase in personal income tax revenues was attributable to increased taxable wages with increases in statewide employment and the increase in business taxes was due to increases in corporate tax and limited partnership collections with continued improvements in the economy. The increase in real estate tax revenues is the result of increased millage rates along with increased assessments from new construction due to new developments.

Program revenues increased by \$119.7 million (4.8%) from the prior year due to an increase in operating grants of \$123.0 million (6.3%). Health and Childrens Services received additional funding of \$136.9 million (8.9%) due largely to increased Medicaid funds. Education charges for services increased \$63.6 million while the General Government charges for services decreased by \$60.4 million which was the result of a shift in the revenues to Education. The remaining increase in Education resulted from increased tuition and fees related to the Delaware Technical and Community College.

**Revenues by Source – Governmental Activities**

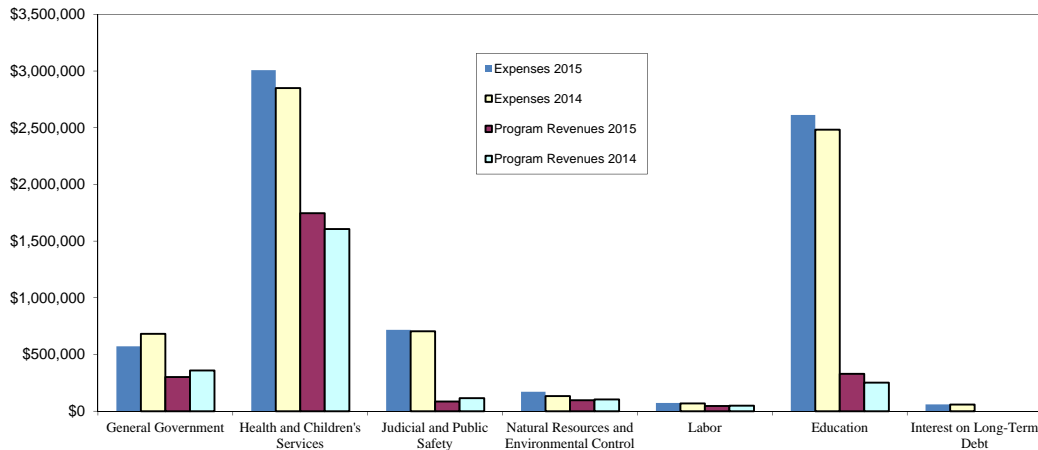


Expenses for governmental activities, not including interest on long-term debt, increased during fiscal year 2015 by \$232.6 million (3.4%). The increase in governmental activities is

due to the increased spending of \$130.0 million (5.2%) for Education, \$157.3 million (5.5%) for Health and Children’s Services and \$38.6 million (28.7%) for Department of Natural Resources and Environmental Control. Expenses decreased for General Government by \$110.9 million (16.2%). Health and Children’s Services increased as a result of a general increase in the population served and rising health care costs. Education increased due to additional costs for salaries and benefits with the rising student population, DNREC increased due to additional projects and personnel costs, and General Government expenses decreased as a result of cost containment measures implemented during fiscal year 2015.

**Expenses and Program Revenues- Governmental Activities**

(Expressed in Thousands)



**Business-type Activities**

The net position for business-type activities increased by \$179.9 million (5.4%) in fiscal year 2015. This increase is comprised of a \$115.2 million (3.5%) increase in net position for DelDOT plus a \$64.7 million increase in the Unemployment Insurance Trust Fund.

The increase of \$64.7 million in fiscal year 2015 compared to an increase of \$31.7 million in fiscal year 2014, as restated for the Delaware Unemployment Insurance Trust Fund net position is due to a decreased demand for benefits paid by the Trust Fund. The operating revenues (charges for services and operating grants) increased by \$18.4 million (16.4%) and operating expenses decreased by \$39.8 million (36.7%) due to decreases in the federally funded unemployment benefits and as a result of improvements in the economy with less individuals unemployed and collecting benefits.

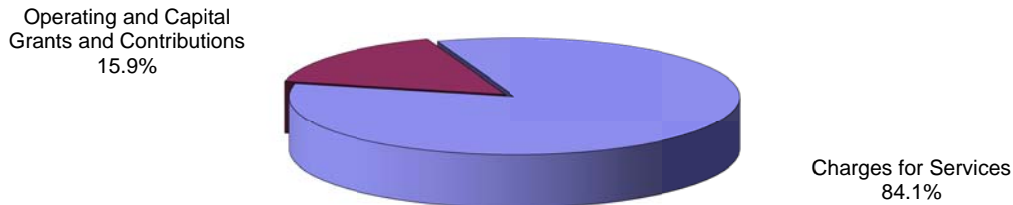
DelDOT’s net position at June 30, 2015 increased by \$115.2 million from June 30, 2014. Change in net position decreased from \$144.8 million in fiscal year 2014 to \$115.2 million in fiscal year 2015. DelDOT’s total operating revenues increased by \$26.2 million (5.4%) while operating expenses increased by \$32.8 million (5.8%). The change in revenue is primarily attributable to an increase in toll revenues and an increase in motor vehicle fees a result of continued strong auto sales. The increase in operating expenditures is primarily a result of increases in professional fees and materials and supplies. Total capital assets (net

of depreciation) increased \$49.0 million to \$4,321.3 million during fiscal year 2015 primarily due to the completion of the SR-1/I-95 interchange near the Christiana Mall.

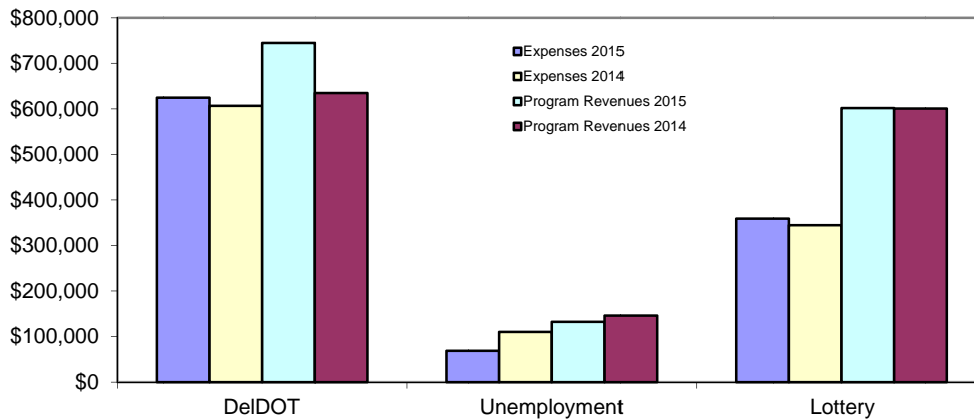
There was no change in the Lottery’s net position. By law, the Lottery’s net position cannot exceed \$1.0 million. The overall lottery revenue for fiscal 2015 saw a slight increase over 2014 by \$1.0 million or less than 1%. The video net proceeds showed a \$5.9 million, or 1.6%, decline from 2014 to 2015. The table games also show a decline in revenue from 2014 to 2015 of \$1.0 million. The declines were offset by continued increases in instant games sales reporting another record sales year.

The Lottery transferred \$243.0 million in gaming revenues to the State, a decrease from fiscal year 2014 of \$13.5 million (5.3%). The total costs of games and prizes increased by \$14.8 million (4.5%) over the previous year due to a cost share increase for lottery vendors.

**Revenues by Source – Business-type Activities**



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



### **Financial Analysis of the State's Funds**

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

#### ***Governmental Funds***

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

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. This is further described in note 1 and note 17 of the basic financial statements.

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1,975.0 million, an increase of \$63.0 million over the prior year fund balance.

Of this amount, \$281.3 million is nonspendable (14.2%), either due to its form or legal constraints, \$654.5 million (33.1%) is restricted for specific programs by external constraints and \$193.0 million (9.8%) is committed for specific purposes pursuant to constraints imposed by a formal action of the Delaware Legislature. An additional \$83.0 million (4.2%) has been assigned to specific purposes by management. The remaining \$763.2 million (38.7%) of fund balance is unassigned.

#### ***General Fund***

The General Fund accounts for the operation and administration of the State. The fund balance increased by \$11.4 million for the fiscal year.

Total General Fund revenues increased by \$349.5 million (8.8%) which was primarily due to several factors. Personal income and business taxes increased by \$99.9 million and \$229.1 million, respectively, which was due to increased enforcement efforts, increased taxable wages and an increase in business profits. These increases were offset by a decrease in other revenue of \$32.0 million.

Total General Fund expenditures increased by \$107.9 million (2.4%). This was primarily due to increases Health and Children's Services of \$47.2 million and Education of \$23.9 million. The increase in expenditures for Health and Children's Services was due to an increase in the demand for services. Education increases were the result of additional salaries and benefits to serve a rising student population which along with several new charter schools increased payments to the charter schools by \$12.8 million.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$763.2 million with total fund balance of \$1,228.6 million.

#### *Federal Funds*

Federal Funds represent pass through grants used for designated purposes. These funds report federal grant revenues and the related expenditures to support the State's grant programs. Total federal fund revenues and expenditures increased by \$128.4 and \$132.8 million, respectively. Revenues and expenditures increased for Health and Children's Service by \$136.9 and \$133.2 million due largely to increased services including Medicaid.

#### *Local School District Funds*

These funds are used to account for activities relating to the State's local school districts, which are funded by locally raised real estate taxes and other revenues. The fund balance decreased by \$5.2 million to \$284.4 million due to an increase in expenditures to serve the increasing population.

#### *Capital Project Funds*

Capital Project Funds are used to account for the construction and acquisition of capital assets of the primary government. Capital outlay expenditures totaled \$200.1 million in fiscal year 2015, a decrease of \$85.6 million with many of the projects for both educational institutions and general government reaching completion in fiscal year 2015.

#### *Proprietary Funds*

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

Total Proprietary Fund net position increased in fiscal year 2015 by \$179.9 million as a result of operations. Pages 11 - 12 discuss the changes in net position of the business-type activities.

### **General Fund Budgetary Highlights**

The Budgetary General Fund is the chief operating fund of the State. At the end of the fiscal year, total fund balance increased by \$122.5 million.

Revenues were \$382.4 million (10.7%) more than the previous fiscal year. This was due to increases in the corporate income tax of \$167.5 million (164.2%), personal income tax of \$80.4 (6.9%), franchise fees of \$47.8 (7.7%), and limited partnership and LLCs of \$48.5 million (24.8%). The \$167.5 million increase in corporate income tax was the result of improved economic conditions. Offsetting these revenue increases were decreases in lottery sales of \$12.3 million (5.7%) and cigarette taxes of \$11.7 million (10.3%).



Expenditures were \$38.5 million (1.0%) more than the previous fiscal year. Salaries and wages increased by \$31.8 million (2.4%) and benefit costs increased by \$6.9 million (1.7%), Grants-in-Aid decreased by \$16.5 million (4.3%), Medicaid costs increased by \$20.7 million (3.1%), contractual services decreased by \$5.2 million (1.0%) and supplies and materials decreased by \$4.4 million (23.4%).

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

The significant budget expense variances from fiscal year 2015 to fiscal year 2014 are \$9.9 million, \$9.2 million and \$33.2 million increases for General Government, Health and Children's Services and Education, respectively due to multi-year ongoing projects.

Funded projects, which are not completed by year-end, may carry over unspent funds into fiscal year 2015. Unspent funds are reflected in the final budget which may cause variances from original budget.

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

#### **Capital Assets**

The State's investment in capital assets for its governmental and business-type activities, as of June 30, 2015, amounted to \$8,037.7 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles and equipment, easements, roads, highways, and bridges. The total decrease in capital assets for governmental activities was \$36.0 million (1.0%) and the increase for business-type activities was \$49.0 million (1.1%).

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

- The increase in business-type activities is due to increased spending at DeIDOT for the SR-1/I-95 interchange near the Christiana Mall.
- The decrease in governmental activities is due to completion of prior year projects, limited new projects begun in the current year and depreciation expense.

As allowed by GASB the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include 4,448 centerline miles and 1,626 bridges that the State is responsible to maintain with a total book value of \$3,760.1 million as of June 30, 2015.

It is the State's policy to maintain at least 85% of its highways at a fair or better condition level

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

Of the State'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. The condition of bridges is measured using the "Bridge Condition Rating" (BCR) which is based on the Federal Highway Administration (FHWA) Coding Guide, "Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation's Bridges." The BCR uses a measurement scale that is based on a condition index ranging from 0 to 9. For reporting purposes, substandard bridges are classified as those with a rating of 4 or less. The good or better condition bridges were taken as those with ratings of between 6 and 9. A rating of 5 is considered fair.

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

The fiscal year 2015 estimate to maintain and preserve DelDOT's infrastructure was \$241.9 million, but the actual expenditures were \$291.6 million, which is \$49.7 million over the estimate. The estimated expenditures represent annual budget or bond bill authorizations and the actual expenditures represent the current year spending, which includes cumulative authorizations.

Additional information on the State's capital assets can be found in Note 1 on pages 46 - 47, Note 13 on pages 85 - 87 and starting on page 126 in the Required Supplementary Information.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 475,937	\$ 468,211	\$ 298,948	\$ 288,612	\$ 774,885	\$ 756,823
Land Improvements	174,635	155,431	-	-	174,635	155,431
Buildings	2,695,624	2,407,115	114,521	99,558	2,810,145	2,506,673
Easements	79,781	79,750	-	-	79,781	79,750
Equipment, Vehicles and Computer Software	91,700	101,881	130,518	126,376	222,218	228,257
Infrastructure	-	-	3,760,135	3,723,675	3,760,135	3,723,675
Construction-In-Progress	198,735	540,045	17,170	34,086	215,905	574,131
Total	\$ 3,716,412	\$ 3,752,433	\$ 4,321,292	\$ 4,272,307	\$ 8,037,704	\$ 8,024,740

### Long-Term Debt

The State uses general obligation debt to finance capital projects. At the end of the current fiscal year, the State had total general obligation bond debt outstanding of \$1,875.4 million backed by the full faith and credit of the State. The State's debt burden reflects its centralized role in financing facilities, including school construction projects. As of June 30, 2015, \$533.5 million, or 28.4%, of the State's outstanding debt was issued on behalf of local school districts. Local school districts transferred \$65.3 million of property tax revenue to the State to cover related debt service during fiscal year 2015.

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

- A 5% test restricts new debt authorization to 5% of budgetary general fund revenue as projected by the Delaware Economic and Financial Advisory Council (DEFAC) in June for the next fiscal year. Should actual revenue collections increase during the year, no additional authorizations are made. For fiscal year 2015, debt authorization was limited to \$212.5 million.
- A 15% test restricts debt issuance if the annual payments on all outstanding debt exceed 15% of estimated budgetary general fund and Transportation Trust Fund Revenue for the next fiscal year. Currently, these annual payments represent approximately 8% of estimated general fund and Transportation Trust Fund revenues.
- Finally, a cash balance test restricts debt issuance if the debt service payment in any year exceeds the estimated cumulative cash balance for the following fiscal year. For fiscal year 2015, the projected cash balance exceeded debt service.

Due to the State's statutory debt limits and its fiscal management, three principal rating agencies, Moody's Investor's Service, Fitch Ratings and Standard & Poor's, reaffirmed their triple-A ratings on the State's general obligation bonds during fiscal year 2015. On November 6, 2014, the State issued \$306.9 million of general obligation bonds maturing between March 1, 2015 and March 1, 2034. The bonds bear coupon rates of between 3% and 5% and yield between 0.14% and 3.61%. Proceeds were used to fund various capital projects as authorized by the General Assembly and the remaining portion will be applied to an advance refunding of general obligation bonds.

In addition, the Sustainable Energy Utility, Inc. (SEU) had \$52.9 million of Revenue Bonds, Series 2011 outstanding as of June 30, 2015. These bonds were used to support general government initiatives and have been used to finance construction on energy efficient upgrades to facilities in the State. As such, that debt is reflected in the primary government statements as governmental activities. The bonds are secured by appropriations of the state organizations that are participating in the SEU program, but are not an obligation of the State.

Debt issued by the Delaware Transportation Authority does not constitute a debt of the State or a pledge of its general taxing power or of its full faith and credit. Rather, the outstanding revenue bonds are obligations of the Authority payable solely from and secured by a pledge and assignment of certain tolls and revenues such as motor fuel tax revenues, motor vehicle document fees and motor vehicle registrations. The Delaware Transportation Authority has revenue bonds outstanding of \$861.4 million to support its ongoing capital transportation program which includes \$86.6 million in Grant Anticipation Vehicle Bonds (GARVEEs), to finance a portion of the costs of completing the final design and right-of-way acquisition for a new U.S. 301.

Additional information on the State of Delaware's long-term debt can be found in Notes 6, 7 and 8 on pages 69 - 82 of this report.

### **Financial Management**

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

- Expenditure budgeting of 98% of available budgetary general fund revenue;
- budgetary general fund revenue forecasts that are frequent, objective and often conservative;
- Three-part debt affordability test that limits debt authorization to 5% of budgetary general fund revenue; debt service to 15% of tax supported revenue; and the cash balance test;
- Consistent satisfaction of the State's budget reserve requirement – the State's rainy day fund has never fallen below its mandated 5% of general fund revenue; and
- Adequate funding of its pension plan.

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

DEFAC met on June 15, 2015 to prepare the final revenue and expenditure estimates upon which the fiscal year 2016 operating and capital budgets would be based. Forecasters suggest moderate growth with employment growth exceeding the expected national growth. Tax policy and accounting changes are favorable for fiscal 2016 revenue.

The fiscal year 2016 operating and capital budgets meet budgetary spending limitations imposed by law. The fiscal year 2016 operating budget is \$3,908.5 million, 2.4% more than fiscal year 2015 and was based on projected revenues by DEFAC of \$3,950.6 million. The fiscal year 2016 operating budget included \$23.8 million in supplemental appropriations (historically in the form of cash allocated to the capital budget), a decrease of 60.9% over the fiscal year 2015 budget.

### **Requests for Information**

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

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

**STATE OF DELAWARE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**  
(Expressed in Thousands)

	<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 55,262	\$ 118,484	\$ 173,746	\$ 59,234
Cash and Pooled Investments	1,357,893	15,606	1,373,499	70,321
Receivables, Net	661,493	105,673	767,166	342,223
Interfund Balances	12,122	(12,122)	-	-
Inventories	5,306	17,651	22,957	956
Prepaid Items	-	-	-	4,563
Escrow Insurance Deposits	-	207	207	-
Investments	129,436	60,007	189,443	506,414
Other Assets	8,500	2,516	11,016	709
Restricted Assets:				
Cash and Pooled Investments	668,056	-	668,056	23,422
Deposit on Hold with Trustee	2,683	-	2,683	-
Restricted Investments	-	180,770	180,770	31,991
Net Pension Asset	1,461	1,181	2,642	12
Other Restricted Assets	-	-	-	10,010
Capital Assets:				
Non-Depreciable Assets	754,453	4,098,353	4,852,806	101,397
Depreciable Capital Assets, Net	2,961,959	222,939	3,184,898	800,736
<b>Total Capital Assets, Net</b>	<u>3,716,412</u>	<u>4,321,292</u>	<u>8,037,704</u>	<u>902,133</u>
<b>Total Assets</b>	<u>6,618,624</u>	<u>4,811,265</u>	<u>11,429,889</u>	<u>1,951,988</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>191,069</u>	<u>29,645</u>	<u>220,714</u>	<u>16,257</u>
<b>LIABILITIES</b>				
Accounts Payable	535,711	63,200	598,911	13,714
Accrued Liabilities	52,800	35,751	88,551	17,042
Accrued Interest Payable	36,226	20,763	56,989	3,172
Unearned Revenue	1,592	-	1,592	2,474
Escrow Deposits	-	8,672	8,672	-
Net Pension Liability	703,275	15,560	718,835	23,621
Due Within One Year	287,645	89,742	377,387	42,129
Due In More Than One Year	4,480,500	1,063,075	5,543,575	699,585
<b>Total Liabilities</b>	<u>6,097,749</u>	<u>1,296,763</u>	<u>7,394,512</u>	<u>801,737</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>562,296</u>	<u>42,911</u>	<u>605,207</u>	<u>34,402</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,764,526	3,445,879	5,210,405	613,246
Restricted For:				
Debt Service	-	153,170	153,170	-
Federal and State Regulations	745,852	-	745,852	352,335
Bond Covenants	-	-	-	53,207
Unemployment benefits	-	59,511	59,511	-
Other Purposes	-	-	-	71,287
Unrestricted (Deficit)	(2,360,730)	(157,324)	(2,518,054)	42,031
<b>Total Net Position</b>	<u>\$ 149,648</u>	<u>\$ 3,501,236</u>	<u>\$ 3,650,884</u>	<u>\$ 1,132,106</u>

**STATE OF DELAWARE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position			Discretely Presented Component Units
		Charges for Services	Grants and Contributions		Governmental Activities	Primary Government		
			Operating	Capital		Business-type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General Governmental Services	\$ 572,708	\$ 273,905	\$ 24,051	\$ -	\$ (274,752)	\$ -	\$ (274,752)	\$ -
Health and Children's Services	3,007,367	70,532	1,676,032	-	(1,260,803)	-	(1,260,803)	-
Judicial and Public Safety	718,645	59,551	31,271	-	(627,823)	-	(627,823)	-
Natural Resources and Environmental Control	172,886	56,364	41,713	-	(74,809)	-	(74,809)	-
Labor	73,155	7,228	39,958	-	(25,969)	-	(25,969)	-
Education	2,612,590	66,666	263,216	-	(2,282,708)	-	(2,282,708)	-
Interest on Long-term Debt	60,557	-	-	-	(60,557)	-	(60,557)	-
<b>Total Governmental Activities</b>	<b>7,217,908</b>	<b>534,246</b>	<b>2,076,241</b>	<b>-</b>	<b>(4,607,421)</b>	<b>-</b>	<b>(4,607,421)</b>	<b>-</b>
<b>Business-type Activities:</b>								
Lottery	358,907	601,869	-	-	-	242,962	242,962	-
DelDOT	624,452	512,471	232,393	-	-	120,412	120,412	-
Unemployment	68,699	131,195	1,699	-	-	64,195	64,195	-
<b>Total Business-type Activities</b>	<b>1,052,058</b>	<b>1,245,535</b>	<b>234,092</b>	<b>-</b>	<b>-</b>	<b>427,569</b>	<b>427,569</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 8,269,966</b>	<b>\$ 1,779,781</b>	<b>\$ 2,310,333</b>	<b>\$ -</b>	<b>(4,607,421)</b>	<b>427,569</b>	<b>(4,179,852)</b>	<b>-</b>
<b>Discretely Presented Component Units:</b>								
Delaware State Housing Authority	\$ 93,151	\$ 36,098	\$ 79,878	\$ 525	-	-	-	23,350
Diamond State Port Corporation	39,253	40,429	-	10,432	-	-	-	11,608
Riverfront Development Corporation	10,864	2,745	200	2,800	-	-	-	(5,119)
Delaware State University	126,162	51,548	32,152	4,986	-	-	-	(37,476)
Delaware Charter Schools	148,026	13,671	5,669	3,805	-	-	-	(124,881)
Delaware Agricultural Lands Preservation Foundation	689	233	2,000	5,086	-	-	-	6,630
<b>Total Discretely Presented Component Units</b>	<b>\$ 418,145</b>	<b>\$ 144,724</b>	<b>\$ 119,899</b>	<b>\$ 27,634</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(125,888)</b>
<b>General Revenues:</b>								
Taxes:								
Personal Income					1,140,248	-	1,140,248	-
Business					2,291,067	-	2,291,067	-
Real Estate					552,215	-	552,215	-
Other					224,842	-	224,842	-
Unrestricted Payments from Primary Government					-	-	-	164,108
Investment Income					10,511	2,213	12,724	1,486
Miscellaneous					13,654	-	13,654	1,918
Transfers In (Out)					249,896	(249,896)	-	-
<b>Total General Revenues and Transfers</b>					<b>4,482,433</b>	<b>(247,683)</b>	<b>4,234,750</b>	<b>167,512</b>
Changes in Net Position					(124,988)	179,886	54,898	41,624
<b>Net Position - Beginning As Restated (Note 21)</b>					<b>274,636</b>	<b>3,321,350</b>	<b>3,595,986</b>	<b>1,090,482</b>
<b>Net Position - Ending</b>					<b>\$ 149,648</b>	<b>\$ 3,501,236</b>	<b>\$ 3,650,884</b>	<b>\$ 1,132,106</b>

**STATE OF DELAWARE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015  
(Expressed in Thousands)**

	<u>General</u>	<u>Federal</u>	<u>Local School Districts</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 43,958	\$ 1,077	\$ 10,227	\$ -	\$ 55,262
Cash and Pooled Investments	1,535,236	-	291,161	199,552	2,025,949
Deposit on Hold with Trustee	2,683	-	-	-	2,683
Investments	128,782	-	654	-	129,436
Accounts Receivable, Net	66,003	7,101	159	-	73,263
Taxes Receivable, Net	93,890	-	37,518	-	131,408
Intergovernmental					
Receivables, Net	-	149,607	-	-	149,607
Loans and Notes Receivable, Net	29,867	277,348	-	-	307,215
Due from Other Funds	29,070	-	-	-	29,070
Inventories	5,306	-	-	-	5,306
<b>TOTAL ASSETS</b>	<u>\$ 1,934,795</u>	<u>\$ 435,133</u>	<u>\$ 339,719</u>	<u>\$ 199,552</u>	<u>\$ 2,909,199</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 362,603	\$ 138,527	\$ 19,655	\$ 14,926	\$ 535,711
Accrued Liabilities	52,800	-	-	-	52,800
Other Liabilities	747	-	-	-	747
Escheat Liability	175,000	-	-	-	175,000
Due to Other Funds	4,488	12,460	-	-	16,948
Unearned Revenue	1,592	-	-	-	1,592
<b>Total Liabilities</b>	<u>597,230</u>	<u>150,987</u>	<u>19,655</u>	<u>14,926</u>	<u>782,798</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>108,959</u>	<u>6,798</u>	<u>35,639</u>	<u>-</u>	<u>151,396</u>
<b>FUND BALANCES</b>					
Nonspendable	5,306	275,997	-	-	281,303
Restricted	184,079	1,351	284,425	184,626	654,481
Committed	192,970	-	-	-	192,970
Assigned	83,002	-	-	-	83,002
Unassigned	763,249	-	-	-	763,249
<b>Total Fund Balances</b>	<u>1,228,606</u>	<u>277,348</u>	<u>284,425</u>	<u>184,626</u>	<u>1,975,005</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>	<u>\$ 1,934,795</u>	<u>\$ 435,133</u>	<u>\$ 339,719</u>	<u>\$ 199,552</u>	<u>\$ 2,909,199</u>



**STATE OF DELAWARE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2015**  
(Expressed in Thousands)

<b>Total Fund Balances - Governmental Funds</b>		<b>\$ 1,975,005</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Other assets held for sale which are not financial resources therefore are not reported in the funds		8,500
Net pension asset available to fund future pension obligations		1,461
Net capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	475,937	
Land Improvements	174,635	
Buildings	2,695,624	
Easements	79,781	
Equipment, Vehicles and Software	91,700	
Construction in Progress	198,735	
		3,716,412
Deferred outflows of resources related to the 2015 pension contribution, changes in proportion, and investment differences		191,069
Deferred inflows of resources related to:		
Revenues that will be collected after year-end, but are not available to pay for the current period's expenditures	151,396	
Pension investment differences and changes in proportion	(542,357)	
Deferred gains on refunding of bonds	(19,939)	
		(410,900)
Certain liabilities net of related assets are not due and payable in the current period and are not reported in the fund balance sheet. These liabilities consist of:		
Interest Payable	(36,226)	
Claims and Judgments (Current and Long-term)	(174,349)	
Compensated Absences (Current and Long-term)	(170,294)	
Other Post Employment Benefits	(2,058,181)	
Pollution Remediation Obligations (Current and Long-term)	(35,185)	
Notes Payable	(27,278)	
Net Pension Liability	(703,275)	
General Obligation and Revenue Bonds and Related Accounts	(2,124,160)	
Other Long-term Obligations	(2,951)	
		(5,331,899)
<b>Total Net Position of Governmental Activities</b>		<b>\$ 149,648</b>

**STATE OF DELAWARE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES (DEFICITS)**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
(Expressed in Thousands)

	<u>General</u>	<u>Federal</u>	<u>Local School District Fund</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Personal Taxes	\$ 1,140,248	\$ -	\$ -	\$ -	\$ 1,140,248
Business Taxes	2,290,097	-	-	-	2,290,097
Other Tax Revenue	224,841	-	553,186	-	778,027
Licenses, Fees, Permits and Fines	373,797	-	757	-	374,554
Rentals and Sales	111,840	-	7,903	-	119,743
Grants	49,747	2,018,592	8,104	-	2,076,443
Interest and Other Investment Income	8,534	-	1,928	-	10,462
Other	144,862	-	20,938	-	165,800
<b>Total Revenues</b>	<u>4,343,966</u>	<u>2,018,592</u>	<u>592,816</u>	<u>-</u>	<u>6,955,374</u>
<b>Expenditures</b>					
Current:					
General Government	603,799	13,421	-	-	617,220
Health and Children's Services	1,406,997	1,623,067	-	-	3,030,064
Judicial and Public Safety	642,251	31,928	-	-	674,179
Natural Resources and Environmental Control	137,219	27,443	-	-	164,662
Labor	32,515	39,542	-	-	72,057
Education	1,486,436	230,846	512,781	-	2,230,063
Unrestricted Payments to Component Unit - Education	128,305	-	35,803	-	164,108
Capital Outlay	-	-	-	200,087	200,087
Debt Service:					
Principal	170,068	-	-	-	170,068
Interest and Other Charges	80,318	-	-	-	80,318
Costs of Issuance of Debt	598	-	-	-	598
<b>Total Expenditures</b>	<u>4,688,506</u>	<u>1,966,247</u>	<u>548,584</u>	<u>200,087</u>	<u>7,403,424</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(344,540)</u>	<u>52,345</u>	<u>44,232</u>	<u>(200,087)</u>	<u>(448,050)</u>
<b>Other Sources (Uses) of Financial Resources</b>					
Transfers In	529,583	-	71,210	-	600,793
Transfers Out	(74,761)	(56,257)	(120,661)	(99,218)	(350,897)
Issuance of General Obligation Bonds	-	-	-	306,870	306,870
Payment to Refunding Escrow Agent	(98,915)	-	-	-	(98,915)
Premiums on Bond Sales	-	-	-	53,159	53,159
Other Financing Sources	-	-	-	-	-
<b>Total Other Sources (Uses) of Financial Resources</b>	<u>355,907</u>	<u>(56,257)</u>	<u>(49,451)</u>	<u>260,811</u>	<u>511,010</u>
<b>Net Change in Fund Balances</b>	<u>11,367</u>	<u>(3,912)</u>	<u>(5,219)</u>	<u>60,724</u>	<u>62,960</u>
<b>Fund Balances - Beginning</b>	<u>1,217,239</u>	<u>281,260</u>	<u>289,644</u>	<u>123,902</u>	<u>1,912,045</u>
<b>Fund Balances - Ending</b>	<u>\$ 1,228,606</u>	<u>\$ 277,348</u>	<u>\$ 284,425</u>	<u>\$ 184,626</u>	<u>\$ 1,975,005</u>

**STATE OF DELAWARE**  
**RECONCILIATION OF THE NET CHANGES IN FUND BALANCES -**  
**TOTAL GOVERNMENT FUNDS TO CHANGE IN NET POSITION**  
**OF GOVERNMENTAL ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
(Expressed in Thousands)

**Net Changes in Fund Balances** \$ 62,960

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital Outlays	104,744	
Depreciation Expense	(132,426)	
Loss on Disposal of Assets	(8,339)	
		(36,021)

Other assets held for sale which are not financial resources therefore are not reported in the funds		8,500
--	--	-------

Changes in revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.		(19,661)
---	--	----------

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

Components of the debt related adjustments consist of:

Debt Service Principal Repayments	169,150	
Payment to Refunding Agent for Principal Repayments	89,272	
New Debt Issued (Face Value)	(306,870)	
Premium Received on General Obligation Bonds	(53,159)	
Premium Received on SEU Bonds	(4,108)	
Amortization of Premiums on Bonds	35,982	
Current Year Gain on Refunding of Debt	(4,063)	
Amortization of Gain on Refundings on Debt	2,119	
		(71,677)

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

Accrued Interest Expense	(4,634)	
Claims and Judgments	(1,507)	
Compensated Absences	5,639	
Other Post Employment Benefits	(176,143)	
Pollution Remediation Obligation	(10,322)	
Change in Pension Liability	116,841	
Notes Payable	845	
Other Liabilities	192	
		(69,089)

**Change in Net Position in the Statement of Activities** \$ (124,988)

**STATE OF DELAWARE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**  
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DeIDOT</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 53,013	\$ 387	\$ 65,084	\$ 118,484
Cash and Pooled Investments	459	2,746	12,401	15,606
Accounts Receivable, Net	12,909	13,295	20,526	46,730
Taxes Receivable, Net	31,234	-	-	31,234
Intergovernmental Receivables, Net	-	-	27,310	27,310
Interest Receivable	-	-	399	399
Inventories	-	-	17,651	17,651
Escrow Insurance Deposits	-	-	207	207
Due from Other Funds	25	4,463	-	4,488
Investments				
Unrestricted	-	30	55,414	55,444
Restricted	-	-	110,235	110,235
<b>Total Current Assets</b>	<b>97,640</b>	<b>20,921</b>	<b>309,227</b>	<b>427,788</b>
<b>Noncurrent Assets:</b>				
Investments				
Unrestricted	-	-	4,563	4,563
Restricted	-	50	70,485	70,535
Other Assets	-	2,516	-	2,516
Net Pension Asset	-	-	1,181	1,181
Capital Assets				
Capital Assets, Non-depreciable	-	-	4,098,353	4,098,353
Capital Assets, Depreciable, Net	-	-	222,939	222,939
<b>Total Capital Assets, Net</b>	<b>-</b>	<b>-</b>	<b>4,321,292</b>	<b>4,321,292</b>
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>2,566</b>	<b>4,397,521</b>	<b>4,400,087</b>
<b>Total Assets</b>	<b>97,640</b>	<b>23,487</b>	<b>4,706,748</b>	<b>4,827,875</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>244</b>	<b>29,401</b>	<b>29,645</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	-	7,076	56,124	63,200
Accrued Liabilities	23,104	6,773	5,874	35,751
Escrow Deposits	-	-	8,672	8,672
Interest Payable	25	-	20,738	20,763
Due to Other Funds	15,000	1,610	-	16,610
Pollution Remediation Obligation	-	-	685	685
Claims and Judgements	-	-	2,485	2,485
Compensated Absences	-	-	2,090	2,090
Bond Issue Premiums	-	-	11,902	11,902
Revenue Bonds	-	-	72,580	72,580
<b>Total Current Liabilities</b>	<b>38,129</b>	<b>15,459</b>	<b>181,150</b>	<b>234,738</b>
<b>Noncurrent Liabilities:</b>				
Other Postemployment Benefits	-	3,357	214,455	217,812
Pollution Remediation Obligation	-	-	1,308	1,308
Claims and Judgements	-	-	9,169	9,169
Liabilities Payable from Restricted Assets	-	2,565	-	2,565
Net Pension Liability - State	-	518	15,042	15,560
Compensated Absences	-	-	9,825	9,825
Bond Issue Premiums	-	-	33,576	33,576
Revenue Bonds	-	-	788,820	788,820
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>6,440</b>	<b>1,072,195</b>	<b>1,078,635</b>
<b>Total Liabilities</b>	<b>38,129</b>	<b>21,899</b>	<b>1,253,345</b>	<b>1,313,373</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>832</b>	<b>42,079</b>	<b>42,911</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	-	-	3,445,879	3,445,879
Restricted for:				
Debt Service	-	-	153,170	153,170
Unemployment Benefits	59,511	-	-	59,511
Unrestricted (Deficit)	-	1,000	(158,324)	(157,324)
<b>Total Net Position</b>	<b>\$ 59,511</b>	<b>\$ 1,000</b>	<b>\$ 3,440,725</b>	<b>\$ 3,501,236</b>

**STATE OF DELAWARE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DelDOT</u>	<u>Total</u>
<b>Operating Revenues:</b>				
Unemployment Taxes-State Funded	\$ 130,805	\$ -	\$ -	\$ 130,805
Gaming Revenue	-	601,869	-	601,869
Pledged Revenues:				
Turnpike Revenue	-	-	120,363	120,363
Motor Vehicle and Related Revenue	-	-	290,642	290,642
Turnpike Revenue	-	-	55,767	55,767
Passenger Fares	-	-	18,452	18,452
Miscellaneous	390	-	25,692	26,082
	<u>131,195</u>	<u>601,869</u>	<u>510,916</u>	<u>1,243,980</u>
Total Operating Revenues				
<b>Operating Expenses:</b>				
Unemployment Benefits - State Funded	67,076	-	-	67,076
Unemployment Benefits - Federal Funded	1,461	-	-	1,461
Cost of Sales	-	238,303	-	238,303
Prizes	-	108,964	-	108,964
Transportation	-	-	573,777	573,777
Depreciation	-	-	27,193	27,193
General and Administrative	-	10,640	-	10,640
	<u>68,537</u>	<u>357,907</u>	<u>600,970</u>	<u>1,027,414</u>
Total Operating Expenses				
Operating Income (Loss)	<u>62,658</u>	<u>243,962</u>	<u>(90,054)</u>	<u>216,566</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest Income	368	-	1,845	2,213
Interest Expense	(162)	-	(23,482)	(23,644)
Grants	1,191	-	232,393	233,584
Other Revenue	508	-	1,555	2,063
Contributions to Thoroughbred Program	-	(1,000)	-	(1,000)
	<u>1,905</u>	<u>(1,000)</u>	<u>212,311</u>	<u>213,216</u>
Total Nonoperating Revenues (Expenses)				
Income Before Transfers	64,563	242,962	122,257	429,782
Transfers In	162	-	3,389	3,551
Transfers Out	-	(242,962)	(10,485)	(253,447)
Increase in Net Position	64,725	-	115,161	179,886
<b>Net Position - Beginning As Restated (Note 21)</b>	<u>(5,214)</u>	<u>1,000</u>	<u>3,325,564</u>	<u>3,321,350</u>
<b>Net Position - Ending</b>	<u>\$ 59,511</u>	<u>\$ 1,000</u>	<u>\$ 3,440,725</u>	<u>\$ 3,501,236</u>

**STATE OF DELAWARE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DeIDOT</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>				
Receipts from Employers	\$ 119,087	\$ -	\$ -	\$ 119,087
Receipts from Customers and Users	-	600,991	506,672	1,107,663
Other Operating Receipts	390	-	2,820	3,210
Payments to Suppliers for Goods and Services	-	(45,355)	(379,772)	(425,127)
Payments to Employees for Services	-	(5,946)	(173,471)	(179,417)
Payments for Insurance Claims	(71,960)	-	(5,538)	(77,498)
Payments for Prizes	-	(106,964)	-	(106,964)
Payment for Commissions	-	(198,249)	-	(198,249)
	<u>47,517</u>	<u>244,477</u>	<u>(49,289)</u>	<u>242,705</u>
Net Cash Provided (Used) by Operating Activities				
<b>Cash Flows from Noncapital Financing Activities:</b>				
Receipts from Federal Government	1,191	-	7,476	8,667
Receipts from Other Grants	-	-	3,528	3,528
Repayment of Advances from Federal Government	(55,773)	-	-	(55,773)
Payment on Other Grants	-	(1,000)	(4,962)	(5,962)
Interest Paid on Advances	(1,378)	-	-	(1,378)
Transfers In	1,378	-	3,389	4,767
Transfers Out	-	(243,497)	(10,485)	(253,982)
	<u>(54,582)</u>	<u>(244,497)</u>	<u>(1,054)</u>	<u>(300,133)</u>
Net Cash Provided (Used) by Noncapital Financing Activities				
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital Grants	-	-	237,028	237,028
Purchases of Capital Assets	-	-	(76,228)	(76,228)
Principal Paid on Capital Debt	-	-	(77,758)	(77,758)
Interest Paid on Capital Debt	-	-	(41,363)	(41,363)
Federal Reimbursement of Debt Service	-	-	276	276
	<u>-</u>	<u>-</u>	<u>41,955</u>	<u>41,955</u>
Net Cash Provided (Used) by Capital and Related Financing Activities				
<b>Cash Flows from Investing Activities:</b>				
Interest and Investment Revenues	368	-	1,902	2,270
Repayment on Loan Receivable	-	-	923	923
Escrow Deposits Received	-	-	23	23
Purchase of Investments	-	-	(2,352,694)	(2,352,694)
Proceeds from Sales and Maturities of Investments	-	34	2,347,893	2,347,927
	<u>368</u>	<u>34</u>	<u>(1,953)</u>	<u>(1,551)</u>
Net Cash Provided (Used) by Investing Activities				
Net Increase (Decrease) in Cash, Cash Equivalents and Pooled Investments	(6,697)	14	(10,341)	(17,024)
<b>Cash, Cash Equivalents and Pooled Investments- Beginning of Year</b>	<u>60,169</u>	<u>3,119</u>	<u>87,826</u>	<u>151,114</u>
<b>Cash, Cash Equivalents and Pooled Investments - End of Year</b>	<u>\$ 53,472</u>	<u>\$ 3,133</u>	<u>\$ 77,485</u>	<u>\$ 134,090</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 62,658	\$ 243,962	\$ (90,054)	\$ 216,566
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	-	27,193	27,193
Pension Expense	-	-	3,520	3,520
Effect of Changes in Assets and Liabilities:				
Receivables, Net	(5,527)	(878)	(2,337)	(8,742)
Inventories	-	-	51	51
Prepaid Items	-	-	390	390
Increase (Decrease) in Liabilities:				
Accounts and Other Payables	(2,655)	(683)	192	(3,146)
Accrued Liabilities	(6,959)	76	(1,575)	(8,458)
Accrued Expenses	-	2,000	769	2,769
Accrued Payroll and Related Expenses	-	-	180	180
Net Pension Liability	-	-	(7,569)	(7,569)
Post-Employment Benefits	-	-	19,951	19,951
	<u>\$ 47,517</u>	<u>\$ 244,477</u>	<u>\$ (49,289)</u>	<u>\$ 242,705</u>
Net Cash Provided (Used) by Operating Activities				
<b>Schedule of Noncash Noncapital Financing Activities</b>				
Forgiveness of Advances from Federal Government	\$ 508	\$ -	\$ -	\$ 508
Transfers In	(1,216)	-	-	(1,216)
Transfers Out	-	535	-	535

**STATE OF DELAWARE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2015**  
(Expressed in Thousands)

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>Investment Trust</u>	<u>Agency</u>
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 591,465	\$ 4,179	\$ 3,510	\$ 30,278
Cash and Pooled Investments	636	44,786	-	95,803
Receivables:				
Accrued Interest	14,250	-	69	-
Investment Sales Pending	49,364	-	276	-
Employer Contributions	11,438	6,981	-	-
Member Contributions	3,456	86	-	-
Other Receivables	-	-	-	28,317
Investments, at Fair Value				
Domestic Fixed Income	397,405	109,804	7,787	-
Domestic Equities	2,347,325	103,557	18,403	-
Pooled Equity and Fixed Income	3,040,951	-	16,898	-
Alternative Investments	2,052,524	-	11,470	-
Short Term Investments	-	-	-	2,214
Foreign Fixed Income	169,518	-	947	-
Foreign Equities	641,362	55,920	6,384	-
	<u>9,319,694</u>	<u>325,313</u>	<u>65,744</u>	<u>\$ 156,612</u>
<b>Total Assets</b>				
<b>Liabilities:</b>				
Accounts Payable	-	-	-	\$ 156,612
Investment Purchase Payable	58,409	-	326	-
Benefits/Claims Payable	1,104	12,894	-	-
Accrued Investment Expense	5,372	8	31	-
Accrued Administrative Expenses	207	-	-	-
	<u>65,092</u>	<u>12,902</u>	<u>357</u>	<u>\$ 156,612</u>
<b>Total Liabilities</b>				
<b>Net Position:</b>				
Assets Held in Trust for Benefits and Pool Participants	<u>\$ 9,254,602</u>	<u>\$ 312,411</u>	<u>\$ 65,387</u>	

**STATE OF DELAWARE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
(Expressed in Thousands)

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>Investment Trust</u>
<b>Additions:</b>			
Contributions:			
Employer Contributions	\$ 262,280	\$ 226,159	\$ -
Transfer of Contributions from Post-Retirement Increase Fund	33,493	-	-
Transfer of Assets from Outside the System	2,999	124	616
Member Contributions	66,365	8,005	-
Other	12	-	-
	<u>365,149</u>	<u>234,288</u>	<u>616</u>
Investments:			
Investment Earnings	131,703	5,816	1,031
Net Increase in Fair Value of Investments	<u>223,516</u>	<u>938</u>	<u>1,275</u>
	355,219	6,754	2,306
Less Investment Manager/Advisor/Custody Fees	(25,879)	(99)	(148)
Less Investment Administrative Expenses	<u>(550)</u>	<u>-</u>	<u>-</u>
	<u>328,790</u>	<u>6,655</u>	<u>2,158</u>
Securities Lending Income	694	-	2
Securities Lending Expense	<u>(103)</u>	<u>-</u>	<u>-</u>
	591	-	2
	<u>694,530</u>	<u>240,943</u>	<u>2,776</u>
<b>Deductions:</b>			
Transfer of Assets from Post-Retirement Increase Fund	33,493	-	-
Transfer of Assets from Outside the System	2,367	-	690
Pension/Claim Payments	575,768	218,676	-
Refunds of Contributions to Members	5,498	-	-
Group Life Payments	4,988	-	-
Administrative Expenses	<u>7,874</u>	<u>80</u>	<u>1</u>
	<u>629,988</u>	<u>218,756</u>	<u>691</u>
	64,542	22,187	2,085
<b>Change in Net Position</b>	64,542	22,187	2,085
<b>Net Position - Beginning</b>	<u>9,190,060</u>	<u>290,224</u>	<u>63,302</u>
<b>Net Position - Ending</b>	<u>\$ 9,254,602</u>	<u>\$ 312,411</u>	<u>\$ 65,387</u>



**STATE OF DELAWARE**  
**COMBINING STATEMENT OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2015**  
(Expressed in Thousands)

	Delaware State Housing Authority	Diamond State Port Corporation	Riverfront Development Corporation	Delaware State University	Delaware Charter Schools	Delaware Agricultural Lands Preservation Foundation	Total
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 36,181	\$ 8,593	\$ 1,813	\$ 7,008	\$ 5,639	\$ -	\$ 59,234
Cash and Pooled Investments	22,373	-	5	7,164	38,921	1,858	70,321
Accounts and Other Receivables, Net	55,619	2,351	940	17,930	2,702	120	79,662
Loans and Notes Receivable, Net	257,339	-	2,026	-	-	3,196	262,561
Inventories	-	956	-	-	-	-	956
Prepaid Items	3,588	608	154	-	213	-	4,563
Investments	492,261	-	-	13,269	884	-	506,414
Other Assets	-	-	478	81	150	-	709
Restricted Assets:							
Cash and Cash Equivalents	794	7,906	2,000	3,714	9,008	-	23,422
Restricted Investments	-	17,570	-	14,421	-	-	31,991
Net Pension Asset	-	-	12	-	-	-	12
Other Restricted Assets	9	-	-	9,461	540	-	10,010
Capital Assets:							
Capital Assets - Non-Depreciable	3,445	34,502	-	-	63,450	-	101,397
Capital Assets - Depreciable, Net	12,103	135,333	106,921	231,825	85,017	229,537	800,736
<b>Total Capital Assets, Net</b>	<b>15,548</b>	<b>169,835</b>	<b>106,921</b>	<b>231,825</b>	<b>148,467</b>	<b>229,537</b>	<b>902,133</b>
<b>Total Assets</b>	<b>883,712</b>	<b>207,819</b>	<b>114,349</b>	<b>304,873</b>	<b>206,524</b>	<b>234,711</b>	<b>1,951,988</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
	310	1,253	60	5,160	9,466	8	16,257
<b>LIABILITIES</b>							
Accounts Payable	872	234	1,334	5,867	5,401	6	13,714
Accrued Liabilities	7	2,898	380	2,640	11,101	16	17,042
Accrued Interest Payable	-	147	-	1,264	1,761	-	3,172
Unearned Revenue	-	36	68	2,257	113	-	2,474
Net Pension Liability	177	3,004	-	9,398	11,028	14	23,621
Due Within One Year	9,105	1,894	4,409	4,407	22,314	-	42,129
Due in More Than One Year	417,982	21,557	12,070	127,344	120,632	-	699,585
<b>Total Liabilities</b>	<b>428,143</b>	<b>29,770</b>	<b>18,261</b>	<b>153,177</b>	<b>172,350</b>	<b>36</b>	<b>801,737</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
	680	1,830	74	15,589	16,205	24	34,402
<b>Net Position</b>							
Net Investment in Capital Assets	15,548	146,434	92,442	114,871	14,414	229,537	613,246
Restricted for:							
Federal and State Regulations	345,959	-	-	1,254	-	5,122	352,335
Bond Covenants	53,207	-	-	-	-	-	53,207
Other Purposes	5,241	25,476	-	26,452	14,118	-	71,287
Unrestricted (Deficit)	35,244	5,562	3,632	(1,310)	(1,097)	-	42,031
<b>Total Net Position</b>	<b>\$ 455,199</b>	<b>\$ 177,472</b>	<b>\$ 96,074</b>	<b>\$ 141,267</b>	<b>\$ 27,435</b>	<b>\$ 234,659</b>	<b>\$ 1,132,106</b>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
(Expressed in Thousands)

	Net (Expenses) Revenues and Changes in Net Position										
	Program Income			Delaware State Housing Authority	Diamond State Port Corporation	Riverfront Development Corporation	Delaware State University	Delaware Charter Schools	Delaware Agricultural Lands Preservation Foundation	Total	
	Expenses	Charges for Services	Grants and Contributions								
Operating			Capital								
<b>Discretely Presented Components Units</b>											
Delaware State Housing Authority	\$ 93,151	\$ 36,098	\$ 79,878	\$ 525	\$ 23,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,350
Diamond State Port Corporation	39,253	40,429	-	10,432	-	11,608	-	-	-	-	11,608
Riverfront Development Corporation	10,864	2,745	200	2,800	-	-	(5,119)	-	-	-	(5,119)
Delaware State University	126,162	51,548	32,152	4,986	-	-	-	(37,476)	-	-	(37,476)
Delaware Charter Schools	148,026	13,671	5,669	3,805	-	-	-	-	(124,881)	-	(124,881)
Delaware Agricultural Lands Preservation Foundation	689	233	2,000	5,086	-	-	-	-	-	6,630	6,630
	<u>\$ 418,145</u>	<u>\$ 144,724</u>	<u>\$ 119,899</u>	<u>\$ 27,634</u>	<u>23,350</u>	<u>11,608</u>	<u>(5,119)</u>	<u>(37,476)</u>	<u>(124,881)</u>	<u>6,630</u>	<u>(125,888)</u>
<b>General Revenues</b>											
Unrestricted Payments from Primary Government					-	-	-	34,620	129,488	-	164,108
Investment Income					-	74	74	939	398	1	1,486
Miscellaneous					(371)	-	58	-	2,231	-	1,918
Total General Revenues					(371)	74	132	35,559	132,117	1	167,512
Change in Net Position					22,979	11,682	(4,987)	(1,917)	7,236	6,631	41,624
<b>Net Position - Beginning As Restated (Note 21)</b>					<u>432,220</u>	<u>165,790</u>	<u>101,061</u>	<u>143,184</u>	<u>20,199</u>	<u>228,028</u>	<u>1,090,482</u>
<b>Net Position - Ending</b>					<u>\$ 455,199</u>	<u>\$ 177,472</u>	<u>\$ 96,074</u>	<u>\$ 141,267</u>	<u>\$ 27,435</u>	<u>\$ 234,659</u>	<u>\$ 1,132,106</u>

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Reporting Entity**

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

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

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

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

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

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

### **Blended Component Units**

The Delaware Public Employees' Retirement System (DPERS) is a public employee retirement system, which covers substantially all State employees. The DPERS is a legally separate entity, which includes its blended component unit, the First State Independence Fund I, LLC, a hedge fund-of-funds for which DPERS is considered to be financially accountable. DPERS' Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex-officio members. It provides services and benefits almost exclusively to the primary government, and it is considered a blended fiduciary funds component unit and is shown in the financial statements as part of the primary government as a pension trust fund. The financial report of DPERS for the fiscal year ended June 30, 2015 may be obtained by writing to the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

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

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

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

### **Discretely Presented Component Units**

The following component units are entities that are legally separate from the State, but are financially accountable to the State for reporting purposes or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading. The discretely presented component units' column of the basic financial statements includes the financial data of these entities. Each discretely presented component unit has a June 30, 2015 fiscal year-end.

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

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

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

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

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

*Riverfront Development Corporation (RDC)*

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

*Delaware State University (DSU)*

Delaware State University is a public institution of higher education. Funding is primarily through State appropriations. State appropriations, without restrictions as to use by DSU are reported in general revenue. Additional funding is derived from tuition, federal grants, private donations and grants. The Board of Trustees is comprised of fifteen members, eight appointed by the Governor of Delaware and seven elected by the Trustees. The President of DSU and the Governor of the State of Delaware serve as ex-officio members of the Board. Delaware State University financial data includes its component unit, the Delaware State University Foundation, Inc. The State annually appropriates funding for DSU, which totaled more than \$34.6 million in fiscal year ending June 30, 2015, which is twenty nine percent of DSU's total revenues.

*Delaware Charter Schools*

The State's 24 Charter Schools are public schools funded primarily through State appropriations. Additional funding is derived from federal grants passed through from the primary government, private donations and funds received from local school districts on a tax portion per child basis. State funding for the Charter Schools totaled \$129.5 million for fiscal year ending June 30, 2015 which represents over eighty-three percent of the Charter Schools' total revenues. Each Charter School is a separate legal entity managed by their own separate board of directors and operates independently under a charter granted by the State Department of Education with the approval of the State Board of Education. Charters are granted for an initial period of three years and renewable every five years thereafter. Charter Schools issue their own debt but are dependent on the State for their primary funding. Financial information for Delaware Charter Schools is presented in the aggregate as they are individually immaterial to the State's basic financial statements but each represents a discretely presented component unit.

*Delaware Agricultural Lands Preservation Foundation (DALPF)*

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

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

### **Related Organizations**

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

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

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

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

### **Jointly Governed Organization**

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

### **Other Organization**

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

## **Government-Wide and Fund Financial Statements**

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

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

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

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

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

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



recognized as revenue as soon as all eligibility requirements have been met.

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

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

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

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

### **Governmental Funds**

The State reports the following major governmental funds:

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

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

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

Federal Fund, and Capital Projects Fund.

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

### **Proprietary Funds**

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

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

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

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

The State reports the following major proprietary funds:

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

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

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

## **Fiduciary Funds**

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

The State reports the following fiduciary funds:

*Pension Trust Funds* – The Delaware Public Employees' Retirement System (DPERS) is a public employee retirement system, which covers substantially all State employees. It provides services and benefits almost exclusively to the primary government and it is considered a fiduciary fund and is shown in the financial statements as part of the primary government as a pension trust fund. Pension trust funds account for transactions, assets, liabilities and net position available for plan benefits (Note 16). For pension trust funds, employee contributions are recognized as revenue in the period in which the employee services are performed. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

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

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

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

## **New Accounting Pronouncements**

During fiscal year ending June 30, 2015, the State adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. GASB Statement No. 68

improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement establishes standards for measuring and recognizing assets, liabilities, deferred outflows of resources, deferred inflows of resources and expenses/expenditures related to pensions. For defined benefit pensions, 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 defined benefit pension plans. GASB Statement No. 71 addresses 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. This Statement requires the government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The adoption of these Statements had an effect on the Statement of Net Position with the recording of net pension assets and liabilities, deferred outflows of resources and deferred inflows of resources. The restatement is presented in Note 21.

During fiscal year ending June 30, 2015, the State adopted GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. It distinguishes the reporting requirements for government mergers and government acquisitions. The adoption of Statement No. 69 had no impact on the financial statements of the State.

### **Impact of Future Accounting Pronouncements**

In February of 2015, the GASB issued Statement No. 72 *Fair Value Measurement and Application*. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. This Statement establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. The State is currently evaluating the future impact of this statement.

In June of 2015, the GASB issued Statement No. 73 *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting

assessments of accountability and inter-period equity, and creating additional transparency. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. The State is currently evaluating the future impact of this statement.

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

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

In June of 2015, the GASB issued Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*. This Statement redefines the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. The State is currently evaluating the future impact of this statement.

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

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

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

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

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

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

DPERS or management generally uses net asset value as reported by investment managers as a practical expedient to fair value for its investments in pooled and alternative investment funds. Net asset values provided by pooled and alternative investment managers are based on quoted prices for the funds’ underlying securities (most of which are marketable), as well

as estimates, appraisals, assumptions, and methods that are established by valuation committees and reviewed by DPERS or management. Net asset value may differ from fair value, and under some circumstances, DPERS or management may determine, based on other information available, that an underlying investment's reported valuation does not represent fair value. These net asset values are reviewed by DPERS or management and its investment advisor; both management and the custodian receive periodic and audited annual financial reports from the alternative fund managers.

**Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). All trade and property tax receivables, including those for the component units, are shown net of an allowance for uncollectibles and refunds.

**Inventories and Prepaid Items**

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

**Restricted Assets**

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

The State has the following restricted assets:

- The Delaware Transportation Authority restricts revenue bond proceeds that are accounted for in the Transportation Trust Fund.
- The Unemployment Fund restricts the entire net position for unemployment benefits.
- The governmental activities have funds that are required to be restricted as disclosed in Note 17.

The discretely presented component units have the following restricted assets:

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

## Capital Assets

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

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

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

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

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

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

The State has elected to use the modified approach to account for certain infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts



capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the State, 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. Roads and bridges maintained by the Department of Transportation are accounted for using the modified approach.

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

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

### **Advances from Federal Government**

In previous years, the amount of unemployment insurance taxes collected by the Division of Unemployment Insurance from Delaware employers was not sufficient to cover the amount of benefits paid to Delaware residents. As a result, the unemployment fund received advances from the federal government to be used for benefit payments. Pursuant to Subchapter XII – *Advances to State Unemployment Funds*, 42 U.S.C. §1321, advances are made to the unemployment fund once all funds in the trust have been extinguished, and amounts borrowed must be no more than the aggregate amount necessary to provide benefit payments in any three-month period, as certified by the Federal Secretary of Labor. These advances must be repaid when funds become available in the Unemployment Fund. Interest accrues daily, and the interest rate varies, based upon the outstanding balance of the loan. Interest is due annually on September 30 and is to be paid using appropriations from the State General Fund. Total accrued interest was \$25 thousand as of June 30, 2015 and a corresponding receivable due from the State General Fund has been accrued accordingly. \$508 thousand of the advance was forgiven by the federal government and the remaining balance of the advance was paid in full during the fiscal year ending June 30, 2015.

### **Compensated Absences**

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

**Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Delaware Public Employees' Retirement System (DPERS) and additions to/deductions from DPERS' fiduciary net position have been determined on the same basis as they are reported by DPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Long-Term Obligations**

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

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

**Fund Equity**

In governmental fund types, fund equity is called "fund balance." Fund balances are reported as nonspendable, restricted, committed, assigned, or unassigned as described in Note 17.

The State Constitution provides that certain excess unencumbered budgetary general funds at the end of a fiscal year must be placed in a reserve account (the Budgetary Reserve Account). This account, designed to mitigate the operational impact of any future unanticipated deficits may not exceed 5% of the estimated general fund revenue for the ensuing fiscal year. Total funding of the budgetary reserve account was \$212.5 million at June 30, 2015.

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

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

**(d) Grants**

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables when entitlement occurs. All other federal reimbursement type grants are recorded as accounts receivable when the related expenditures or expenses are

recognized. Related revenue is recorded subject to availability in the governmental funds.

**(e) Litigation Revenue**

In 1997, several states began litigation against defendant tobacco product manufacturers to recover certain amounts the states expended to provide health care to the users of tobacco products. In 1998, a settlement was reached which provided that the states cease litigation against the manufacturers. As part of the Master Settlement Agreement, certain manufacturers agreed to remit periodic payments to the states until 2025. The State's share of the estimated \$200 billion settlement amounted to \$774.5 million. Amounts to be remitted are calculated based on a variety of specific settlement provisions. Future tobacco product sales are one key factor used in determining periodic payment amounts. A receivable of \$13.7 million has been recorded pursuant to the settlement. The Master Settlement agreement receipts of \$25.8 million are recorded in the general fund as part of other revenue and as miscellaneous general revenue on the government-wide statement of activities. Expenditures of monies received under the Master Settlement Agreement are authorized by legislation and are dedicated to health care and related programs.

**(f) Management Estimates**

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2 CASH, INVESTMENTS AND RESTRICTED ASSETS**

**Cash Management Policy and Investment Guidelines**

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

As mandated by State statutes, the State's funds shall be invested pursuant to the prudent person

standard as defined in the Policy. The prudent person standard allows the Board to establish investment policies based on investment criteria that it defines, and it allows the Board to delegate investment authority to investment professionals. This standard of care not only permits but also encourages diversifying investments across various asset classes.

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

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

The Policy specifies the types of investments these managers can make; the maximum percentage of assets that may be invested in particular instruments; the minimum credit quality of these investments; and the maximum length of time the assets can be invested. The Policy provides, among other things, that no more than 10% of the entire portfolio may be invested in

obligations of any one issuer other than the U.S. Government. The following investments are permissible for all funds under the review of the Board, subject to percentage limitations of the account:

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

Additional permissible investments for special-purpose accounts only:

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

The primary government's accounts are categorized as "authority accounts". At June 30, 2015, investments of the primary government were primarily in commercial paper, corporate obligations, government agency bonds and notes, and municipal obligations. All of these meet the objectives defined by the Policy. The State's Cash Management Policy Board *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* is available by request through the Office of the State Treasurer.

## **Risks**

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

### ***Custodial Credit Risk***

#### **Deposits**

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

All State deposits are required by law to be collateralized by direct obligations of, or obligations, which are guaranteed by, the United States of America, or other suitable obligations as determined by the Board, unless the Board shall find such collateralization not in the best interest

of the State. The Board has determined that certificates of deposit and time deposits must be collateralized, unless the bank issuing the certificate has assets of not less than \$5 billion and is rated not lower than "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 had for the last two years a return on average assets of 0.5% or greater and an average equity-capital ratio of at least 1:20. If the bank does not meet the above criteria, collateral must consist of one or more of the following:

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

At June 30, 2015, the carrying amount of the primary government's deposits was \$483.5 million and the bank balance was \$550.0 million. Of the \$550.0 million bank balance, \$69.0 million was fully insured; \$53.0 million represents unemployment insurance taxes collected from Delaware employers that are held in escrow by the U.S. Treasury; and the remaining \$428.0 million was subject to custodial credit risk because they were uninsured and uncollateralized. Included in the primary government's deposits are agency funds. The carrying amount of the agency fund's deposits was \$30.3 million and the bank balance was \$33.7 million. Of the \$33.7 million bank balance, \$1.6 million was fully insured and the remaining \$32.1 million was subject to custodial credit risk because the deposits were not covered by depository insurance or the deposits were uncollateralized, collateralized with securities held by the pledging financial institutions, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name.

Of the primary government's bank balance of \$550.0 million, \$341.1 million is part of the Treasurer's cash pool and the remaining balance represents outside bank accounts of the primary government.

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

### Investments

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

At June 30, 2015, the primary government's investments were \$2,230.4 million. Of the primary government's investments, \$366.4 million was fully insured and collateralized. Included in the primary government's investments of \$2,230.4 million are agency funds. The amount of the agency funds' investments was \$98.0 million.

The following table provides information on \$1,864.0 million of the primary government's investments that are exposed to custodial credit risk; \$95.8 million of this amount represents the agency funds' investments:

<b>Investment Type</b>	<b>Fair Value (Expressed in Thousands)</b>
Certificates of Deposit	\$ 120,872
Commercial Paper	80,615
Corporate Obligations	620,989
U.S. Government Obligations	784,913
Municipal Obligations	14,493
Money Market	40,354
Other Pooled	1,050
Other Obligations	200,674
	<u>\$ 1,863,960</u>

### ***Interest Rate Risk***

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

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

The following table presents the fair value and effective duration of the primary government and agency fund investments by investment type at June 30, 2015:

<b>Investment Type</b>	<b>Treasurer's</b>		<b>Total</b>	<b>Effective</b>
	<b>Pool</b>	<b>Outside Treasurer's Pool</b>	<b>Investments (Expressed in Thousands)</b>	<b>Duration (In Years)</b>
Corporate Obligations	\$ 620,989	\$ -	\$ 620,989	1.96
Municipal Obligations	14,493	-	14,493	3.32
U.S. Government Obligations	784,913	178,145	963,058	1.37
Other Obligations	200,594	619	201,213	1.52
Other Pooled	-	125,457	125,457	N/A
Money Market	40,354	-	40,354	N/A
Commercial Paper	80,601	62,877	143,478	0.36
Certificates of Deposit	116,077	5,330	121,407	0.61
	<u>\$ 1,858,021</u>	<u>\$ 372,428</u>	<u>\$ 2,230,449</u>	

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

- Cash Account Investment - The maximum maturity for any investment at the time of purchase for the cash account is one year.
- Liquidity Accounts - The maximum maturity for any investment at the time of purchase for the liquidity accounts is two years.
- Reserve Cash (Intermediate) Account - The maximum maturity for any investment at the time of purchase is 10 years. The maximum average maturity of the portfolio is seven years.
- Endowment Accounts - The maximum maturity for any investment at the time of purchase is 10 years. The maximum average maturity of the portfolio is seven years. The Board shall consider tailoring maturity restrictions to meet specific purposes for endowment accounts to be established in the future.
- Authority Operating, Bond and Debt Service Reserve Fund Accounts - Maturity Restrictions: The maximum maturity for any investment at the time of purchase is 10 years, except when prudent to match a specific investment instrument with a known specific future liability, in which case the maturity limitation shall match the maturity of the corresponding liability.

As of June 30, 2015, the primary government and agency funds had the following debt investments and maturities:



**Investment Maturity**  
(Expressed in Thousands)

	Fair Value	Investment Maturities			
		Less Than 1	1 to 5	6 to 10	More than 10
Corporate Obligations					
Corporate Bonds	\$ 519,211	\$ 205,391	\$ 297,957	\$ 15,863	\$ -
Asset-Backed Securities	101,778	15,450	86,328	-	-
Municipal Obligations	14,493	46	14,329	118	-
U.S. Government Obligations					
U.S. Treasury Bonds, Notes	418,531	205,417	188,933	24,181	-
U.S. Agency Bonds, Notes	544,527	170,049	320,789	49,669	4,020
Non US Gov't Obligations	-	-	-	-	-
Other Obligations					
Private Placements	201,213	83,197	115,976	2,040	-
Pooled Investments	125,457	125,457	-	-	-
Money Market	40,354	40,354	-	-	-
Commercial Paper	143,478	142,566	912	-	-
Certificate of Deposit	121,407	91,305	30,102	-	-
<b>Total Investments</b>	<b>\$ 2,230,449</b>	<b>\$ 1,079,232</b>	<b>\$ 1,055,326</b>	<b>\$ 91,871</b>	<b>\$ 4,020</b>

**Credit Risk**

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

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

<u>Investment</u>	<u>S &amp; P</u>	<u>Moody's</u>	<u>Fitch</u>
Commercial Paper	A-1	P-1	F1
Senior Long-Term Debt	A	A	A
Corporate Bonds	AA	Aa	AA

Additionally, the State has multiple non-rated/pooled accounts which represent immaterial amounts when treated individually. The Board permits the types of investments which are held in these accounts.

The following table presents the State's investments which were rated by S & P as of June 30, 2015 the ratings are presented using S & P's rating scale:

Investment Type	Credit Risk - Quality Ratings						
	(Expressed in Thousands)						
	TOTAL	AAA	AA	A	A-1	Below B	NR
Corporate Obligations							
Corporate Bonds	\$ 620,989	\$ 74,413	\$ 224,688	\$ 279,810	\$ -	\$ 1,905	\$ 40,173
Asset-Backed Securities	-	-	-	-	-	-	-
Municipal Obligations	14,493	-	14,447	-	-	-	46
U.S. Government Obligations							
U.S. Treasury Bonds, Notes	418,531	-	418,531	-	-	-	-
U.S. Agency Bonds, Notes	544,527	8,654	527,341	7,100	-	-	1,432
Other Obligations							
Private Placements	201,213	16,097	94,558	55,232	-	-	35,326
Pooled Investments	125,457	-	-	-	-	-	125,457
Money Market	40,354	-	-	-	-	-	40,354
Certificate of Deposit	121,407	-	10,334	10,020	-	-	101,053
Commercial Paper	143,478	-	14	-	124,086	-	19,378
<b>Total Investments</b>	<b>\$ 2,230,449</b>	<b>\$ 99,164</b>	<b>\$ 1,289,913</b>	<b>\$ 352,162</b>	<b>\$ 124,086</b>	<b>\$ 1,905</b>	<b>\$ 363,219</b>

NR = Non-Rated Pooled accounts

### *Concentration of Credit Risk*

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

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

- A. U.S. Government - no restrictions.
- B. Government agency - 50% total; 20% in any one agency.
- C. Certificates of deposits, time deposits and bankers acceptances - 50% total; 5% in any one issuer.
  1. Domestic - No additional restrictions.
  2. Non-domestic - 25%, 5% in any one issuer.
  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. Non-Domestic - 25%; 5% in any one issuer.
- E. Repurchase agreements - 50% total.
- F. Reverse repurchase agreements - 25% total.
- G. Money market funds - 25% total; 10% in any one fund except for the Cash Account, which may invest 100% of the Account in the Delaware Local Government Investment Pool (DELGIP) Fund. The Investment Guidelines for the DELGIP Fund are defined in Appendix B of the Policy.
- 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).

At June 30, 2015, the State's investments have met the requirement of all the State's laws and policies, when applicable. There were no obligations that represented 5% or more of the primary government's investments, except for U.S. government securities, pooled and mutual funds.

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

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely impact the fair value of an investment or deposit.

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

**Commitments**

At June 30, 2015, the State did not enter into any commitment agreements with any investment managers for future funding of various asset classes.

**OPEB Trust Fund (OPEB Trust)****Investment Policy**

The State Board of Pension Trustees is responsible for the management and investment of the funds in the OPEB Trust. The Board authorized its Investment Committee to select the investment managers of the OPEB Trust following the established investment guidelines for the Delaware Public Employees' Retirement System (DPERS) until a separate investment policy is adopted for the OPEB Trust. The System follows the prudent person standard, which requires fiduciaries to discharge their duties solely in the interests of participants and their beneficiaries with such care, skill, prudence, and diligence as a person acting in like circumstances would exercise in the conduct of an enterprise with similar character and with similar aims. The OPEB Trust investment objectives and policies currently include indexed exposure to approximate the System's policy benchmark. The Investment Committee regularly reviews the OPEB investment performance, and considers investment vehicles which strike a balance between risk and return while being mindful of the government's time horizon for the OPEB investments. Of the OPEB trust's investment balance of \$269.3 million, all is invested in three mutual funds and are not in individual investments registered in the Trust's name. For the fixed income type of mutual fund, the investments in maturities is in government agencies and hold a maturity of six to ten years at a fair market value of \$103.6 million with a AA credit rating. The foreign equities type of mutual fund represents \$55.9 million of balance of the trust. These are denominated in US Dollars and are invested in no individual country, but an international region. The other \$109.8 million is in an index fund. The OPEB Trust also has \$44.8 million held in cash and pooled investments with the State Treasurer's Office and \$4.2 million in cash held in accounts outside of the State Treasurer's Office.

**Delaware Public Employees' Retirement System (DPERS or System)****Investment Policy**

There are no State statutes limiting allowable investments for the System. The investment decisions are dictated by the prudent person rule and the internal investment guidelines established by the Board as outlined below:

- Allocate a minimum of 20% of assets to fixed income investments such as bonds, cash equivalents, and certain real estate investments
- Maintain a widely diversified portfolio, to minimize the risk of overexposure in any one market segment or investment style
- Monitor the performance of all investment managers using specific benchmarks
- Control exposure in illiquid asset classes
- Review, re-examine, and reconfirm the operation of results of the investment process regularly

- Identify new long-term opportunities for risk reduction and improved investment returns
- Review actuarial assumptions to ensure consistency with capital market expectations

For the fiscal year ended June 30, 2015, management of the System has operated in accordance with these policies, in all material respects.

### **Securities Lending**

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

The only types of collateral received from borrowers are obligations issued by the U.S. Government. All rights of ownership to securities pledged as collateral remain with the borrower except in the event of default. The System does not have the ability to pledge or sell collateral securities without a borrower default. As of June 30, 2015, there were no violations of legal or contractual provisions. The System has not experienced any losses resulting from the default of a borrower or lending agent during the year ended June 30, 2015.

At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the System's custodian requires it to indemnify the System if the borrowers fail to return the securities or fail to pay the System for income distributions by the securities' issuers while the securities are on loan. The System manages its market risk by recording investments at fair value daily and maintaining the value of the collateral held by the System in excess of the value of the securities loaned. As of June 30, 2015, the fair value of securities on loan was \$71.2 million. The associated collateral was \$73.0 million.

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

### **Investments**

The following is a listing of fixed income investments and cash equivalents and related maturity schedule which shows the System's exposure to interest rate risk as of June 30, 2015. It is the System's policy to classify corporate convertible bonds as equity securities because those securities generally convert to preferred equity interests upon maturity. Corporate convertible bonds in the amount of \$446.6 million have been included in the chart below because they have maturity dates and are exposed to interest rate risk.

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

<b>Investment Type/Sector</b>	<b>Fair Value</b>	<b>Less than 1</b>	<b>1 - 6</b>	<b>6 - 10</b>	<b>10 +</b>
Asset Backed Securities	\$ 22,164	\$ -	\$ 4,082	\$ 914	\$ 17,168
Bank Loans	18,537	-	15,748	2,789	-
Cash equivalents	475,075	475,075	-	-	-
Commercial Mortgage-Backed	7,523	-	-	-	7,523
Corporate Bonds	424,211	6,162	139,326	146,073	132,650
Corporate Convertible Bonds	446,619	6,954	317,507	59,599	62,559
Government Agencies	13,882	-	13,882	-	-
Government Bonds	70,144	11,295	31,500	12,395	14,954
Municipal/Provincial Bonds	13,630	-	9,185	-	4,445
Pooled Investments	1,665,989	-	-	1,665,989	-
Total	<u>\$ 3,157,774</u>	<u>\$ 499,486</u>	<u>\$ 531,230</u>	<u>\$ 1,887,759</u>	<u>\$ 239,299</u>

### Interest Rate Risk

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

### Credit Risk

The System's general investment policy is to apply the prudent-person rule to all risks incurred by the fund: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The System has no investment policy that would further limit its investment choices related to credit risk. As of June 30, 2015, the System's fixed income investments and cash equivalents had the following credit risk characteristics as indicated in the following schedule (expressed in thousands):

<b>Moody's Ratings or Comparable</b>	<b>Percent of Total Fund</b>	<b>Market Value</b>
AAA to A	21.5%	\$ 1,989,180
BBB to B	8.9%	823,803
CCC to C	0.4%	35,491
Not Rated	3.4%	309,300
Total:	<u>34.2%</u>	<u>\$ 3,157,774</u>

**Custodial Credit Risk**

For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party. At June 30, 2015, the \$595.4 million carrying amount of the System's cash and cash equivalents was comprised of \$477.0 million of short-term investments and \$118.4 million in deposits. Of the \$118.4 million in deposits, \$117.8 million was subject to custodial credit risk because it was uninsured and uncollateralized. The remaining \$0.6 million was held as pooled deposits by the State Treasurer's Office.

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

**Investment Concentration Risk**

As of June 30, 2015, the System held no concentration of investments in an individual issuer in excess of 5% of the fair value of the System's net assets.

**Management Fees**

The System paid \$24.8 million in management fees to the venture alternative investment funds and partnerships for the fiscal year ended June 30, 2015. These fees are netted against investment income.

**Investment Commitments**

The System has commitments to invest up to an additional \$709.5 million in venture capital limited partnerships in varying amounts as of June 30, 2015, to be drawn down, as called upon at any time during the term of each partnership, which is usually a ten-year period. Generally, these commitments are self-funding, in that the capital calls are met using cash flows generated by the existing venture capital/limited partnerships as managers in this asset class realize the proceeds of their investments.

**Foreign Investments**

Foreign investments include equity securities, bonds, cash, and cash equivalents. The following is a listing of the System's foreign assets as of June 30, 2015. The listing includes \$6.8 million of investments of domestic issuers which have been classified as domestic, but are denominated in a foreign currency.

Currency	Investment Types			
	Fair Value in U.S. Dollars	Equities	Fixed Income	Cash and Cash Equivalents
Australian Dollar	\$ 17,509	\$ 5,408	\$ 12,067	\$ 34
Brazilian Real	13,350	9,777	3,573	-
British Pound Sterling	87,032	74,773	12,045	214
Canadian Dollar	57,505	22,485	34,620	400
Danish Krone	12,484	12,484	-	-
Euro	126,390	72,587	53,175	628
Hong Kong Dollar	46,506	45,320	1,163	23
Indonesian Rupiah	19,321	18,270	1,051	-
Japanese Yen	33,079	12,198	20,733	148
Malaysian Ringgit	2,030	2,030	-	-
Mexican Peso	24,944	6,880	17,908	156
New Zealand Dollar	16,794	-	16,794	-
Nigerian Naira	1,189	1,189	-	-
Norwegian Krone	10,421	212	10,209	-
Philippine Peso	12,016	12,016	-	-
Singapore Dollar	3,212	-	3,212	-
South African Rand	2,915	2,915	-	-
Swedish Krona	21,436	19,441	1,940	55
Swiss Franc	19,441	18,198	1,203	40
Thai Baht	4,154	4,154	-	-
Turkish Lira	8,098	8,098	-	-
Total Foreign Currencies	539,826	348,435	189,693	1,698
Foreign Issued Investments				
Denominated in U.S. Dollars	284,074	123,467	160,607	-
Pooled International Investments				
Denominated in U.S. Dollars	715,137	715,137	-	-
<b>Total</b>	<b>\$ 1,539,037</b>	<b>\$ 1,187,039</b>	<b>\$ 350,300</b>	<b>\$ 1,698</b>

## Derivatives

Derivatives are instruments (securities or contracts) whose value is dependent on such things as stock or bond prices, interest rate levels, or currency exchange rates. The Board adopted a formal written policy on the use of derivatives which is reviewed periodically and this policy, as amended, was incorporated in the formalized investment policy adopted by the Board. Some selected managers are permitted to use derivatives. In every case, the types of derivatives used and limits on their use are stated in the manager's contract and are monitored on an ongoing basis. Derivatives serve a variety of useful purposes for the System, including the reduction of foreign exchange risk, the minimization of transaction costs and as a means of implementing value added strategies to enhance returns. If the use of derivatives in a portfolio strategy results in some leverage, that leverage is never permitted to expose the Fund to a loss greater than the amount committed to that strategy.



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

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

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

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

The Investment Committee monitors the System’s derivative holdings on a regular basis to ensure that the derivatives used by managers of the System will not have a material adverse impact on its financial condition. Total derivative instruments at June 30, 2015 were not material to the system.

### **Risk and Uncertainty**

The System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk inherent in investment securities, it is possible that changes in the values of investment securities will occur in the near term and that such change could affect the amounts reported.

### **Discretely Presented Component Units**

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

As of June 30, 2015, the carrying value and bank balances of DSHA’s deposits were \$37.0 million and \$38.3 million, respectively, all of which are insured by the FDIC.

Investment Policies

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

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

Investments

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

Investment Type	Investment Maturities (in Years)					
	Fair Value	Less than 1	1 - 5	5 - 10	10 - 20	20 - 30
U.S. Treasury Notes	\$ 14,795	\$ -	\$ 14,634	\$ -	\$ 161	\$ -
US Treasury Strips	201	-	-	-	201	-
U.S. Treasury Bonds	26	-	-	-	26	-
U.S. Agencies	32,026	5,635	26,391	-	-	-
Commercial Paper	2,242	2,242	-	-	-	-
Corporate Notes	21,650	1,304	20,346	-	-	-
Investment Agreements	444	-	-	-	-	444
Money Market Savings Accounts	8,264	8,264	-	-	-	-
Bank Money Market Accounts	33,411	33,411	-	-	-	-
State of Delaware Investment Pool	22,373	22,373	-	-	-	-
Total Investments	135,432	73,229	61,371	-	388	444
Securitized Mortgage Loans	379,202	-	-	-	-	379,202
Total Investments & Securitized Mortgage Loans	\$ 514,634	\$ 73,229	\$ 61,371	\$ -	\$ 388	\$ 379,646

Credit Risk

DSHA's general investment policy is to make investments with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived. As of June 30, 2015, DSHA's investments were rated as follows:

**Ratings (S & P)**  
**(Expressed in Thousands)**

Investment Type							U.S. Government
	AAA	AA+	AA	AA-	A1+	A1	Guaranteed
U.S. Treasury Notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	14,795
U.S. Treasury Strips	-	-	-	-	-	-	201
U.S. Treasury Bonds	-	-	-	-	-	-	26
U.S. Agencies	-	32,026	-	-	-	-	-
Corporate Notes	1,248	1,724	9,043	9,635	-	-	-
Commercial Paper	-	-	-	-	499	1,743	-
Securitized Mortgage Loans	-	-	-	-	-	-	379,202
<b>Total</b>	<b>\$ 1,248</b>	<b>\$ 33,750</b>	<b>\$ 9,043</b>	<b>\$ 9,635</b>	<b>\$ 499</b>	<b>\$ 1,743</b>	<b>\$ 394,224</b>

**NOTE 3 RECEIVABLES**

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

Taxes receivable represent the amount of personal, business, and other taxes determined to be measurable at June 30, 2015. Uncollectibility for taxes receivable primarily results from identified assessment problems, inability to locate taxpayers, and accounts of decedents.

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

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

	<b>General Fund</b>	<b>Federal Fund</b>	<b>Local School District Fund</b>	<b>Total Receivables</b>
Receivables:				
Taxes	\$ 227,512	\$ -	\$ 37,720	\$ 265,232
Accounts	335,513	91,814	159	427,486
Loans and Notes	37,697	277,552	-	315,249
Intergovernmental	-	149,607	-	149,607
<b>Total Receivables</b>	<b>600,722</b>	<b>518,973</b>	<b>37,879</b>	<b>1,157,574</b>
Allowance for Doubtful Accounts	(410,962)	(84,917)	(202)	(496,081)
<b>Total Receivables, Net</b>	<b>\$ 189,760</b>	<b>\$ 434,056</b>	<b>\$ 37,677</b>	<b>\$ 661,493</b>
Amounts not Scheduled for Collection During the Subsequent Year	\$ 72,364	\$ 260,775	\$ 24,316	\$ 357,455

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

	<b>Unemployment</b>	<b>Lottery</b>	<b>DeIDOT</b>	<b>Total Receivables</b>
Receivables:				
Taxes	\$ 59,593	\$ -	\$ -	\$ 59,593
Accounts	17,726	14,087	20,526	52,339
Interest	-	-	399	399
Intergovernmental	-	-	27,310	27,310
<b>Total Receivables</b>	<b>77,319</b>	<b>14,087</b>	<b>48,235</b>	<b>139,641</b>
Allowance for Doubtful Accounts	(33,176)	(792)	-	(33,968)
<b>Total Receivables, Net</b>	<b>\$ 44,143</b>	<b>\$ 13,295</b>	<b>\$ 48,235</b>	<b>\$ 105,673</b>
Amounts not Scheduled for Collection During the Subsequent Year	\$ -	\$ -	\$ -	\$ -

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

Total receivables as of June 30, 2015 are as follows:

(Expressed in Thousands)

Receivables:		
Mortgage Loans	\$	260,430
Accrued Interest		57,106
Other Receivables		665
Grants Receivable		205
Total Receivables		318,406
Allowance for Doubtful Accounts		(5,448)
Total Receivables, Net	\$	312,958
Amounts not Scheduled for Collection During the Subsequent Year	\$	306,602

Mortgage loans receivable which total \$260.4 million consist of single family and multi-family loans and are collateralized by first, second or third mortgages on the properties and in limited instances are guaranteed by corporate sponsors. Interest rates on the loans vary from 4.5% to 11.5% and loan maturities are between one and forty years depending on the type of mortgage loan issued.

**NOTE 4 INTERFUND BALANCES AND TRANSFERS****(a) Due To/From to Other Funds**

Receivables reported as “due from other funds” and the related payables reported as “due to other funds” represent amounts owed to State organizations by other organizations within the State primary government. Amounts receivable from or payable to other levels of government are reported as intergovernmental receivables or payables and are expected to be repaid within one year from the date of these financial statements. The composition of due from/due to balances at June 30, 2015 is as follows (expressed in thousands):

<b>Due From</b>	<b>Due To</b>			
	<b>General</b>	<b>Unemployment</b>	<b>Lottery</b>	<b>Total</b>
General	\$ -	\$ 25	\$ 4,463	\$ 4,488
Federal	12,460	-	-	12,460
Local School	-	-	-	-
Capital Projects	-	-	-	-
UI	15,000	-	-	15,000
Lottery	1,610	-	-	1,610
DelDOT	-	-	-	-
<b>Total</b>	<b>\$ 29,070</b>	<b>\$ 25</b>	<b>\$ 4,463</b>	<b>\$ 33,558</b>

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

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

The amount due from the Unemployment Fund represents a short-term loan from the General Fund. The amount due to the Unemployment Fund is from interest that the General Fund owes the Unemployment Fund due to a temporary borrowing of federal funds.

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

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

A schedule of transfers in and transfers out for the year ended June 30, 2015 is presented below (expressed in thousands):

	Transfers In				
	General	Local School District Fund	Unemployment	DelDOT	Total
<b>Transfers Out</b>					
General	\$ -	\$ 71,210	\$ 162	\$ 3,389	\$ 74,761
Federal	56,257	-	-	-	56,257
Local School District	120,661	-	-	-	120,661
Capital Projects	99,218	-	-	-	99,218
Lottery	242,962	-	-	-	242,962
DelDOT	10,485	-	-	-	10,485
<b>Total</b>	<b>\$ 529,583</b>	<b>\$ 71,210</b>	<b>\$ 162</b>	<b>\$ 3,389</b>	<b>\$ 604,344</b>

### NOTE 5 DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

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

The components of deferred outflows of resources and deferred inflows of resources reported in the government wide financial statements as of June 30, 2015 are as follows (expressed in thousands):

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Primary Government</b>
<b>Deferred Outflows of Resources</b>			
Loss on Refundings of Debt	\$ -	\$ 20,448	\$ 20,448
Pensions -See Note 16	191,069	9,197	200,266
<b>Total Deferred Outflows of Resources</b>	<b>\$ 191,069</b>	<b>\$ 29,645</b>	<b>\$ 220,714</b>
<b>Deferred Inflows of Resources</b>			
Service Concession Arrangement	\$ -	\$ 18,943	\$ 18,943
Pensions -See Note 16	542,357	23,968	566,325
Gain on Refundings of Debt	19,939	-	19,939
<b>Total Deferred Inflows of Resources</b>	<b>\$ 562,296</b>	<b>\$ 42,911</b>	<b>\$ 605,207</b>

Deferred inflows of resources on the governmental funds balance sheet as of June 30, 2015 are unavailable revenues as follows (expressed in thousands):

	<b>General Fund</b>	<b>Federal Fund</b>	<b>Local School District Fund</b>	<b>Total Governmental Funds</b>
<b>Deferred Inflows of Resources</b>				
Accounts Receivable	\$ 50,572	\$ 6,798	\$ 159	\$ 57,529
Taxes Receivable	58,387	-	35,480	93,867
<b>Total Deferred Inflows of Resources</b>	<b>\$ 108,959</b>	<b>\$ 6,798</b>	<b>\$ 35,639</b>	<b>\$ 151,396</b>

## NOTE 6 GENERAL OBLIGATION BONDS

General obligation bonds have been authorized and issued primarily to provide funds for acquisition and construction of capital facilities for State administrative operations, public and higher education, public and mental health, corrections and conservation purposes and for maintenance and construction of highway facilities.

The State Constitution provides that the State may issue general obligation bonds for specific purposes in amounts approved by the General Assembly. The enabling acts pursuant to which the bonds are issued provide that all bonds issued shall be direct obligations of the State; that is, the bonds are secured by the pledge of the full faith and credit of the State. General obligation bonds are redeemed over a period not to exceed 20 years, generally from available resources in

the general fund. Accordingly, the State has generally issued 20-year serial bonds with equal amounts of principal maturing each year. Bonds outstanding have call provisions providing for early redemption at the option of the State, generally beginning 8 or 10 years following the date of issue in the inverse order of maturity, in whole or in part, at redemption prices not to exceed 100% of par value.

On November 6, 2014, the State issued \$306.9 million of general obligation bonds maturing between July 1, 2015 and July 1, 2034. Of the \$306.9 million issued as Series 2014B, \$81.9 million was issued to refund higher priced bonds in an advance refunding resulting in a net present value savings of \$5.4 million, or 6.5% of the principal refunded. \$225.0 million was issued as new money and the proceeds were used to fund various capital projects as authorized by the General Assembly. The bonds bear coupon rates of between 2% and 5% and yield between 0.11% and 3.14%.

The refunding Series 2014B resulted in an economic gain of \$4.3 million and a debt service cash savings over the next ten years of \$5.4 million. The gain on refunding is recorded with the Deferred Inflows of Resources on the Statement of Net Position.

Bonds issued and outstanding totaled \$1,875.4 million at June 30, 2015. Of this amount, \$533.5 million is supported by property taxes collected by the local school districts. During fiscal year 2015, the local school district funds transferred \$65.5 million of property tax revenue to the State to meet the required debt service on their share of the debt.

The State is authorized to issue an additional \$173.6 million of general obligation bonds at June 30, 2015. Interest rates and maturities of the outstanding general obligation bonds are detailed as follows:



**General Obligation Bonds - Governmental Activities**  
(Expressed in Thousands)

<b>Sale #</b>	<b>Description</b>	<b>Interest Rates</b>	<b>Maturity Date (Fiscal Year)</b>	<b>Balance Outstanding at June 30, 2015</b>
222	GO 2014B	2.00% - 5.00%	2035	\$ 306,870
221	GO 2014A	3.00% - 5.00%	2034	210,000
220	GO 2013B	2.00% - 5.00%	2033	201,310
219	GO 2013A3	2.00% - 5.00%	2026	35,940
218	GO 2013A2	4.00% - 5.00%	2025	40,210
217	GO 2013A1	2.00% - 5.00%	2027	35,180
216	GO 2011A2	2.00% - 5.00%	2032	138,620
215	GO 2011A1	2.00% - 5.00%	2032	62,378
214	GO 2010D	4.55%	2030	59,580
213	GO 2010C	3.10%-4.60%	2031	115,775
212	GO 2010B2	5.00%	2024	71,080
211	GO 2010B1	2.00% - 4.00%	2025	22,030
210	GO 2010A2	2.00% - 3.00%	2019	15,360
209	GO 2010A1	1.50% - 5.00%	2025	57,175
208	GO 2009D	3.70% - 5.30%	2030	179,315
207	GO 2009C2	2.00% - 3.00%	2025	19,690
206	GO 2009C1	3.00% - 5.00%	2028	211,290
205	GO 2009B	4.75% - 5.00%	2026	23,385
204	GO 2009A2	4.75% - 5.00%	2017	4,380
203	GO 2009A1	4.75% - 5.00%	2029	4,165
202	GO 2008B	4.75% - 5.00%	2016	11,980
201	GO 2008A	3.00% - 5.00%	2016	1,020
199	GO 2006C	0.25%	2023	1,433
195	GO 2005C	5%	2023	45,335
192	QZAB 2004B	0%	2021	224
190	QZAB 2003D	0%	2019	908
186	QZAB 2002B	0%	2017	760
Total, Gross				1,875,393
Plus: Unamortized Bond Premium				191,930
Total General Obligation Bonds				<u>\$ 2,067,323</u>

The following table sets forth the future debt service requirements on outstanding general obligation bonds at June 30, 2015:

**Total General Obligation Bonds - Governmental Activities**  
(Expressed in Thousands)

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 168,315	\$ 83,751	\$ 252,066
2017	167,650	73,752	241,402
2018	155,410	65,818	221,228
2019	138,043	59,060	197,103
2020	120,745	53,185	173,930
2021-2025	560,265	183,918	744,183
2026-2030	402,885	75,351	478,236
2031-2035	162,080	11,939	174,019
Total	<u>\$ 1,875,393</u>	<u>\$ 606,774</u>	<u>\$ 2,482,167</u>

Changes in general obligation bonded debt during the year ended June 30, 2015 are summarized in Note 11.

In prior years, the State has defeased certain general obligation bonds by creating separate irrevocable trust funds. New debt has been issued or cash appropriated and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt. Accordingly, the debt has been considered defeased and has been removed as a liability from the government-wide financial statements. At June 30, 2015, a total of \$208.5 million of defeased bonds were outstanding.

## NOTE 7 REVENUE BONDS

### Revenue Bonds

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

### Primary Government

In August, 2011, pursuant to the Delaware Energy Act, 29 Del. C. §8059, the Sustainable Energy Utility, Inc. (the "SEU"), a Delaware nonprofit corporation created by and for the benefit of the State, issued \$67.4 million of its Sustainable Energy Utility, Inc. Energy Efficiency Revenue Bonds, Series 2011 (the "SEU Bonds"). Of the total amount, \$56.2 million of the SEU Bonds were issued to finance energy conservation measures for multiple State agencies and the remaining amount of \$11.2 million was issued on behalf of Delaware State University. Under

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

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

The final maturity of the SEU bonds is September 15, 2034. As of June 30, 2015, \$2.7 million of the SEU Bonds issued to finance projects at State agencies was unspent and held by PNC Bank.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,045	\$ 2,439	\$ 5,484
2017	2,915	2,324	5,239
2018	3,055	2,179	5,234
2019	1,855	2,067	3,922
2020	1,920	1,982	3,902
2021-2025	11,170	8,378	19,548
2026-2030	13,855	5,455	19,310
2031-2035	15,110	1,789	16,899
Total	\$ 52,925	\$ 26,613	\$ 79,538
Plus Unamortized Bond Premium	3,912		
Total including premiums	\$ 56,837		

## DelDOT Fund

### *Delaware Transportation Authority (Authority)*

The Authority is subject to oversight by DelDOT and is included in the DelDOT fund. The Authority assists in the implementation of the State's plans and policies regarding the coordination and development of a comprehensive, balanced transportation system for the State. It has the power to develop a unified system of air, water, vehicular and specialized

transportation in the State. The Authority includes the Transportation Trust Fund and the Delaware Transit Corporation. The Secretary of the Department of Transportation, with consent of the Governor, appoints the Authority's Director.

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

The Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and is therefore not reported as a liability. At June 30, 2015, the amount of defeased debt outstanding amounted to \$130.5 million.

The Authority has a total of \$262.4 million in authorized but unissued revenue bonds at June 30, 2015. Bonds outstanding at June 30, 2015 amounted to \$861.4 million and are presented as follows:

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

Description	Interest Rates	Maturity Date (Fiscal Year)	Balance Outstanding At June 30, 2015
Transportation System Senior Revenue Bonds - Series			
2005	4.25% - 5.0%	2025	\$ 7,870
2006	3.5% - 5.0%	2026	39,035
2007	4.0% - 5.0%	2021	50,135
2008	4.0% - 5.0%	2028	62,575
2008	4.0% - 5.0%	2029	97,620
2009	5.00%	2029	92,180
2010	4.0% - 5.0%	2019	32,990
2010	3.95% - 5.80%	2031	72,120
2012	3.0% - 5.0%	2024	211,540
2014	2.25% - 5.0%	2024	108,760
Transportation System Grant Anticipation Bonds			
2010 Series	3.0% - 5.0%	2025	86,575
Total, Gross			861,400
Less: Current Portion of Debt Outstanding			72,580
Long-term Portion of Debt Outstanding			\$ 788,820

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

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

Fiscal Year	Principal	Interest	Total
2016	\$ 72,580	\$ 39,768	\$ 112,348
2017	70,595	36,317	106,912
2018	69,880	32,895	102,775
2019	73,945	29,336	103,281
2020	74,185	25,685	99,870
2021-2025	338,290	77,410	415,700
2026-2030	154,715	19,278	173,993
2031-2035	7,210	209	7,419
Total	\$ 861,400	\$ 260,898	\$ 1,122,298

The transportation system revenue bonds have fixed interest rates and are limited obligations of the Authority secured only by the pledged revenues of the trust funds. Summary financial information at June 30, 2015 for the trust funds, which is the segment of DelDOT that supports the revenue bonds.

**Condensed Statement of Net Position**

(Expressed in Thousands)

Assets:	
Current Assets	\$ 205,123
Capital Assets	1,395,253
Other Assets	<u>75,048</u>
Total Assets	1,675,424
Deferred Outflows of Resources	<u>20,448</u>
Total Assets and Deferred Outflows	<u><u>\$ 1,695,872</u></u>
Liabilities:	
Current Liabilities	\$ 137,576
Noncurrent Liabilities	<u>822,396</u>
Total Liabilities	<u>959,972</u>
Deferred Inflows of Resources	18,943
Net Position:	
Net Investment in Capital Assets	519,840
Unrestricted	152,714
Restricted	<u>44,403</u>
Total Net Position	<u>716,957</u>
Total Liabilities, Deferred Inflows and Net Position	<u><u>\$ 1,695,872</u></u>

**Condensed Statement of Revenues  
Expenses and Changes in Net Position**

(Expressed in Thousands)

Operating Revenues (Pledged Against Bonds)	\$ 411,005
Other Operating Revenues	65,853
Depreciation Expense	(189)
Other Operating Expenses	<u>(171,212)</u>
Operating Income	<u><u>\$ 305,457</u></u>
Nonoperating Revenues (Expenses):	
Investment Income	\$ 1,845
Bad Debt Recovery	923
Federal Grant Revenue	276
Interest Expense	(23,482)
Service Concession Arrangement	631
Transfer to Other Agencies	(10,484)
Transfer from General Fund	2,875
Transfer to DTC	(85,584)
Transfer to DelDOT	<u>(104,103)</u>
Change in Net Position	88,354
Beginning Net Position	<u>628,603</u>
Ending Net Position	<u><u>\$ 716,957</u></u>

**Condensed Statement of Cash Flows**

(Expressed in Thousands)

Net Cash Provided by (Used In):	
Operating Activities	\$ 310,445
Noncapital Financing Activities	(197,297)
Capital and Related Financing Activities	(124,354)
Investing Activities	<u>(1,986)</u>
Net Decrease	(13,192)
Beginning Cash and Cash Equivalents	<u>43,295</u>
Ending Cash and Cash Equivalents	<u><u>\$ 30,103</u></u>

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

The total principal and interest remaining to be paid on the revenue bonds as of June 30, 2015 was \$1,122.1 million. Principal and interest paid on the revenue bonds for the year ended June 30, 2015 was \$119.1 million. Total pledged revenues for the year ended June 30, 2015 were \$411.0 million.

### **Discretely Presented Component Units**

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

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

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

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

On December 31, 2014, the Authority called all remaining bonds of the Single Family Mortgage Revenue Bonds 2005 Series A issue and sold all remaining mortgage backed securities associated with the bond issue.

On June 30, 2015, the Authority called all remaining bonds of the Single Family Mortgage Revenue Bonds 2003 Series B issue, all remaining mortgage associated with the bond issue will be moved to another bond issue and mortgage repayments will be used to refunds those bonds.

On June 30, 2015, the Authority called all remaining bonds of the Single Family Mortgage Revenue Bonds 2006 Series A issue and sold all remaining mortgage backed securities associated with the bond issue.

Outstanding bonds at June 30, 2015 amounted to \$386.7 million. Future debt service requirements for DSHA's bonds are shown on the following table:



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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 9,074	\$ 14,293	\$ 23,367
2017	8,665	13,994	22,659
2018	8,625	13,661	22,286
2019	8,825	13,294	22,119
2020	9,165	12,901	22,066
2021-2025	52,528	58,162	110,690
2026-2030	61,608	47,142	108,750
2031-2035	51,136	34,872	86,008
2036-2040	55,142	23,169	78,311
2041-2045	107,821	9,335	117,156
2046-2050	14,106	857	14,963
Total	<u>\$ 386,695</u>	<u>\$ 241,680</u>	<u>\$ 628,375</u>

*Delaware State University (DSU)*

Revenue bonds payable at June 30, 2015 are as follows:

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

Revenue Bonds	\$ 3,130
Revenue Refunding Bonds	47,828
Energy Efficiency Revenue Bonds	11,678
Revenue Refunding Bonds Series 2012	29,240
Revenue Refunding Bonds 2014	<u>32,891</u>
Total Revenue Bonds Outstanding as of June 30, 2015	<u>\$ 124,767</u>

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

On March 1, 2012, DSU issued revenue refunding bonds in the amount of \$32.1 million (par value) through the DEDA which were in part used to refund certain maturities of Series 1999 bonds. The issuance of Series 2012 bonds and refunding resulted in a \$2.7 million reduction in Series 1999 bond obligations. As of June 30, 2015, \$3.1 million remained outstanding on the 1999 Revenue Bonds.

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

and bequests, for each academic year during which any of the bonds remain outstanding. As of June 30, 2015, \$47.8 million remained outstanding on the 2007 revenue bonds.

DSU entered into a Guaranteed Energy Savings Agreement with Johnson Controls, Inc. in the amount of \$11.2 million. In connection with this agreement and to fund energy efficiency projects, energy efficiency revenue bonds were issued through the State of Delaware Sustainable Energy Utility, Inc. on August 1, 2011. The bonds are due September 15, 2032 and are limited obligations of DSU, payable only from amounts appropriated by the State that are eligible for payment of the Installment Payments pursuant to the Energy Performance Contracting Act. The 2011 bonds are equally and ratably secured by the trust estate, and failure of the State to appropriate each year sufficient available funds will cause insufficient funds to be deposited into the bond fund to pay all principal and interest on the bonds when due. Johnson Controls, Inc. guaranteed that the savings achieved will be sufficient to cover the financing cost associated with the bond, upon completion of the energy upgrades to various buildings and systems throughout DSU. In the event that the savings are not realized, Johnson Controls, Inc. will be responsible for the amount of that deficiency. As of June 30, 2015, \$11.7 million remained outstanding on the 2011 energy efficiency bonds.

On March 1, 2012, DSU issued revenue refunding bonds in the amount of \$32.1 million (par value) through the DEDA. The bonds are due October 1, 2036 and are secured by a pledge of certain un-appropriated revenues of DSU. The proceeds of the 2012 bonds were used to finance: (1) the refunding of certain maturities of The Delaware Economic Development Authority Revenue Refunding Bonds (Delaware State University Project) Series 1999; (2) the purchase of the University Village, a four building, 628 bed student housing facility and dining hall located on the campus of the University, the construction of which was financed by the Kent County, Delaware Variable Rate Demand Student Housing Revenue Bonds (Delaware State University Student Housing Foundation Project) Series 2004B; (3) the funding of any required reserve funds relating to the 2012 Bonds; and (4) the costs of issuance and any credit enhancement of the 2012 Bonds. As of June 30, 2015, \$29.2 million remained outstanding on the 2012 revenue bonds.

On December 11, 2014, DSU issued revenue refunding bonds in the amount of \$29.2 million through the Delaware Economic Development Authority. The bonds are due October 1, 2039 and are secured by un-appropriated gross revenue of the University. The 2014 bonds were issued as "Additional Bonds" under the Indenture, secured equally and ratably with all other Bonds issued and outstanding under the Indenture and any Alternative Indebtedness outstanding as provided in the Indenture and in the Loan Agreement. The proceeds of the 2014 bonds with other available funds, were used to finance: purchase the University Courtyard, a 416 bed student housing facility located on campus from the Delaware State University Housing Foundation; construction, equipping and furnishing of an optical science center for applied research; acquisition and capital improvement of the former Sheraton Hotel and Convention Center, now known as the Living and Learning Commons, a 264 bed student housing facility and space used for Delaware State University Early College High School. As of June 30, 2015, \$32.9 remained outstanding on the 2014 revenue bonds.

Remaining maturities and interest due relating to DSU's revenue bonds at June 30, 2015 are as follows:

<b>Delaware State University Revenue Bonds</b>			
(Expressed in thousands)			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,750	\$ 5,358	\$ 8,108
2017	2,905	5,240	8,145
2018	3,070	5,101	8,171
2019	3,365	4,986	8,351
2020	3,565	4,849	8,414
2021 - 2025	20,350	21,735	42,085
2026 - 2030	25,240	16,750	41,990
2031 - 2035	29,650	10,275	39,925
2036 - 2040	22,920	3,996	26,916
2041 - 2045	4,680	608	5,288
Total	<u>118,495</u>	<u>\$ 78,898</u>	<u>\$ 197,393</u>
Plus Unamortized Bond Premiums and Discount	<u>6,272</u>		
Total Revenue Bonds Payable	<u>\$ 124,767</u>		

## NOTE 8 LOANS AND NOTES PAYABLE

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

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

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

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 329	\$ 556	\$ 885
2017	406	546	952
2018	454	534	988
2019	503	520	1,023
2020	555	505	1,060
2021-2025	3,671	2,243	5,914
2026-2030	5,474	1,596	7,070
2031-2035	7,794	654	8,448
Total	<u>\$ 19,186</u>	<u>\$ 7,154</u>	<u>\$ 26,340</u>

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

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,009	\$ 159	\$ 1,168
2017	1,030	138	1,168
2018	1,051	117	1,168
2019	1,073	96	1,169
2020	1,094	74	1,168
2021-2023	2,834	87	2,921
Total	<u>\$ 8,091</u>	<u>\$ 671</u>	<u>\$ 8,762</u>

## NOTE 9 LEASE COMMITMENTS

The State has entered into various property and equipment operating leases (terms in excess of one year) with aggregate future rentals approximating \$185.9 million, of which \$163.7 million relates to property leases and \$22.2 million relates to equipment leases. Operating leases contain various renewal options. Any escalation clauses, sublease rentals and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures of the related fund when paid. Lease

payments for fiscal year 2015 were approximately \$33.0 million, of which \$26.3 million was for office space and \$6.7 million, was for equipment. The equipment leases held by the State consists mainly of computers, data processing equipment and fleet vehicles.

Significant annual equipment rentals include \$3.9 million for fleet vehicles and data processing equipment for the Office of Management and Budget, and \$1.6 million for data processing equipment for the Department of Education. Significant annual real estate rentals include \$6.9 million for leases for Health and Social Services facilities, \$2.2 million for the Department of Services for Children, Youth and Their Families, \$3.3 million for office space for the Department of Correction, and \$3.2 million for the Department of Labor.

Future minimum lease commitments for operating leases as of June 30, 2015 are shown in the following table:

**Lease Commitments**  
(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Operating Leases</u>
2016	\$ 31,127
2017	28,588
2018	25,068
2019	21,378
2020	20,853
2021-2025	36,252
2026-2030	11,965
2031-2035	9,903
2036-2040	360
2041-2045	366
Total	<u>\$ 185,860</u>

## NOTE 10 OTHER LONG-TERM OBLIGATIONS

Compensated absences payable are reported in the government-wide financial statements and in the proprietary fund financial statements. They represent benefits accrued to State employees for vacation earned as of year-end and sick leave estimated to be paid out at retirement for services rendered as of June 30, 2015. Employees earn from 1.25 to 1.75 days of vacation leave per month depending on years of service. Employees or their estates are paid for unused vacation upon termination of employment with a maximum credit of 52 days unless prior approval to carryover days in excess of the maximum. Employees earn 1.25 days of sick leave per month. The State's obligation for sick leave credit is a maximum of 45 workdays. \$170.3 million has been accrued for the Governmental Activities and \$11.9 million in the Business-type Activities for the total compensated absences liability. The current portion of the long-term obligation for compensated absences is \$16.0 million in the Governmental Activities and \$2.1 million in the Business-type Activities. Approximately \$147.1 million (86.4%) of the long-term obligation for compensated absences will be liquidated by the General Fund. Of the remainder, approximately

\$8.5 million (5.0%) and \$14.6 million (8.6%) will be paid with Federal Funds and Local School District Funds, respectively.

The State has recorded \$175.0 million relating to the accrual of the obligation for escheated (abandoned) property of which \$35.0 million was recorded as the current portion.

The State has incurred obligations relating to scholarship and physician loan repayment programs, resulting in an additional long-term obligation of \$3.7 million, of which \$747.1 thousand was recorded as the current portion.

## NOTE 11 CHANGES IN LONG-TERM OBLIGATIONS

The following table provides a summary of changes in long-term obligations of the primary government for the year ended June 30, 2015:

<b>Changes in Long-Term Obligations</b>					
<b>Primary Government</b>					
(Expressed in Thousands)					
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Governmental Activities:					
Other Postemployment Benefits (Note 15)	\$ 1,882,038.4	\$ 463,238.9	\$ (287,096.3)	\$ 2,058,181.0	\$ -
Compensated Absences (Note 10)	175,933.1	7,317.3	(12,956.8)	170,293.6	16,016.1
Claims and Judgments (Notes 14 and 20)	172,841.6	37,889.5	(36,382.4)	174,348.7	38,968.3
Escheat Payable (Note 10)	130,000.0	67,183.3	(22,183.3)	175,000.0	35,000.0
Notes Payable (Note 8)	28,122.5	0.5	(845.1)	27,277.9	1,338.6
Pollution Remediation Obligations (Note 20)	24,863.9	13,282.8	(2,960.8)	35,185.9	7,737.0
Bonds Payable:					
General Obligation Bonds (Note 6)	1,825,335.2	306,870.0	(256,812.0)	1,875,393.2	168,315.0
Bond Issue Premium, Net of Accumulated Amortization	174,557.4	57,266.9	(35,982.2)	195,842.1	16,477.5
Revenue Bonds (Note 7)	54,535.2	-	(1,610.0)	52,925.2	3,045.0
Physician and Scholarship Programs (Note 10)	3,832.2	1,263.6	(1,398.2)	3,697.6	747.1
<b>Governmental Activities Long-term Liabilities</b>	<b>\$ 4,472,059.5</b>	<b>\$ 954,312.8</b>	<b>\$ (658,227.1)</b>	<b>\$ 4,768,145.2</b>	<b>\$ 287,644.6</b>
Business-type Activities:					
Other Postemployment Benefits (Note 15)	\$ 197,504.3	\$ 32,341.5	\$ (12,033.8)	\$ 217,812.0	\$ -
Compensated Absences (Note 10)	12,266.6	-	(351.7)	11,914.9	2,090.3
Pollution Remediation Obligations (Note 20)	3,511.5	-	(1,518.5)	1,993.0	685.0
Liabilities Payable from					
Restricted Assets (Note 18)	2,675.4	-	(110.7)	2,564.7	-
Claims and Judgements (Note 14)	12,011.0	5,180.7	(5,537.7)	11,654.0	2,485.3
Bonds Payable:					
General Obligation Bonds (Note 6)	103.4	-	(103.4)	-	-
Revenue Bonds (Note 7)	939,055.0	-	(77,655.0)	861,400.0	72,580.0
Bond Issue Premium, Net of Accumulated Amortization	65,739.2	-	(20,260.7)	45,478.5	11,902.3
<b>Business-type Activities Long-term Liabilities</b>	<b>\$ 1,232,866.4</b>	<b>\$ 37,522.2</b>	<b>\$ (117,571.5)</b>	<b>\$ 1,152,817.1</b>	<b>\$ 89,742.9</b>

**NOTE 12 NO COMMITMENT DEBT (NOT INCLUDED IN FINANCIAL STATEMENTS)**

The State, by action of the General Assembly, created various authorities for the express purpose of providing private entities with an available low cost source of capital financing for construction of facilities deemed to be in the public interest. The bonds of the authorities represent limited obligations payable solely from payments made by the borrowing entities. The majority of the bonds are secured by the property financed. Upon repayment of a bond, ownership of acquired property transfers to the entity served by the bond issuance. The State has no obligation for this debt. Accordingly, these bonds are not reflected in the accompanying financial statements. These bonds are issued through the Delaware Economic Development Authority. The principal amount of bonds outstanding at June 30, 2015 for this entity amounted to \$737.9 million.

**NOTE 13 CAPITAL ASSETS**

Capital asset activities for the fiscal year ended June 30, 2015 were as follows:

<b>Governmental Activities</b>	<b>Capital Assets</b> (Expressed in Thousands)			<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	
Capital Assets, Not Being Depreciated				
Land	\$ 468,211	\$ 8,019	\$ (293)	\$ 475,937
Easements	79,750	31	-	79,781
Construction-In-Progress	540,045	82,714	(424,024)	198,735
<b>Total Capital Assets, Not Being Depreciated</b>	<b>1,088,006</b>	<b>90,764</b>	<b>(424,317)</b>	<b>754,453</b>
Capital Assets, Being Depreciated				
Vehicles	86,675	8,465	(5,033)	90,107
Buildings	3,656,039	383,828	(12,236)	4,027,631
Equipment	100,855	13,530	(1,084)	113,301
Land Improvements	240,849	32,181	-	273,030
Computer Software	107,006	-	-	107,006
<b>Total Capital Assets Being Depreciated</b>	<b>4,191,424</b>	<b>438,004</b>	<b>(18,353)</b>	<b>4,611,075</b>
Less Accumulated Depreciation For:				
Vehicles	(65,794)	(5,201)	4,989	(66,006)
Buildings	(1,248,924)	(87,408)	4,325	(1,332,007)
Equipment	(73,373)	(5,624)	993	(78,004)
Land Improvements	(85,418)	(12,977)	-	(98,395)
Computer Software	(53,488)	(21,216)	-	(74,704)
<b>Total Accumulated Depreciation</b>	<b>(1,526,997)</b>	<b>(132,426)</b>	<b>10,307</b>	<b>(1,649,116)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>2,664,427</b>	<b>305,578</b>	<b>(8,046)</b>	<b>2,961,959</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 3,752,433</b>	<b>\$ 396,342</b>	<b>\$ (432,363)</b>	<b>\$ 3,716,412</b>

<b>Capital Assets</b>				
(Expressed in Thousands)				
<b>Business-type Activities</b>	<b>Beginning</b>			<b>Ending</b>
<b>DeIDOT</b>	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
Capital Assets, Not Being Depreciated				
Land	\$ 288,612	\$ 10,336	\$ -	\$ 298,948
Infrastructure	3,723,675	36,460	-	3,760,135
Welcome and Service Center	22,100	-	-	22,100
Construction In Progress	34,086	2,452	(19,368)	17,170
Total Capital Assets, Not Being Depreciated	4,068,473	49,248	(19,368)	4,098,353
Capital Assets, Being Depreciated				
Buildings & Improvements	118,630	18,906	(5)	137,531
Furniture & Equipment	296,476	27,807	(29,955)	294,328
Total Capital Assets, Being Depreciated	415,106	46,713	(29,960)	431,859
Less Accumulated Depreciation For:				
Buildings & Improvements	(41,172)	(3,942)	5	(45,109)
Furniture & Equipment	(170,100)	(23,251)	29,540	(163,811)
Total Accumulated Depreciation	(211,272)	(27,193)	29,545	(208,920)
Total Capital Assets, Being Depreciated, Net	203,834	19,520	(415)	222,939
Business-type Activities Capital Assets, Net	\$ 4,272,307	\$ 68,768	\$ (19,783)	\$ 4,321,292

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

<b>Depreciation Expense</b>	
(Expressed in Thousands)	
Governmental Activities:	
General Government	\$ 27,902
Health and Children's Services	14,380
Judicial and Public Safety	16,288
Natural Resources and Environmental Control	4,575
Labor	68
Education	69,213
Total Depreciation Expense - Governmental Activities	\$ 132,426
Business-type Activities:	
DeIDOT	\$ 27,193
Total Depreciation Expense - Business-type Activities	\$ 27,193



In fiscal year 2010, construction was completed on the Welcome and Service Center pursuant to an agreement with HMS Host Tollroads, Inc. (HMS), under which HMS financed, designed, and built the Center and continues to maintain and operate the Center for 35 years. Under the agreement, HMS is responsible for maintaining the Center to current conditions and insuring the Center over the course of the 35 years of operations. DeIDOT is entitled to a percentage of all sales from fuel and non-fuel items sold. At the end of the agreement, operation of the Center will be transferred to DeIDOT in its enhanced condition. DeIDOT reports the Center as a capital asset with a carrying value of \$22.1 million and a related deferred inflow of resources of \$18.9 million as of June 30, 2015. The deferred inflow of resources is amortized over the 35 year life of the agreement.

#### **NOTE 14 RISK MANAGEMENT**

The State is exposed to various risks of losses related to workers' compensation, employee health-care and accident, automobile accident, police professional malpractice and property and casualty claims. It is the policy of the State not to purchase commercial insurance to cover these risks. Instead, State management believes it is more economical to manage its risk internally and thus, covers all claim settlements and judgments out of its general fund. The State continues to carry commercial insurance for all other risks of loss, including general liability and the remainder of the property and casualty liability. There have been no significant reductions in insurance coverage from prior years. In the past three years of insured coverage, settled claims have not exceeded commercial coverage.

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

The management of the State estimates that the amount of actual or potential claims against the State at June 30, 2015, for workers' compensation, automobile accident and health-care claim liabilities is \$226.1 million. The claim liabilities relating to health-care totaling \$52.8 million have been recorded as accrued liabilities in governmental activities. The liability for workers' compensation and automobile accident liabilities totaling \$173.3 million has been recorded in governmental activities as claims and judgments. The current portion of these claims totals \$39.0 million. Other claim liabilities relating to police professional malpractice and property and casualty were not recorded at June 30, 2015 as the total of these liabilities were not material to the financial statements.

Changes in the balances of claim liabilities during fiscal years 2015 and 2014 were as follows:

**Changes in Claim Liabilities**  
(Expressed in Thousands)

Fiscal Year	Beginning Balance July 1	Current Year Claims and Changes in Estimates	Actual Claim Payments	Ending Balance June 30
2014	\$ 207,837	\$ 703,221	\$ (691,064)	\$ 219,994
2015	219,994	769,753	(763,669)	226,078

**DelDOT – Delaware Transit Corporation**

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

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

DTC has recorded \$11.7 million of claim liabilities as Insurance Loss Reserve. Of this amount, \$2.5 million has been recorded as current.

Changes in the balances of total claim liabilities during the fiscal years 2015 and 2014 were as follows:

**Changes in Claim Liabilities**  
(Expressed in Thousands)

Fiscal Year	Beginning Balance July 1	Current Year Claims and Changes in Estimates	Actual Claim Payments	Ending Balance June 30
2014	\$ 9,847	\$ 4,550	\$ (2,386)	\$ 12,011
2015	12,011	5,181	(5,538)	11,654

**NOTE 15 OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

*Plan Description*

On July 1, 2007, the Delaware OPEB Fund Trust (OPEB Trust) was established pursuant to Section 115 of the Internal Revenue Code and separate from the DPERs. The OPEB Trust is administered by the DPERs Board of Directors. Policy for and management of the OPEB

benefits provided to retirees are the responsibility of the State. No stand-alone financial report is issued for the OPEB Trust.

The OPEB Trust is a single-employer defined benefit plan. The OPEB Trust provides retirement medical coverage to pensioners and their eligible dependents in the State Employees', Judiciary, New State Police, and Closed State Police pension plans. The State of Delaware has elected to assume the OPEB liability on behalf of employees who participate in the State's pension plan but are employed at outside agencies including Delaware State University, University of Delaware, Delaware State Housing Authority, Delaware Charter Schools and Delaware Solid Waste Authority. Due to this assumption, the State is a single employer defined benefit plan.

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

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

Substantially all State employees become eligible for post-retirement benefits if they reach retirement age while working for the State. The costs of providing these benefits are shared between the State and the retired employee. The plan provisions are as follows:

Eligibility:

State Employees:

Early Retirement:

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

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

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

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

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

Judges:

Normal Retirement (before July 1, 1980):

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

Normal Retirement (after June 30, 1980):

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

Closed State Police:

Normal Retirement:

Age 55 or 20 years of service

Open State Police:

Normal Retirement:

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

Benefits:

During the fiscal year ended June 30, 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.

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

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

*Funding Policy*

The State of Delaware funds the OPEB for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined typically from the General Fund. Additional funding has also been provided on an ad hoc basis. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members and the government are established and may be amended by the State Legislature. Funds are recorded in the OPEB Trust for the payment of retiree healthcare claims, administrative and investment expenses. Administrative costs are financed through investment earnings. State appropriations, other employer contributions, and retiree contributions for healthcare are recorded in the OPEB Trust. The funds available are invested under the management of the DPERS Board of Pension Trustees, which acts as the Board of Trustees for the OPEB Trust and is responsible for the financial management of the OPEB Trust.

*Contributions*

The contribution rates for the employer and retiree are established annually by the budgeting process of the State. Those rates include an employer contribution based on projected pay-as-

you-go financing requirements as a percent of covered payroll, with an additional amount to prefund benefits, which is not actuarially determined. For fiscal year 2015, the State contribution in relation to the annual required contribution (ARC) totaled \$226.3 million.

Retiree contribution rates are affected by the retiree date of hire, with eligible retirees hired after June 30, 1991 paying a proportionately higher rate if their years of service total less than 20. Retiree contributions for health coverage totaled \$8.0 million.

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

The State's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. Amounts "required" but not actually set aside to pay for these benefits are accumulated as part of the net OPEB obligations. The following table shows the components of the State's annual OPEB for fiscal year 2015 and the preceding fiscal year, the amount actually contributed to the plan, and the State's net OPEB obligation (dollar amounts in millions):

	<b>Total</b>	<b>Governmental Activities</b>	<b>Business-Type Activities *</b>
Net OPEB Obligation at June 30, 2014	\$ 2,079.5	\$ 1,882.0	\$ 197.5
Annual Required Contribution	417.3	383.2	34.1
Interest on Net OPEB Obligation	88.1	80.1	8.0
Adjustment to Annual Required Contribution	(81.2)	(72.7)	(8.5)
Subtotal	<u>2,503.7</u>	<u>2,272.6</u>	<u>231.1</u>
Employer Contributions	<u>(227.7)</u>	<u>(214.4)</u>	<u>(13.3)</u>
Net OPEB Obligation at June 30, 2015	<u>\$ 2,276.0</u>	<u>\$ 2,058.2</u>	<u>\$ 217.8</u>

\* This column includes DTC's OPEB activity on its obligation of \$101.5 million at June 30, 2015.

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years 2015, 2014, and 2013 are as follows (dollar amounts in millions):

<b>Fiscal Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2015	\$ 404.4	56%	\$ 2,174.5
2014	406.7	50%	1,988.5
2013	397.8	52%	1,777.5

*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 primary government. 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%.

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

*Actuarial Methods and Assumptions*

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

In the June 30, 2015 actuarial valuation, the entry age normal actuarial cost method was used. Investments are valued at market 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 a 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.

**Delaware Transit Corporation (DTC)***Plan Description*

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

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

Membership of the plan consisted of the following at June 30, 2014 (valuation date):

Retirees and Beneficiaries Receiving Benefits	148
Terminated Plan Members Entitled to But Not Yet Receiving the 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

Noncontract employees:

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

Benefits:

During the fiscal year ended June 30, 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.

*Funding Policy*

DTC funds the DTC OPEB Trust on a pay-as-you-go basis with additional funding provided in the DTC OPEB Trust on an ad-hoc basis. Funds are recorded in the 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 for the DTC OPEB Trust and is responsible for the financial management of the DTC OPEB Trust. The cash basis costs associated with these benefits was \$1.4 million for the fiscal year ended June 30, 2015.

*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.

*Annual OPEB Cost and Net Obligation*

DTC's annual OPEB cost is calculated based upon the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. Amounts "required" but not actually contributed to pay for these benefits are accumulated as part of the net OPEB obligations. The following table shows the components of DTC's annual OPEB cost for fiscal year 2015 and the preceding year, the amount actually contributed to the plan, and DTC's net OPEB obligation (expressed in thousands):

Net OPEB obligation at June 30, 2014	\$	90,958
Annual Required Contribution (ARC)		12,868
Interest on Net OPEB obligations		3,606
Adjustment to Annual Required Contribution		<u>(4,524)</u>
Net OPEB obligation before Contributions		102,908
Contributions Made		<u>(1,399)</u>
Net OPEB obligations at June 30, 2015	\$	<u>101,509</u>

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

<b>Fiscal Year</b>				
<b>Ended</b>	<b>Cost</b>	<b>Contributed</b>	<b>Obligation</b>	
2015	\$ 11,950	11.71%	\$ 101,509	
2014	16,748	7.69%	90,958	
2013	15,671	7.62%	75,498	

*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 \$104.4 million, and the actuarial value of assets was \$2.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$102.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$42.7 million 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 ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

#### *Actuarial Methods and Assumptions*

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

In the July 1, 2014 actuarial valuation, the projected unit credit method was used with linear proration to assumed benefit commencement. The actuarial assumptions included 4.0% investment rate of return, 3.0% payroll growth rate, a 2.4% inflation rate, and a healthcare cost trend rate of 4.5% with rate fluctuations between 4.5% and 5.8% over the next 30 years.

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

### **NOTE 16 PENSIONS**

#### **Defined Benefit Pension Plans**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Delaware Public Employees' Retirement System (DPERS) and additions to/deductions from DPERS's fiduciary net position have been determined on the same basis as they are reported by DPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **General Information about the Defined Benefit Pension Plans**

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

- State Employees' Pension Plan;

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

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

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

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

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

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

A description of the individual plans including eligibility provisions, types of benefits and contribution requirements are set forth in general terms below and on the following pages. Detailed information regarding these plans is available in the Delaware Code and in the Rules and Regulations of the Board.

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

**State Employees' Pension Plan**

Plan Description and Eligibility:

The State Employees' Pension Plan is a cost-sharing multiple employer defined benefit plan that covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities.

There are two tiers within this plan:

- 1) Employees hired prior to January 1, 2012 (Pre-2012)
- 2) Employees hired on or after January 1, 2012 (Post-2011)

Service Benefits: Final average monthly compensation (excludes overtime for Post 2011 employees) multiplied by 2.0% and multiplied by years of credited service prior to January 1, 1997, plus final average compensation multiplied by 1.85% and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For this plan, final average monthly compensation is the monthly average of the highest three periods of twelve consecutive months of compensation.

Vesting: Pre-2012 date of hire: 5 years of credited service.  
Post-2011 date of hire: 10 years of credited service.

Retirement: Pre 2012 date of hire: age 62 with 5 years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service at any age.  
Post-2011 date of hire: age 65 with at least 10 years of credited service; age 60 with 20 years of credited service; 30 years of credited service at any age.

Disability Benefits: Pre-2012 date of hire: same as service benefits. Employee must have 5 years of credited service. In lieu of disability pension benefits, over 90% of the members of this plan opted into a disability insurance program offered by the State effective January 1, 2006.  
Post-2011 date of hire – in the disability insurance program.

Survivor Benefits: If employee is receiving a pension, the eligible survivor receives 50% of pension (or 75% with 3% reduction of benefit); if employee is active with at least 5 years of credited service, eligible survivor receives 75% of the benefit the employee would have received at age 62.

Contributions: Employer - determined by Board of Pension Trustees based on the actuarially determined rate. Employer contributions were 9.5% of earnings for fiscal year 2015.  
Pre-2012 date of hire Member - 3% of earnings in excess of \$6,000.  
Post-2011 date of hire Member - 5% of earnings in excess of \$6,000.

Burial Benefit: \$7,000 per member.

### ***Special Fund***

#### Plan Description and Eligibility:

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

Service Benefits: Defined by special legislation.

Vesting: Defined by special legislation.

Retirement: Defined by special legislation.

Disability Benefits: Defined by special legislation.

Survivor Benefits: Same as State Employees' Plan.

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

Burial Benefit: \$7,000 per member.

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

#### Plan Description and Eligibility:

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

Service Benefits: 2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

Vesting: 10 years of credited service at age 62.

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

Disability Benefits: Duty – *Total Disability* - 75% of final average compensation plus 10% for

each dependent not to exceed 25% for all dependents.

*Partial Disability* - calculated the same as service benefits, subject to minimum 50% of final average compensation.

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

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

Contributions: Employer - determined by Board of Pension Trustees based on the actuarially determined rate. Employer contributions were 19.1% of earnings for fiscal year 2015.  
Member - 7% of compensation.

Burial Benefit: \$7,000 per member.

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

Plan Description and Eligibility:

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

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

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

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

Vesting: 12 years of credited service.

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

Disability Benefits: Same as service benefits.

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

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

Contributions: Employer - determined by Board of Pension Trustees based on the actuarially determined rate. Employer contributions were 27.7% of earnings for fiscal year 2015.

Member:

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

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

Burial Benefit: Not applicable.

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

#### Plan Description and Eligibility:

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

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

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

Burial Benefit: \$7,000 per member.

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

#### Plan Description and Eligibility:

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

Service Benefits: 1.75% of final average monthly compensation multiplied by the years of

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

- Vesting: 5 years of credited service.
- Retirement: Age 65 with 5 years of credited service, or age (not less than 55 years) plus credited service equals 90.
- Disability Benefits: Same as service benefits. Employee must have 15 years of credited service.
- Survivor Benefits: If employee is receiving a pension, the eligible survivor receives 50% of pension; if employee is active with at least 15 years of credited service, then eligible survivor receives 50% of pension the employee would have received at age 65.
- Contributions: Employer - determined by Board of Pension Trustees at the actuarially determined rate. Employer contributions were 8.6% of earnings for fiscal year 2015.  
Member - 2% of compensation.
- Burial Benefit: Not applicable.

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

#### Plan Description and Eligibility:

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

- Service Benefits: 2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.
- Vesting: 5 years of credited service.
- Retirement: Age 62 with 5 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service.
- Disability Benefits: Duty - *Total Disability* - 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents.  
*Partial Disability* - calculated the same as service benefits, subject to

minimum 50% of final average compensation.

Non-Duty - Same as service benefits.

*Total Disability* subject to a minimum of 50% of final average monthly compensation plus 5% for each dependent not to exceed 20% for all dependents.

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

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

Contributions: Employer - determined by Board of Pension Trustees at the actuarially determined rate. Employer contributions were 15.5% of earnings for fiscal year 2015.  
Member - 7% of compensation.

Burial Benefit: Not applicable.

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

#### Plan Description and Eligibility:

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

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

Vesting: 5 years of credited service.

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

Disability Benefits: Same as service benefits. Employee must have 5 years of credited service.

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

Contributions: Employer - determined by Board of Pension Trustees at the actuarially



determined rate. Employer contributions were 6.6% of earnings for fiscal year 2015.

Member - 3% of earnings in excess of \$6,000.

Burial Benefit: Not applicable.

***Delaware Volunteer Firemen’s Fund***

Plan Description and Eligibility:

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

Service Benefits: \$5 multiplied by years of credited service (not to exceed 25 years) per month.

Vesting: 10 years of credited service.

Retirement: Age 60 with 10 years credited service.

Disability Benefits: Not applicable.

Survivor Benefits: Not applicable.

Contributions: Employer - determined by Board of Pension Trustees at the actuarially determined rate. Employer contributions were \$318.73 per member for fiscal year 2015.  
Member - \$60 per member per calendar year.

Burial Benefit: Not applicable.

*Employees covered by benefit terms.* At June 30, 2014, the following employees were covered by the benefit terms for each plan:

	State Employees	Special	New State Police	Judiciary	Closed State Police
Inactive employees or beneficiaries currently receiving benefits	23,579	9	173	45	528
Inactive employees entitled to but not yet receiving benefits	3,094	-	11	-	-
Active plan members	<u>35,571</u>	<u>-</u>	<u>689</u>	<u>56</u>	<u>-</u>
Total plan members	<u><u>62,244</u></u>	<u><u>9</u></u>	<u><u>873</u></u>	<u><u>101</u></u>	<u><u>528</u></u>

The June 30, 2014 valuation is the most recent available to record the net pension liability and for consistency, all schedules are utilized from this valuation.

## **Non-DPERS Fund Descriptions and Contributions**

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

During 1990, the State passed legislation which established a mechanism for funding post-retirement increases granted by employers who participate in the County & Municipal Police and Firefighters' Pension Plans. This mechanism allows the State to appropriate funds separate to a cost of living adjustment fund (COLA Fund) managed by the Board of Pension Trustees (Board). The funds are generated by a 0.25% tax on the value of insurance premiums written within the State. The proceeds of the tax are allocated to the State and local governments on a per member basis and held by the Fund until COLAs are granted. In 1994, the New State Police Plan began receiving funding for post-retirement increases from the Post-Retirement Increase Fund. Since that time, funds calculated for the State Police membership were re-directed into the COLA Fund. In accordance with Section 708 (c), Title 18 of the Delaware Code, when a participating employer grants a post-retirement increase for a plan outside of the DPERS County & Municipal Plans, funds are transferred from the COLA Fund to the employer. These plans are the "closed" plans that are administered by the employer and existed prior to the employer joining the County/Municipal Police and Firefighter Plan. Any financial reporting as a result of COLA granted in these plans is the responsibility of the employer. These increases are not the responsibility of DPERS. The participating employer must provide funds to match the State's contribution. Allocated funds that are unused will be reverted to the State General Fund.

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

The State passed legislation which established a mechanism for funding ad hoc post-retirement increases granted by the General Assembly to members retired under the State Employees' Plan, the New State Police Plan, and the Judiciary Plans (Closed and Revised) beginning in fiscal year 1994. The mechanism allows the State to appropriate actuarially determined employer contributions to a separate PRI fund managed by the Board. With the exception of the Closed State Police Pension Plan, projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting changes and the consistency in the amounts of the changes. The actuary uses the current actuarial assumptions, methods, and population data to calculate the estimated additional liability resulting from granted ad hoc benefit increases. When the Legislature grants an ad hoc post-retirement adjustment, funds are transferred from this PRI fund on a monthly basis based on a five-year actuarial funding schedule to the appropriate pension plan from which the additional benefits are disbursed. For the fiscal year ended June 30, 2015, \$33.5 million was transferred to the appropriate plans in DPERS.

As of June 30, 2015 recently granted post-retirement increases have outstanding liabilities totaling \$99.0 million, which will be funded by the State and transferred to the appropriate plans over the next six fiscal years as follows (expressed in thousands):

<b>Fiscal Year Ended June 30</b>	
2016	\$ 39,808
2017	31,137
2018	10,945
2019	11,300
2020	5,834
Total	<u>\$ 99,024</u>

The Board adopts actuarially determined funding for the Post-Retirement Increase Fund. Funding for fiscal year 2015 was 1.66% of covered payroll. Funding for fiscal year 2016 will be 2.07%.

### ***Local Government Retirement Investment Pool (DELRIP)***

In June 1996, the State established DELRIP in the custody of the Board to allow local governments within the State the option to pool their pension assets with DPERS for investment purposes. The DELRIP is an external investment pool that allows local governments to potentially maximize their rate of return and reduce administrative expenses related to the investment of funds. Participation in the pool is voluntary. There were three participating entities in DELRIP as of June 30, 2015, which comprise the pool in its entirety: Sussex County and the Towns of Elsmere and Newport.

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

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

#### Plan Description and Eligibility:

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

Service Benefits: 1.35% of the highest 36-month average earnings plus 1.25% of the average earnings above the Integration Amount for the calendar year in which the participant retires multiplied by years of service, up to a maximum of 25 years.

Vesting: 100% after 5 years of service

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

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

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

Contributions: Employer - determined by DTC Pension Board Trustees based on the actuarially determined rate. Employer contributions were 9.5% of earnings for fiscal year 2015.  
Employee - 3% of earnings in excess of \$6,000.

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

#### Plan Description and Eligibility:

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

Service Benefits: \$65 per month per year of service or refund of contributions with interest before becoming eligible or choosing not to elect

Vesting: Completion of 10 years of service

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

Disability Benefits: Non-Duty - Employee must have 15 years of credited service.  
Duty – Upon hire  
Provided in full with interest

Survivor Benefits: If the employee was active and had completed 25 or more years of service, the eligible survivor receives pension payments equal to the benefit the employee would have received if eligible to retire the day before he/she died for 60 months.

Contributions: Employer – 5% of regular hourly wages worked up to a maximum of 2,080 hours per year. Employer contributions were 3.3% of earnings for

fiscal year 2015.

Employee - 5% of regular hourly wages worked up to a maximum of 2,080 hours per year.

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

	<u>DTC</u>	<u>Contributory</u>
Inactive employees or beneficiaries currently receiving benefits	52	155
Inactive employees entitled to but not yet receiving benefits	53	72
Active plan members	256	648
Total plan members	<u>361</u>	<u>875</u>

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

At June 30, 2015, the State reported the following net pension liabilities (assets) (expressed in thousands):

Plan	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
State Employees' Special Fund	\$ -	\$ 320,088	\$ -	\$ 14,632
New State Police	104	-	-	-
Judiciary	-	15,255	-	-
Closed State Police	1,357	-	-	-
DTC	-	367,932	-	-
Contributory	-	-	-	928
	<u>\$ 1,461</u>	<u>\$ 703,275</u>	<u>\$ 1,181</u>	<u>\$ 15,560</u>

The net pension asset and liability were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of June 30, 2013 with update procedures used to roll forward the total pension liability to June 30, 2014. The State's proportion of the net pension liability of the State Employees' Plan was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating organizations, actuarially determined. At June 30, 2014, the State's proportion of the net pension liability of the State Employees' Plan was 90.9%, which was a decrease of 0.3% from its proportion measured as of June 30, 2013.

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

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

	2014			
	Special	New State Police	Judiciary	Closed State Police
<b>Total Pension Liability</b>				
Service Cost	\$ -	\$ 12,378	\$ 2,542	\$ 16,319
Interest	15	26,137	4,869	12,942
Change in Benefit Terms	-	-	-	-
Differences between expected and actual experience	-	-	-	-
Changes of Assumptions	-	-	-	-
Benefit payments, including refunds of member contributions	(42)	(10,619)	(3,588)	(23,301)
Net change in total pension liability	(27)	27,896	3,823	5,960
Total pension liability - beginning	227	362,148	68,145	363,974
Total pension liability - ending (a)	<u>\$ 200</u>	<u>\$ 390,044</u>	<u>\$ 71,968</u>	<u>\$ 369,934</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ -	\$ 10,500	\$ 2,839	\$ 23,064
Contributions - nonemployer	-	525	165	-
Contributions - member	-	3,862	317	-
Net investment income	48	54,635	10,783	(3)
Benefit payments, including refunds of member contributions	(42)	(10,619)	(3,588)	(23,301)
Administrative expense	(1)	(82)	(13)	(46)
Other	-	-	-	-
Net change in plan fiduciary net position	5	58,821	10,503	(286)
Plan fiduciary net position - beginning	299	315,968	62,822	2,288
Plan fiduciary net position - ending (b)	<u>\$ 304</u>	<u>\$ 374,789</u>	<u>\$ 73,325</u>	<u>\$ 2,002</u>
State's net pension liability (asset) - ending (a)-(b)	<u>\$ (104)</u>	<u>\$ 15,255</u>	<u>\$ (1,357)</u>	<u>\$ 367,932</u>
Plan fiduciary net position as a percentage of total pension liability	152%	96%	102%	1%
Covered-employee payroll	\$ -	\$ 56,289	\$ 10,416	\$ -
State's net pension liability (asset) as a percentage of covered-employee payroll	N/A	27%	-13%	N/A

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

**DeIDOT- Delaware Transit Corporation**  
**Changes in DTC's Net Pension Liability and Related Ratios**  
(Dollar amounts in thousands)

	2014	
	DTC Plan	Contributory Plan
<b>Total Pension Liability</b>		
Service Cost	\$ 840	\$ 1,766
Interest	1,483	2,675
Change in Benefit Terms	-	1,030
Differences between expected and actual experience	-	4
Changes of Assumptions	-	-
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)	<u>\$ 21,812</u>	<u>\$ 40,855</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 1,158	\$ 909
Contributions - member	30	1,263
Net investment income	2,443	2,606
Benefit payments, including refunds of member contributions	(569)	(2,103)
Administrative expense	(116)	(134)
Other	-	-
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)	<u>\$ 20,884</u>	<u>\$ 42,036</u>
Corporation's net pension liability (asset) - ending (a)-(b)	<u>\$ 928</u>	<u>\$ (1,181)</u>
Plan fiduciary net position as a percentage of total pension liability	96%	103%
Covered-employee payroll	\$ 12,099	\$ 27,627
State's net pension liability (asset) as a percentage of covered-employee payroll	8%	-4%

For the year ended June 30, 2015, the State recognized pension expense of \$101.3 million, related to all plans.

At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Outflows of Resources	Deferred Inflows of Resources
Changes in proportionate share of contributions	\$ 14	\$ 3,226	\$ 212	\$ 9
Net difference between projected and actual earnings on pension plan investments	76	539,131	-	23,959
Contributions subsequent to the measurement date	190,979	-	8,985	-
	<u>\$ 191,069</u>	<u>\$ 542,357</u>	<u>\$ 9,197</u>	<u>\$ 23,968</u>

The State reported \$200.0 million as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Fiscal Year Ended June 30	Governmental Activities	Business-Type Activities
2016	\$ 135,566	\$ 5,939
2017	135,567	5,939
2018	135,567	5,939
2019	135,567	5,939
Total	<u>\$ 542,267</u>	<u>\$ 23,756</u>

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

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

Contributions	2014
Contractually required contribution	\$ 158,956
Contributions in relation to the contractually required contribution	158,956
Contribution excess	<u>\$ -</u>
Covered-employee payroll	\$ 1,673,099
Contributions as a percentage of covered-employee payroll	9.5%

*Actuarial assumptions.* The total pension liability in the June 30, 2013 actuarial valuation was



determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>State Employees'</u>	<u>Special</u>	<u>New State Police</u>	<u>Judiciary</u>	<u>Closed State Police</u>
Investment Rate of Return/Discount Rate (1)	7.2%	7.2%	7.2%	7.2%	4.3% (2)
Projected Salary Increases (1)	3.5% to 11.5%	N/A	4.5% to 11.5%	3.5% to 12%	N/A
Cost of Living Adjustments	ad hoc	ad hoc	ad hoc	ad hoc	Based on CPI

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

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

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

(1) - Inflation is included at 2%

The total pension liabilities are measured based on assumptions pertaining to interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates for the DPERS Plans were based on the Sex distinct RP-2000 combined Mortality Table projected to 2015 using scale AA for males and females, as appropriate, for mortality improvement. Mortality rates for the DTC Plan were based on the RP-2000 Combined Healthy Tables with generational projection by Scale AA and the rates for the Contributory Plan were based on the RP-2000 Blue Collar Table without any future mortality improvements.

With the exception of the Closed State Police Pension Plan, projected benefit payments do not include the effect of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in DPERS's current and expected asset allocation as of June 30, 2014, DTC's current and expected asset allocation as of July 1, 2014, and Contributory's current and expected asset allocation as of January 1, 2015 are summarized in the following table:

DPERS		
<u>Asset Class</u>	<u>Target Allocation %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Domestic Equity	39.5	5.7
International Equity	7.0	5.7
Domestic Fixed Income	20.9	2.0
International Fixed Income	7.4	2.0
Alternative Investments	19.0	7.8
Cash & Equivalents	6.2	
	<u>100.0</u>	
DTC		
<u>Asset Class</u>	<u>Target Allocation %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Domestic Equity	42.8	5.2 - 5.7
International Equity	22.8	5.2
Fixed Income	34.1	3.0 - 4.8
Cash & Equivalents	0.3	0.1 - 0.8
	<u>100.0</u>	
Contributory		
<u>Asset Class</u>	<u>Target Allocation %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Equities	60.8	5.2 - 5.7
Fixed Income	33.9	3.0 - 4.8
Alternative Investments	4.5	2.7
Cash & Equivalents	0.8	0.1 - 0.8
	<u>100.0</u>	

*Discount rate.* The discount rate for all plans, except the Closed State Police Pension Plan, the DTC Plan, and the Contributory Plan, used to measure the total pension liability was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The Closed State Police Pension Plan used a discount rate of 4.3%, which represents the 20 year AA Municipal Bond rate since the plan is pay as you go. The discount rate used to measure the total pension liability was 7.5% for the DTC Plan and 7% for the Contributory Plan. The asset valuation method uses a five year averaging method. Returns on the average market value of

assets above or below the 7.5% (DTC Plan) or 7% (Contributory Plan) return are gradually recognized over a five-year period.

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the State's proportionate share of the net pension liability of the State Employees' Plan (cost sharing) and the net pension liability of the other Plans (single employer), calculated using the discount rate of 7.2% (4.3% for the Closed State Police Pension Plan, 7.5% for the DTC Plan, and 7.0% for the Contributory Plan), as well as what the State's proportionate share for the cost sharing and the single employer Plans' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (expressed in thousands):

	1 % Decrease	Current Discount Rate	1 % Increase
State Employees'	\$ 1,254,434	\$ 334,720	\$ (442,620)
Special Fund	(95)	(104)	(112)
New State Police	68,575	15,255	(29,017)
Judiciary	5,017	(1,357)	(6,897)
Closed State Police	403,971	367,932	337,173
DTC	3,619	928	(1,343)
Contributory	3,236	(1,181)	(4,979)
Total	<u>\$ 1,738,757</u>	<u>\$ 716,193</u>	<u>\$ (147,795)</u>

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

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

### **Deferred Compensation Plans**

The State offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all State of Delaware employees, permits them to defer a portion of their salary to future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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

receive either a lump-sum amount equal to the value of the participant's vested interest in their account or periodic payments. In addition, the Plan allows for hardship distributions if certain criteria are met.

#### **NOTE 17 GOVERNMENTAL FUND BALANCES**

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

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

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

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

A summary of governmental fund balances at June 30, 2015, is as follows:

	<u>General</u>	<u>Federal</u>	<u>Local School District</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Nonspendable					
Federal Restrictions	\$ -	\$ 275,997	\$ -	\$ -	\$ 275,997
Inventory	5,306	-	-	-	5,306
Total Nonspendable	<u>5,306</u>	<u>275,997</u>	<u>-</u>	<u>-</u>	<u>281,303</u>
Restricted:					
Health and Children's Services	7,797	-	-	12,008	19,805
Judicial and Public Safety	11,763	-	-	3,271	15,034
Natural Resources and Environmental Control	141,381	1,351	-	9,310	152,042
Agriculture	81	-	-	-	81
Labor	12,135	-	-	-	12,135
Education	3,585	-	284,425	111,095	399,105
Economic Development	4,137	-	-	-	4,137
General Government	3,200	-	-	48,942	52,142
Total Restricted	<u>184,079</u>	<u>1,351</u>	<u>284,425</u>	<u>184,626</u>	<u>654,481</u>
Committed					
Health and Children's Services	19,410	-	-	-	19,410
Judicial and Public Safety	5,723	-	-	-	5,723
Natural Resources and Environmental Control	36,478	-	-	-	36,478
Agriculture	8,816	-	-	-	8,816
Labor	8,140	-	-	-	8,140
Education	12,530	-	-	-	12,530
Economic Development	87,025	-	-	-	87,025
General Government	14,848	-	-	-	14,848
Total Committed	<u>192,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>192,970</u>
Assigned					
Health and Children's Services	2,901	-	-	-	2,901
Judicial and Public Safety	5,373	-	-	-	5,373
Natural Resources and Environmental Control	5,204	-	-	-	5,204
Agriculture	7,313	-	-	-	7,313
Education	54,554	-	-	-	54,554
Economic Development	84	-	-	-	84
General Government	7,573	-	-	-	7,573
Total Assigned	<u>83,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,002</u>
Unassigned	<u>763,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>763,249</u>
Total Fund Balance	<u>\$ 1,228,606</u>	<u>\$ 277,348</u>	<u>\$ 284,425</u>	<u>\$ 184,626</u>	<u>\$ 1,975,005</u>

### Fund Balances Restricted by Enabling Legislation

The restricted fund balance for the Local School Districts Fund are funds that are used to account for activities relating to Delaware's 19 local school districts, which are funded by locally raised real estate taxes and other revenues.

The restricted fund balance for the Capital Projects Fund are funds that are used to account for activities relating to Delaware's construction projects mainly for the local school districts and projects overseen by the Office of Management and Budget, which are funded by proceeds from the issuance of bonds.

## **NOTE 18 AFFILIATED ORGANIZATIONS**

### **State Lottery - Multi-State Lottery Association**

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

The amount the Lottery had on deposit with the MUSL, as of June 30, 2015 was \$2.5 million. These amounts are also reported as a liability on the Lottery's balance sheet because they represent the amount to be paid to the State upon separation from the MUSL if the MUSL is not required to use a portion of the Lottery's reserves held by the MUSL.

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

## **NOTE 19 COMMITMENTS**

The State has entered into various contractual commitments for services and for construction of various highway, capital and lottery projects. Commitments of the proprietary fund include \$295.9 million for DelDOT.

Encumbrances which represent commitments related to unperformed contracts for goods or services are included in restricted, committed, or assigned fund balance as appropriate. Encumbrances lapse at the end of the applicable appropriation, unless re-appropriated by the Legislature. Encumbrances outstanding against continuing appropriations at the end of fiscal year 2015 are as follows: general fund \$180.3 million, federal funds \$62.9 million, local school funds \$19.9 million and capital project funds \$125.9 million.

## **NOTE 20 CONTINGENCIES**

Various parties have made claims against the State. For those cases in which it is reasonably possible that a loss will be incurred and in which the amount of the potential judgment can be reasonably estimated, the State estimates the liability to be \$181.6 million. The State recognized

\$1.1 million in governmental activities as claims and judgments liabilities for pending litigation settlements estimated to be probable as of June 30, 2015. In the opinion of the Attorney General of the State, the remaining cases are either subject to a valid defense or are not expected to result in an impairment of the State's financial position. Management believes the settlement in aggregate of claims outstanding will not result in amounts material to the financial statements of the State.

The State receives significant financial assistance from the federal government in the form of grants and entitlements. The right to these resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the State. The State does not believe that the liabilities that may result from such audits for periods through June 30, 2015 would have a material effect on its financial position or the results of operations.

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

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

At June 30, 2015, the State had a total pollution remediation liability of \$37.2 million. Of this amount, \$18.4 million is for various lead remediation projects where the properties are either owned by the State or a local government or the properties have been abandoned by the owners, \$3.0 million are for properties owned by corporations where legal agreements are in place for the State to cover the costs, \$4.0 million are for federally designated environmental hazards where the State is working with the Environmental Protection Agency to remediate and the remaining \$11.8 million are for remediation to properties that have been acquired by the State.

The State Lottery has discharged its primary responsibility for payment of annual installments (generally 14 to 20 years) to winners of jackpots greater than \$150,000 by purchasing annuities from private insurance companies. The Lottery remains liable for future periodic payments of deferred prize obligations (approximately \$80 thousand at June 30, 2015) in the event that the annuity issuers default on their obligations.

**NOTE 21 RESTATEMENTS**

As explained in Note 1, the State adopted GASB Statements No. 68 and 71, which resulted in adjustments to the prior year net position, as follows:

**Government Wide Statement of Net Position**  
(Expressed in Thousands)

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>	<b>Discretely Presented Component Units</b>
Net Position as previously reported at June 30, 2014	\$ 1,324,109	\$ 3,363,843	\$ 4,687,952	\$ 1,136,883
Effect of GASB 68 and 71:				
Net Pension Liability	(1,237,883)	(45,071)	(1,282,954)	(61,034)
Deferred Outflows of Resources - Contributions made during Fiscal Year 2014	188,410	8,769	197,179	10,815
	274,636	3,327,541	3,602,177	1,086,664
Correction of errors	-	(6,191)	(6,191)	3,818
Net position as restated at June 30, 2014	<u>\$ 274,636</u>	<u>\$ 3,321,350</u>	<u>\$ 3,595,986</u>	<u>\$ 1,090,482</u>

The correction of errors for the business-type activities was in the Unemployment Insurance Fund as noted below.

The correction of errors in the discretely presented component units was largely for the Charter Schools with the most significant correction the inclusion of a component unit which had not been reported in prior years. This resulted in an adjustment of \$4.2 million offset by additional corrections of \$0.4 million.



Net position was adjusted for the proprietary funds as follows:

**Proprietary Funds Statement of Net Position**  
(Expressed in Thousands)

	<b>Unemployment Insurance</b>	<b>Lottery</b>	<b>DelDOT</b>	<b>Total</b>
Net position as previously reported at June 30, 2014	\$ 977	\$ 1,000	\$ 3,361,866	\$ 3,363,843
Effect of GASB 68 and 71:				
Net Pension Liability	-	-	(45,071)	(45,071)
Deferred Outflows of Resources - Contributions made during Fiscal Year 2014	-	-	8,769	8,769
	977	1,000	3,325,564	3,327,541
Correction of an error	(6,191)	-	-	(6,191)
Net Position as restated at June 30, 2014	<u>\$ (5,214)</u>	<u>\$ 1,000</u>	<u>\$ 3,325,564</u>	<u>\$ 3,321,350</u>

The correction of an error for the Unemployment Insurance Fund was due to incorrectly determining the balance of the tax refund liability account.

**State of Delaware  
Comprehensive Annual  
Financial Report**

**Required  
Supplementary  
Information**

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### BUDGETARY REPORTING

#### BUDGETARY BASIS VS. GAAP

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

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

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

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

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

agency funds that are not principally accounted for within the special fund; and c) presents the accrual adjustments necessary to convert budgetary basis information to GAAP basis.

### **Statutory/Budgetary Presentation**

The Budgetary Comparison Schedule – Budget to Actual (Non-GAAP Budgetary Basis) presented on the following pages provides a comparison of the original and final legally adopted budget with actual data on a budgetary basis.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriations bill as of June 30, 2015, and do not include encumbrances and multi-year projects budgetary carry-forwards from the prior fiscal year. GAAP requires that the final legal budget be reflected in the “final budget” column; therefore, updated revenue estimates available for appropriations as of the last Delaware Economic and Financial Advisory Council (DEFAC) meeting in June 2015, as well as the amounts shown in the original budget, are reported. The final legal budget also reflects encumbrances and multi-year projects budgetary carry-forwards from the prior fiscal year.

The tables on the following page represent the Budgetary Statements of Revenues, Expenditures and Changes in Fund Balance – General and Special Funds. Also included is a schedule showing the budgetary fund balance designations for the General Fund. Of the \$538.5 million budgetary general fund balance at June 30, 2015, \$212.5 million is reserved for the budgetary reserve account, \$201.2 million is designated as continuing and encumbered appropriations and \$124.8 million is classified as undesignated fund balance. The undesignated fund balance is subjected to Legislative review and changes.

**Budgetary Comparison Schedule-General and Special Fund**  
**Budget to Actual ( Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2015**  
(Expressed in Millions)

	General Fund				Special Fund			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget	Original	Final	(Budgetary Basis)	Final Budget
<b>Revenues</b>								
Personal Income Taxes	\$ 1,226.3	\$ 1,246.5	\$ 1,248.3	\$ 1.8	\$ -	\$ -	\$ -	\$ -
Business Taxes	1,799.6	1,847.8	1,790.4	(57.4)	-	-	-	-
Other Taxes	178.9	185.5	181.1	(4.4)	-	-	-	-
License, Permits, Fines and Fees	403.8	410.2	411.6	1.4	-	-	-	-
Lottery Sales	216.1	201.0	202.3	1.3	-	-	-	-
Interest Earnings	5.0	2.8	2.9	0.1	-	-	-	-
Other	60.3	35.8	118.5	82.7	1,095.5	1,083.6	1,088.7	5.1
<b>Total Revenues</b>	<b>3,890.0</b>	<b>3,929.6</b>	<b>3,955.1</b>	<b>25.5</b>	<b>1,095.5</b>	<b>1,083.6</b>	<b>1,088.7</b>	<b>5.1</b>
<b>Expenditures</b>								
General Government	430.6	551.1	453.0	(98.1)	776.2	764.3	685.3	(79.0)
Health & Children's Services	1,273.2	1,319.7	1,245.9	(73.8)	153.1	153.1	143.2	(9.9)
Judicial & Public Safety	564.4	588.2	572.6	(15.6)	50.3	50.3	41.6	(8.7)
Natural Resources and Environmental Control	37.2	45.7	41.6	(4.1)	97.0	97.0	60.3	(36.7)
Labor	10.0	9.7	9.1	(0.6)	13.8	13.8	12.1	(1.7)
Education	1,494.2	1,550.4	1,510.4	(40.0)	5.1	5.1	2.8	(2.3)
<b>Total Expenditures</b>	<b>3,809.6</b>	<b>4,064.8</b>	<b>3,832.6</b>	<b>(232.2)</b>	<b>1,095.5</b>	<b>1,083.6</b>	<b>945.3</b>	<b>(138.3)</b>
Excess (Deficiency) of Revenues over (under) Expenditures	80.4	(135.2)	122.5	257.7	-	-	143.4	143.4
<b>Budgetary Fund Balance, Beginning of Year</b>	<b>416.0</b>	<b>416.0</b>	<b>416.0</b>	<b>-</b>	<b>975.6</b>	<b>975.6</b>	<b>975.6</b>	<b>-</b>
<b>Budgetary Fund Balance, End of Year</b>	<b>\$ 496.4</b>	<b>\$ 280.8</b>	<b>\$ 538.5</b>	<b>\$ 257.7</b>	<b>\$ 975.6</b>	<b>\$ 975.6</b>	<b>\$ 1,119.0</b>	<b>\$ 143.4</b>
<b>Budgetary Fund Balance</b>								
Designated:								
Budget Reserve Account			\$ 212.5					
Continuing and Encumbered Appropriations			201.2					
Undesignated			124.8					
Total			<u>\$ 538.5</u>					

(See Budgetary Basis vs. GAAP in Notes to Required Supplementary Information)

### **Statutory/Budgetary Reconciliations**

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation is required of resulting basis, perspective and entity differences in the revenues in excess of (less than) expenditures and other financing sources (uses) between budgetary and GAAP presentations.

The following two schedules represent the accrual adjustments necessary to convert budgetary basis information to GAAP basis.

**Budgetary vs GAAP Reconciliation**  
**For the Fiscal Year Ended June 30, 2015**  
(Expressed in Millions)

<b>Budgetary Basis Revenues</b>	
General	\$ 3,955.1
Special	<u>1,088.7</u>
Total Budgetary Basis General and Special Fund Revenues for Fiscal Year 2015	\$ 5,043.8
Adjustments:	
The financial reporting revenues do not include amounts that are part of the budgetary revenues	(627.8)
Non-budgetary revenues reclassified to the general and special fund	702.9
Basis of accounting differences in revenues, other financing sources and related receivables and deferred inflows of resources	<u>(774.9)</u>
Total GAAP Basis General and Special Fund Revenues for Fiscal Year 2015 Included in the General Fund	4,344.0
Federal Fund Revenue	2,018.6
Local School District Fund Revenue	592.8
Capital Projects Fund Revenue	<u>-</u>
	<u>2,611.4</u>
<b>Total GAAP Basis Governmental Funds Revenue for Fiscal Year 2015</b>	<b><u>\$ 6,955.4</u></b>
<b>Budgetary Basis Expenditures</b>	
General	\$ 3,832.6
Special	<u>945.3</u>
Total Budgetary Basis General and Special Fund Expenditures for Fiscal Year 2015	\$ 4,777.9
Adjustments:	
The financial reporting expenditures do not include amounts that are part of the budgetary expenditures	(410.0)
Non-budgetary expenditures reclassified to the general and special fund	668.8
Basis of accounting differences in expenditures, other financing uses and related accounts payable and accrued liabilities	<u>(348.2)</u>
Total GAAP Basis General and Special Fund Expenditures for Fiscal Year 2015 Included in the General Fund	4,688.5
Federal Fund Expenditures	1,966.2
Local School District Fund Expenditures	548.6
Capital Projects Fund Expenditures	<u>200.1</u>
	<u>2,714.9</u>
<b>Total GAAP Basis Governmental Funds Expenditures for Fiscal Year 2015</b>	<b><u>\$ 7,403.4</u></b>

## Required Supplementary Information

### Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include 4,448 centerline miles and 1,626 bridges that the State is responsible to maintain.

The condition of the State’s road pavement is measured using the Overall Pavement Condition (OPC) system, which is based on the extent and severity of various pavement distresses that are visually observed. The OPC system uses a measurement scale that is based on a condition index ranging from 0.0 for poor pavement to 5.0 for pavement in good condition.

The condition of bridges is measured using the “Bridge Condition Rating” (BCR) which is based on the Federal Highway Administration (FHWA) Coding Guide, “Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation’s Bridges.” The BCR uses a measurement scale that is based on a condition index ranging from 0 to 9, 0 to 4 for substandard bridges and 9 for bridges in good condition. For reporting purposes, substandard bridges are classified as those with a rating of 4 or less. The good or better condition bridges were taken as those with ratings of between 6 and 9. A rating of 5 is considered fair. This information is taken from past “Bridge Inventory Status” reports.

It is the State’s policy to maintain at least 85% of its highways at a fair or better condition level and 75% of its bridge systems at a fair or better condition level. No more than 10% of bridges and 15% of roads should be in substandard condition. Condition assessments are determined every year for bridges and every two years (from 2009 to the present; every year from 2007-2009) for roads. 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**  
**Supplementary Information For Governments That Use the**  
**Modified Approach for Infrastructure Assets**

Structural Rating Numbers and Percentages for Bridges

Evaluation Performed for Calendar Year Ended December 31

BCR Condition	Rating	2014		2013		2012	
		Number	Percent	Number	Percent	Number	Percent
Good	6-9	1,211	74.5	1,198	75.3	1,152	73.2
Fair	5	304	18.7	307	19.3	331	21.0
Poor	0-4	111	6.8	87	5.4	92	5.8
Totals		1,626	100.0	1,592	100.0	1,575	100.0

Deck Rating Numbers and Percentages for Bridges

Evaluation Performed for Calendar Year Ended December 31

OPC Condition	Rating	2014		2013		2012	
		Square Feet	Percent	Square Feet	Percent	Square Feet	Percent
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

Evaluation Performed for Calendar Year Ended December 31

OPC Condition	Rating	2013		2011		2009	
		Center-Line Mile	Percent	Center-Line Mile	Percent	Center-Line Mile	Percent
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\*

(Expressed In Thousands)

Fiscal Year ended June 30

	2015	2014	2013	2012	2011
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.

## Required Supplementary Information – Pension

The following tables present additional information related to funding status and progress. It is intended to help readers assess the individual plans' funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due.

**State of Delaware - DPERS  
State Employees' Plan  
Schedule of Proportionate Share of the Net Pension Liability  
Last 10 Fiscal Years \***  
**(Dollar amounts in thousands)**

<b>Proportionate Share of Net Pension Liability</b>	<b>2014</b>	<b>2013</b>
Proportion of the net pension liability	90.9%	91.2%
Proportion of the net pension liability - dollar value	\$ 334,720	\$ 988,024
Covered-employee payroll	\$ 1,673,099	\$ 1,712,613
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	20.0%	57.7%
Plan fiduciary net position as a percentage of the total pension liability	95.8%	87.2%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is

**State of Delaware - DPERS**  
**Changes in Single Employer Plans' Net Pension Liability and Related Ratios**  
**Last 10 Fiscal Years \***  
(Dollar amounts in thousands)

	2014			
	Special	New State Police	Judiciary	Closed State Police
Total Pension Liability				
Service Cost	\$ -	\$ 12,378	\$ 2,542	\$ 16,319
Interest	15	26,137	4,869	12,942
Change in Benefit Terms	-	-	-	-
Differences between expected and actual experience	-	-	-	-
Changes of Assumptions	-	-	-	-
Benefit payments, including refunds of member contributions	(42)	(10,619)	(3,588)	(23,301)
Net change in total pension liability	(27)	27,896	3,823	5,960
Total pension liability - beginning	227	362,148	68,145	363,974
Total pension liability - ending (a)	<u>\$ 200</u>	<u>\$ 390,044</u>	<u>\$ 71,968</u>	<u>\$ 369,934</u>
Plan fiduciary net position				
Contributions - employer	\$ -	\$ 10,500	\$ 2,839	\$ 23,064
Contributions - nonemployer	-	525	165	-
Contributions - member	-	3,862	317	-
Net investment income	48	54,635	10,783	(3)
Benefit payments, including refunds of member contributions	(42)	(10,619)	(3,588)	(23,301)
Administrative expense	(1)	(82)	(13)	(46)
Other	-	-	-	-
Net change in plan fiduciary net position	5	58,821	10,503	(286)
Plan fiduciary net position - beginning	299	315,968	62,822	2,288
Plan fiduciary net position - ending (b)	<u>\$ 304</u>	<u>\$ 374,789</u>	<u>\$ 73,325</u>	<u>\$ 2,002</u>
State's net pension liability (asset) - ending (a)-(b)	<u>\$ (104)</u>	<u>\$ 15,255</u>	<u>\$ (1,357)</u>	<u>\$ 367,932</u>
Plan fiduciary net position as a percentage of total pension liability	152%	96%	102%	1%
Covered-employee payroll	\$ -	\$ 56,289	\$ 10,416	\$ -
State's net pension liability (asset) as a percentage of covered-employee payroll	N/A	27%	-13%	N/A

Notes to Schedule

*Benefit Changes:* None

*Changes of assumptions:* None

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**DPERS - State Employees' Plan**  
**Schedule of Contributions**  
**Last 10 Fiscal Years \***  
**(Dollar amounts in thousands)**

<u>Contributions</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 158,956	\$ 146,620
Contributions in relation to the contractually required contribution	<u>158,956</u>	<u>146,620</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,673,099	\$ 1,712,613
Contributions as a percentage of covered-employee payroll	9.5%	8.6%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**DPERS' Pension Plans**  
**Schedule of Contributions**  
**Last 10 Fiscal Years**  
**(Dollar amounts in Thousands)**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>New State Police</b>										
Actuarially determined contributions contribution	\$ 10,500	\$ 9,292	\$ 8,309	\$ 7,810	\$ 6,562	\$ 6,791	\$ 6,643	\$ 6,334	\$ 5,276	\$ 3,785
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 55,067	\$ 56,289	\$ 54,412	\$ 50,556	\$ 49,896	\$ 50,425	\$ 47,971	\$ 46,924	\$ 43,579	\$ 39,645
Contribution as a percentage of covered-employee payroll	19%	17%	15%	15%	13%	13%	14%	13%	12%	10%
<b>Judiciary</b>										
Actuarially determined contributions contribution	\$ 2,839	\$ 2,762	\$ 2,674	\$ 2,557	\$ 2,473	\$ 2,549	\$ 2,644	\$ 2,495	\$ 2,002	\$ 1,391
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 10,244	\$ 10,416	\$ 10,387	\$ 9,624	\$ 9,798	\$ 9,814	\$ 9,689	\$ 9,825	\$ 9,397	\$ 8,475
Contribution as a percentage of covered-employee payroll	28%	27%	26%	27%	25%	26%	27%	25%	21%	16%
<b>Closed State Police</b>										
Actuarially determined contributions contribution	\$ 25,696	\$ 25,696	\$ 24,678	\$ 26,638	\$ 27,214	\$ 26,423	\$ 25,337	\$ 24,912	\$ 24,623	\$ 24,358
Contribution deficiency (excess)	\$ 2,632	\$ 2,632	\$ 1,614	\$ 3,271	\$ 3,847	\$ 4,648	\$ 4,070	\$ 5,753	\$ 3,968	\$ 7,338
Covered-employee payroll	N/A	N/A	\$ 124	\$ 114	\$ 339	\$ 619	\$ 1,152	\$ 1,695	\$ 1,912	\$ 2,579
Contribution as a percentage of covered-employee payroll	N/A	N/A	18600%	20497%	6893%	3518%	1846%	1130%	1080%	660%

**Special**

No contributions were made to the plan for the past ten years.

**Notes to Schedule**

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

	<u>Special</u>	<u>New State Police</u>	<u>Judiciary</u>	<u>Closed State Police</u>
Valuation Date:	June 30, 2012	June 30, 2012	June 30, 2012	June 30, 2012
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar Open	Level Percent Closed	Level Percent Closed	Level Dollar Closed
Period	10 years	20 years (1)	9.64 years (1)	25 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Inflation	3%	3%	3%	2.30%
Projected Salary Increases (1)	N/A	4.3% to 11.8%	3.8% to 12.5%	4.2% to 4.8%
Investment Rate of Return	7.50%	7.50%	7.50%	7.50%
Retirement Age	In the 2011 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience.			
Mortality	In the 2011 acutarial valuation. mortality rates were based on the Sex distinct RP-2000 combined Mortality Table projected to 2015 using scale AA for Males or Females, as appropriate, for mortality improvement.			

**Other Information**

1) Excludes liability and amortization payments due to cost-of-living adjustments. This liability is funded from Post-Retirement Increase Fund. Each Post Retirement Increase is funded over 5 years.

**DelDOT- Delaware Transit Corporation**  
**Changes in DTC's Net Pension Liability and Related Ratios**  
**Last 10 Fiscal Years \***  
(Dollar amounts in thousands)

	2014	
	DTC Plan	Contributory Plan
Total Pension Liability		
Service Cost	\$ 840	\$ 1,766
Interest	1,483	2,675
Change in Benefit Terms	-	1,030
Differences between expected and actual experience	-	4
Changes of Assumptions	-	-
Benefit payments, including refunds of member contributions	(569)	(2,103)
Net change in total pension liability	<u>1,754</u>	<u>3,372</u>
Total pension liability - beginning	20,058	37,483
Total pension liability - ending (a)	<u>\$ 21,812</u>	<u>\$ 40,855</u>
Plan fiduciary net position		
Contributions - employer	\$ 1,158	\$ 909
Contributions - member	30	1,263
Net investment income	2,443	2,606
Benefit payments, including refunds of member contributions	(569)	(2,103)
Administrative expense	(116)	(134)
Other	-	-
Net change in plan fiduciary net position	<u>2,946</u>	<u>2,541</u>
Plan fiduciary net position - beginning	17,938	39,495
Plan fiduciary net position - ending (b)	<u>\$ 20,884</u>	<u>\$ 42,036</u>
Corporation's net pension liability (asset) - ending (a)-(b)	<u>\$ 928</u>	<u>\$ (1,181)</u>
Plan fiduciary net position as a percentage of total pension liability	96%	103%
Covered-employee payroll	\$ 12,099	\$ 27,627
State's net pension liability (asset) as a percentage of covered-employee payroll	8%	-4%

Notes to Schedule

*Benefit Changes:* None

*Changes of assumptions:* None

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**DeIDOT - Delaware Transit Corporation**  
**Schedule of Contributions**  
**Last 10 Fiscal Years \***  
**(Dollar amounts in thousands)**

<b>DTC Plan</b>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 1,156	\$ 963	\$ 997	\$ 1,112	\$ 1,034
Contributions in relation to the actuarially determined contribution	<u>1,158</u>	<u>963</u>	<u>997</u>	<u>1,111</u>	<u>1,033</u>
Contribution deficiency (excess)	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>
Covered-employee payroll	\$ 12,099	\$ 11,041	\$ 11,253	\$ 11,464	\$ 11,624
Contribution as a percentage of covered-employee payroll	10%	9%	9%	10%	9%
<b>Contributory Plan</b>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 635	\$ 788	\$ 658	\$ 536	\$ 674
Contributions in relation to the actuarially determined contribution	<u>908</u>	<u>1,080</u>	<u>1,074</u>	<u>1,082</u>	<u>1,063</u>
Contribution deficiency (excess)	<u>\$ (273)</u>	<u>\$ (292)</u>	<u>\$ (416)</u>	<u>\$ (546)</u>	<u>\$ (389)</u>
Covered-employee payroll	\$ 27,627	\$ 27,627	\$ 22,985	\$ 22,847	\$ 22,675
Contribution as a percentage of covered-employee payroll	3%	4%	5%	5%	5%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.



## Notes to Schedule

### *Valuation data:*

Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year.

### *DTC Plan Methods and Assumptions used to determine contribution rates:*

Actuarial cost method	Frozen Entry Age
Amortization method	Level Dollar, Open
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	2.0 percent
Salary increases	2.5 percent, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP-2000 Combined Healthy tables with generational projection by Scale AA

### *Contributory Plan Methods and Assumptions used to determine contribution rates:*

Actuarial cost method	Frozen Entry Age
Amortization method	Level Percentage, Open
Remaining amortization period	15 years
Asset valuation method	Five year market smoothed
Inflation	2.0 percent
Salary increases	4.0 percent, including inflation
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP-2000 Combined Healthy tables with generational projection by Scale AA

## Required Supplementary Information – OPEB Trust

The following table presents additional information related to funding status and progress. It is intended to help readers assess the individual plans' funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due.

### OPEB Trust

The amount shown below as “actuarial accrued liability” is a measure of the difference between the actuarial present value of future plan benefits and the actuarial present value of future normal cost.

#### Schedule of Funding Status and Progress

(Expressed in Millions)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded Actuarial Liabilities (UAAL)	(4) Funded Ratios (1) / (2)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (3) / (5)
7/1/2015	\$ 312	\$ 6,321	\$ 6,009	4.94%	\$ 2,048	293%
7/1/2014	290	5,946	5,656	4.90%	2,038	277%
7/1/2013	222	5,988	5,766	3.70%	1,944	297%

Valuation Date	July 1, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.25%
Rate of Salary Increases	3.25% (Plus Merit Scale)
Ultimate Rate of Medical Inflation	4.25%

The State's annual required contribution and the percentage of annual OPEB cost contributed to the plan for the fiscal years is as follows (expressed in millions):

Fiscal Year	Annual Required Contribution	Percentage of Annual OPEB ARC Contributed
2015	\$ 404.4	56%
2014	406.7	50%
2013	397.8	52%

## Required Supplementary Information – DTC OPEB Trust

The following table presents additional information related to funding status and progress. It is intended to help readers assess the individual plans' funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due:

### Schedule of Funding Status and Progress

(Expressed in Thousands)

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Liabilities (2)-(1)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a percentage of covered payroll (3)/(5)
7/1/2014	\$ 2,189	\$ 104,434	\$ 102,245	2%	\$ 42,717	239%
7/1/2013	1,878	135,237	133,359	1%	38,546	346%
7/1/2012	1,755	121,627	119,872	1%	34,538	347%

Valuation Date	July 1, 2014
Actuarial Cost Method	Projected Unit Cost
Amortization Method	Closed
Remaining Amortization	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions	
Investment Rate of Return	4%
Rate of Salary Increases	3%
Ultimate Rate of Medical Inflation	Based on Society of Actuaries Long-Term Medical Trend Model. The initial rate is 4.5%, decreasing gradually. The ultimate rate is 3.9% and is reached in 2077.

DTC's annual required contribution and the percentage of annual OPEB cost contributed to the plan for the fiscal years is as follows (expressed in thousands):

Fiscal Year	Annual Required Contribution	Percentage of Annual OPEB ARC Contributed
2014	\$ 17,371.0	7%
2013	16,072.0	7%
2012	17,074.0	7%

**State of Delaware  
Comprehensive Annual  
Financial Report**

**Supplementary  
Information —  
Combining Statements**

STATE OF DELAWARE  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
JUNE 30, 2015  
(Expressed in Thousands)

	State Employees' Pension Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	Delaware Volunteer Firemen's Fund	Diamond State Port Corporation Plan	County and Municipal Police and Firefighters' Plans	County and Municipal Police and Firefighters' Cola Fund	County and Municipal Other Employees' Plan	DPERS Post Retirement Increase Fund	Closed State Police Plan	Totals
<b>Assets</b>												
Cash, Cash Equivalents and Pooled Investments	\$ 539,127	\$ 17	\$ 25,078	\$ 4,808	\$ 36	\$ 1,692	\$ 17,493	\$ 837	\$ 2,421	\$ 417	\$ 175	\$ 592,101
Receivables:												
Accrued Interest	13,333	1	481	101	-	30	262	4	34	3	1	14,250
Investment Sales Pending	44,955	1	2,094	402	-	141	1,455	69	202	31	14	49,364
Employer Contributions	7,928	-	473	96	-	71	942	-	155	1,773	-	11,438
Member Contributions	2,789	-	178	12	-	16	391	-	70	-	-	3,456
Total Receivables	69,005	2	3,226	611	-	258	3,050	73	461	1,807	15	78,508
Investments at Fair Value:												
Domestic Fixed Income	361,911	12	16,861	3,234	-	1,136	11,715	555	1,622	245	114	397,405
Domestic Equities	2,137,661	69	99,593	19,105	-	6,710	69,198	3,279	9,578	1,456	676	2,347,325
Pooled Equity and Fixed Income	2,753,268	89	128,273	24,607	17,640	8,642	89,126	4,223	12,337	1,876	870	3,040,951
Alternative Investments	1,869,194	60	87,085	16,705	-	5,867	60,507	2,867	8,375	1,273	591	2,052,524
Foreign Fixed Income	154,376	5	7,192	1,380	-	485	4,997	237	692	105	49	169,518
Foreign Equities	584,075	19	27,212	5,220	-	1,833	18,907	896	2,617	398	185	641,362
Total Investments	7,860,485	254	366,216	70,251	17,640	24,673	254,450	12,057	35,221	5,353	2,485	8,649,085
<b>Total Assets</b>	<b>8,468,617</b>	<b>273</b>	<b>394,520</b>	<b>75,670</b>	<b>17,676</b>	<b>26,623</b>	<b>274,993</b>	<b>12,967</b>	<b>38,103</b>	<b>7,577</b>	<b>2,675</b>	<b>9,319,694</b>
<b>Liabilities</b>												
Investment Purchases Payable	53,194	2	2,477	475	-	167	1,722	81	238	36	17	58,409
Benefits Payable	993	4	94	-	5	1	-	7	-	-	-	1,104
Accrued Investment Expenses	4,899	-	227	44	-	15	158	-	23	4	2	5,372
Accrued Administrative Expenses	195	-	3	-	-	1	4	-	2	-	2	207
<b>Total Liabilities</b>	<b>59,281</b>	<b>6</b>	<b>2,801</b>	<b>519</b>	<b>5</b>	<b>184</b>	<b>1,884</b>	<b>88</b>	<b>263</b>	<b>40</b>	<b>21</b>	<b>65,092</b>
<b>Assets Held in Trust for Pension Benefits and Pool Participants</b>												
	<u>\$ 8,409,336</u>	<u>\$ 267</u>	<u>\$ 391,719</u>	<u>\$ 75,151</u>	<u>\$ 17,671</u>	<u>\$ 26,439</u>	<u>\$ 273,109</u>	<u>\$ 12,879</u>	<u>\$ 37,840</u>	<u>\$ 7,537</u>	<u>\$ 2,654</u>	<u>\$ 9,254,602</u>

STATE OF DELAWARE  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
 (Expressed in Thousands)

	State Employees' Pension Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	Delaware Volunteer Firemen's Fund	Diamond State Port Corporation Plan	County and Municipal Police and Firefighters' Plans	County and Municipal Police and Firefighters' Cola Fund	County and Municipal Other Employees' Plan	DPERS Post Retirement Increase Fund	Closed State Police Plan	Totals
<b>Additions</b>												
Contributions:												
Employer Contributions	\$ 178,293	\$ -	\$ 10,730	\$ 2,640	\$ 1,668	\$ 1,052	\$ 10,067	\$ -	\$ 1,921	\$ 32,436	\$ 23,473	\$ 262,280
Transfer of Contributions from Post-Retirement Increase Fund	32,654	-	639	200	-	-	-	-	-	-	-	33,493
Transfer of Assets from Outside the System	-	-	-	-	-	-	-	2,999	-	-	-	2,999
Member Contributions	55,782	-	4,121	327	164	234	4,980	-	757	-	-	66,365
Other	-	-	12	-	-	-	-	-	-	-	-	12
<b>Total Contributions</b>	<b>266,729</b>	<b>-</b>	<b>15,502</b>	<b>3,167</b>	<b>1,832</b>	<b>1,286</b>	<b>15,047</b>	<b>2,999</b>	<b>2,678</b>	<b>32,436</b>	<b>23,473</b>	<b>365,149</b>
Investments:												
Investment Earnings	119,958	4	5,474	1,061	218	366	3,744	173	516	119	70	131,703
Net Increase in Fair Value	203,431	7	9,320	1,803	205	623	6,387	320	881	225	314	223,516
<b>Total Investment Income</b>	<b>323,389</b>	<b>11</b>	<b>14,794</b>	<b>2,864</b>	<b>423</b>	<b>989</b>	<b>10,131</b>	<b>493</b>	<b>1,397</b>	<b>344</b>	<b>384</b>	<b>355,219</b>
Less Investment Manager/Advisor/Custody Fees	(23,582)	(1)	(1,083)	(209)	(11)	(72)	(744)	(34)	(103)	(24)	(16)	(25,879)
Less Investment Administrative Expenses	(520)	-	(7)	(1)	-	(3)	(10)	-	(5)	-	(4)	(550)
<b>Net Investment Income (Loss)</b>	<b>299,287</b>	<b>10</b>	<b>13,704</b>	<b>2,654</b>	<b>412</b>	<b>914</b>	<b>9,377</b>	<b>459</b>	<b>1,289</b>	<b>320</b>	<b>364</b>	<b>328,790</b>
Securities Lending Income	633	-	29	6	-	2	20	1	2	1	-	694
Securities Lending Expense	(95)	-	(4)	(1)	-	-	(3)	-	-	-	-	(103)
<b>Net Securities Lending Income</b>	<b>538</b>	<b>-</b>	<b>25</b>	<b>5</b>	<b>-</b>	<b>2</b>	<b>17</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>591</b>
<b>Deductions:</b>												
Transfer of Assets from Post-Retirement Increase Fund	-	-	-	-	-	-	-	-	-	33,493	-	33,493
Transfer of Assets Outside the System	-	-	-	-	-	-	-	2,367	-	-	-	2,367
Pension Claim Payments	529,576	42	12,173	3,985	1,879	714	3,714	-	658	-	23,027	575,768
Refunds of Contributions to Members	5,168	-	15	-	124	15	112	-	64	-	-	5,498
Burial Benefit Payments	4,886	4	-	-	-	-	-	-	-	-	98	4,988
Administrative Expenses	7,353	1	113	15	32	37	168	-	95	-	60	7,874
<b>Total Deductions</b>	<b>546,983</b>	<b>47</b>	<b>12,301</b>	<b>4,000</b>	<b>2,035</b>	<b>766</b>	<b>3,994</b>	<b>2,367</b>	<b>817</b>	<b>33,493</b>	<b>23,185</b>	<b>629,988</b>
<b>Change in Net Position</b>	<b>19,571</b>	<b>(37)</b>	<b>16,930</b>	<b>1,826</b>	<b>209</b>	<b>1,436</b>	<b>20,447</b>	<b>1,092</b>	<b>3,152</b>	<b>(736)</b>	<b>652</b>	<b>64,542</b>
<b>Net Assets Held in Trust for Pension Benefits:</b>												
<b>Net Position - Beginning</b>	<b>8,389,765</b>	<b>304</b>	<b>374,789</b>	<b>73,325</b>	<b>17,462</b>	<b>25,003</b>	<b>252,662</b>	<b>11,787</b>	<b>34,688</b>	<b>8,273</b>	<b>2,002</b>	<b>9,190,060</b>
<b>Net Position - Ending</b>	<b>\$ 8,409,336</b>	<b>\$ 267</b>	<b>\$ 391,719</b>	<b>\$ 75,151</b>	<b>\$ 17,671</b>	<b>\$ 26,439</b>	<b>\$ 273,109</b>	<b>\$ 12,879</b>	<b>\$ 37,840</b>	<b>\$ 7,537</b>	<b>\$ 2,654</b>	<b>\$ 9,254,602</b>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF NET POSITION**  
**INVESTMENT TRUST FUNDS**  
**JUNE 30, 2015**  
(Expressed in Thousands)

	<b>Delaware Local Government Retirement Investment Pool</b>	<b>Delaware Local Government OPEB Investment Trust</b>	<b>Total Investment Trust Funds</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 3,298	\$ 212	\$ 3,510
Receivables:			
Accrued Interest	69	-	69
Investment Sales Pending	276	-	276
Investments, at Fair Value:			
Domestic Fixed Income	2,221	5,566	7,787
Domestic Equities	13,153	5,250	18,403
Pooled Equity and Fixed Income	16,898	-	16,898
Alternative Investments	11,470	-	11,470
Foreign Fixed Income	947	-	947
Foreign Equities	3,549	2,835	6,384
	<u>51,881</u>	<u>13,863</u>	<u>65,744</u>
<b>Total Assets</b>			
<b>Liabilities:</b>			
Investment Purchase Payable	326	-	326
Accrued Investment Expense	31	-	31
	<u>357</u>	<u>-</u>	<u>357</u>
<b>Total Liabilities</b>			
<b>Net Position:</b>			
Assets Held in Trust for Pension Benefits and Pool Participants	<u>\$ 51,524</u>	<u>\$ 13,863</u>	<u>\$ 65,387</u>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION**  
**INVESTMENT TRUST FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
(Expressed in Thousands)

	<b>Delaware Local Government Retirement Investment Trust Funds</b>	<b>Delaware Local Government OPEB Investment Trust</b>	<b>Total Investment Trust Funds</b>
<b>Additions:</b>			
Contributions:			
Transfer of Assets from Outside the Trust	\$ -	\$ 616	\$ 616
Total Contributions	-	616	616
Investments:			
Investment Earnings	725	306	1,031
Net Increase in Fair Value of Investments	1,229	46	1,275
Total Investment Earnings	1,954	352	2,306
Less Investment Manager/Advisor/Custody Fees	(143)	(5)	(148)
Net Investment Earnings	1,811	347	2,158
Net Securities Lending Income	2	-	2
Total Additions	1,813	963	2,776
<b>Deductions:</b>			
Transfer of Assets Outside the Trust	60	630	690
Administrative Expenses	1	-	1
Total Deductions	61	630	691
<b>Change in Net Position</b>	1,752	333	2,085
<b>Net Position - Beginning</b>	49,772	13,530	63,302
<b>Net Position - Ending</b>	\$ 51,524	\$ 13,863	\$ 65,387



**STATE OF DELAWARE**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
(Expressed in Thousands)

	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2015</b>
<b>Child Support Collection</b>				
Assets				
Cash and Cash Equivalents	\$ 3,582	\$ 281,155	\$ 280,863	\$ 3,874
Receivables, Net	866	3,016	3,286	596
Total Assets	<u>\$ 4,448</u>	<u>\$ 284,171</u>	<u>\$ 284,149</u>	<u>\$ 4,470</u>
Liabilities				
Accounts Payable	\$ 4,448	\$ 284,171	\$ 284,149	\$ 4,470
Total Liabilities	<u>\$ 4,448</u>	<u>\$ 284,171</u>	<u>\$ 284,149</u>	<u>\$ 4,470</u>
<b>Court Fines and Restitution</b>				
Assets				
Cash and Cash Equivalents	\$ 13,252	\$ 18,980	\$ 18,519	\$ 13,713
Cash and Pooled Investments	7,392	18,375	540	25,227
Investments	163	-	44	119
Receivables, Net	47,141	9,803	29,223	27,721
Total Assets	<u>\$ 67,948</u>	<u>\$ 47,158</u>	<u>\$ 48,326</u>	<u>\$ 66,780</u>
Liabilities				
Accounts Payable	\$ 67,948	\$ 47,158	\$ 48,326	\$ 66,780
Total Liabilities	<u>\$ 67,948</u>	<u>\$ 47,158</u>	<u>\$ 48,326</u>	<u>\$ 66,780</u>
<b>All Other Agency Funds</b>				
Assets				
Cash and Cash Equivalents	\$ 12,090	\$ 39,101	\$ 38,500	\$ 12,691
Cash and Pooled Investments	26,861	105,045	61,330	70,576
Investments	2,233	17	155	2,095
Total Assets	<u>\$ 41,184</u>	<u>\$ 144,163</u>	<u>\$ 99,985</u>	<u>\$ 85,362</u>
Liabilities				
Accounts Payable	\$ 41,184	\$ 144,163	\$ 99,985	\$ 85,362
Total Liabilities	<u>\$ 41,184</u>	<u>\$ 144,163</u>	<u>\$ 99,985</u>	<u>\$ 85,362</u>
<b>Totals - All Agency Funds</b>				
Assets				
Cash and Cash Equivalents	\$ 28,924	\$ 339,236	\$ 337,882	\$ 30,278
Cash and Pooled Investments	34,253	123,420	61,870	95,803
Investments	2,396	17	199	2,214
Receivables, Net	48,007	12,819	32,509	28,317
Total Assets	<u>\$ 113,580</u>	<u>\$ 475,492</u>	<u>\$ 432,460</u>	<u>\$ 156,612</u>
Liabilities				
Accounts Payable	\$ 113,580	\$ 475,492	\$ 432,460	\$ 156,612
Total Liabilities	<u>\$ 113,580</u>	<u>\$ 475,492</u>	<u>\$ 432,460</u>	<u>\$ 156,612</u>

STATE OF DELAWARE  
 COMBINING BALANCE SHEET  
 LOCAL SCHOOL DISTRICT FUNDS  
 June 30, 2015  
 (Expressed in Thousands)

	<u>Appoquinimink</u>	<u>Brandywine</u>	<u>Caesar Rodney</u>	<u>Cape Henlopen</u>	<u>Capital</u>	<u>Christina</u>	<u>Colonial</u>	<u>Delmar</u>	<u>Indian River</u>	<u>Lake Forest</u>
<b>Assets</b>										
Cash and Cash Equivalents	\$ 8	\$ 1,681	\$ 1,617	\$ 229	\$ 1,170	\$ 45	\$ 1,529	\$ 38	\$ 525	\$ 28
Cash and Pooled Investments	12,419	14,888	15,995	25,203	23,387	37,448	35,959	857	25,939	8,623
Investments	-	-	-	-	-	-	514	-	-	-
Accounts Receivable, Net	-	-	-	-	-	-	-	-	-	-
Taxes Receivable, Net	2,084	2,863	1,327	1,548	2,165	5,266	3,982	411	3,297	1,165
<b>Total Assets</b>	<u>14,511</u>	<u>19,432</u>	<u>18,939</u>	<u>26,980</u>	<u>26,722</u>	<u>42,759</u>	<u>41,984</u>	<u>1,306</u>	<u>29,761</u>	<u>9,816</u>
<b>Liabilities</b>										
Accounts Payable	998	1,725	956	3,524	997	3,287	1,388	57	1,159	521
<b>Total Liabilities</b>	<u>998</u>	<u>1,725</u>	<u>956</u>	<u>3,524</u>	<u>997</u>	<u>3,287</u>	<u>1,388</u>	<u>57</u>	<u>1,159</u>	<u>521</u>
<b>Deferred Inflows of Resources</b>	<u>2,050</u>	<u>2,630</u>	<u>1,260</u>	<u>1,376</u>	<u>2,023</u>	<u>4,778</u>	<u>3,936</u>	<u>387</u>	<u>3,116</u>	<u>1,128</u>
<b>Fund Balances</b>										
Restricted Fund Balance	11,463	15,077	16,723	22,080	23,702	34,694	36,660	862	25,486	8,167
<b>Total Fund Balances</b>	<u>11,463</u>	<u>15,077</u>	<u>16,723</u>	<u>22,080</u>	<u>23,702</u>	<u>34,694</u>	<u>36,660</u>	<u>862</u>	<u>25,486</u>	<u>8,167</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u>\$ 14,511</u>	<u>\$ 19,432</u>	<u>\$ 18,939</u>	<u>\$ 26,980</u>	<u>\$ 26,722</u>	<u>\$ 42,759</u>	<u>\$ 41,984</u>	<u>\$ 1,306</u>	<u>\$ 29,761</u>	<u>\$ 9,816</u>

STATE OF DELAWARE  
 COMBINING BALANCE SHEET - CONTINUED  
 LOCAL SCHOOL DISTRICT FUNDS  
 June 30, 2015  
 (Expressed in Thousands)

	Laurel	Milford	NCC		Red Clay	Seaford	Smyrna	Sussex Co		DOE	Totals
			Vo-Tech	Polytech				Vo-Tech	Woodbridge	Administration	
<b>Assets</b>											
Cash and Cash Equivalents	\$ 276	\$ 47	\$ 48	\$ 7	\$ 1,304	\$ 1,622	\$ 4	\$ 8	\$ 41	\$ -	\$ 10,227
Cash and Pooled Investments	4,987	7,489	15,101	9,039	25,607	8,765	8,785	5,932	4,655	83	291,161
Investments	140	-	-	-	-	-	-	-	-	-	654
Accounts Receivable, Net	-	-	-	-	-	-	-	159	-	-	159
Taxes Receivable, Net	1,024	886	1,709	579	4,503	1,631	926	886	1,266	-	37,518
<b>Total Assets</b>	<b>6,427</b>	<b>8,422</b>	<b>16,858</b>	<b>9,625</b>	<b>31,414</b>	<b>12,018</b>	<b>9,715</b>	<b>6,985</b>	<b>5,962</b>	<b>83</b>	<b>339,719</b>
<b>Liabilities</b>											
Accounts Payable	146	181	478	230	2,804	208	366	105	525	-	19,655
<b>Total Liabilities</b>	<b>146</b>	<b>181</b>	<b>478</b>	<b>230</b>	<b>2,804</b>	<b>208</b>	<b>366</b>	<b>105</b>	<b>525</b>	<b>-</b>	<b>19,655</b>
<b>Deferred Inflows of Resources</b>	<b>976</b>	<b>831</b>	<b>1,667</b>	<b>546</b>	<b>4,293</b>	<b>1,584</b>	<b>888</b>	<b>988</b>	<b>1,182</b>	<b>-</b>	<b>35,639</b>
<b>Fund Balances</b>											
Restricted Fund Balance	5,305	7,410	14,713	8,849	24,317	10,226	8,461	5,892	4,255	83	284,425
<b>Total Fund Balances</b>	<b>5,305</b>	<b>7,410</b>	<b>14,713</b>	<b>8,849</b>	<b>24,317</b>	<b>10,226</b>	<b>8,461</b>	<b>5,892</b>	<b>4,255</b>	<b>83</b>	<b>284,425</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 6,427</b>	<b>\$ 8,422</b>	<b>\$ 16,858</b>	<b>\$ 9,625</b>	<b>\$ 31,414</b>	<b>\$ 12,018</b>	<b>\$ 9,715</b>	<b>\$ 6,985</b>	<b>\$ 5,962</b>	<b>\$ 83</b>	<b>\$ 339,719</b>

STATE OF DELAWARE  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 LOCAL SCHOOL DISTRICT FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
 (Expressed in Thousands)

	<u>Appoquinimink</u>	<u>Brandywine</u>	<u>Caesar Rodney</u>	<u>Cape Henlopen</u>	<u>Capital</u>	<u>Christina</u>	<u>Colonial</u>	<u>Delmar</u>	<u>Indian River</u>	<u>Lake Forest</u>
<b>Revenues</b>										
Real Estate Taxes	\$ 34,747	\$ 75,580	\$ 9,963	\$ 34,345	\$ 21,745	\$ 113,971	\$ 49,212	\$ 1,799	\$ 38,898	\$ 6,873
Licenses, Fees, Permits and Fines	-	10	60	37	-	1	34	-	-	-
Rentals and Sales	324	939	179	669	85	500	65	53	802	621
Federal Government	425	-	267	215	4	696	-	81	1,121	412
Interest & Other Investment Income	87	139	81	133	130	226	157	7	161	42
Other	1,367	(113)	4,322	(580)	1,714	1,195	3,006	289	(767)	2,681
<b>Total Revenues</b>	<u>36,950</u>	<u>76,555</u>	<u>14,872</u>	<u>34,819</u>	<u>23,678</u>	<u>116,589</u>	<u>52,474</u>	<u>2,229</u>	<u>40,215</u>	<u>10,629</u>
<b>Expenditures</b>										
Education	26,553	64,311	14,743	34,454	17,400	103,427	40,644	1,979	40,739	9,448
Unrestricted Payments to Component Unit - Education	1,301	3,030	(36)	348	1,734	19,419	1,541	(31)	288	(15)
<b>Total Expenditures</b>	<u>27,854</u>	<u>67,341</u>	<u>14,707</u>	<u>34,802</u>	<u>19,134</u>	<u>122,846</u>	<u>42,185</u>	<u>1,948</u>	<u>41,027</u>	<u>9,433</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>9,096</u>	<u>9,214</u>	<u>165</u>	<u>17</u>	<u>4,544</u>	<u>(6,257)</u>	<u>10,289</u>	<u>281</u>	<u>(812)</u>	<u>1,196</u>
<b>Other Sources (Uses) of Financial Resources</b>										
Transfers In	759	2,250	4,603	14,649	1,234	25,873	2,053	654	9,072	612
Transfers Out	(7,966)	(9,631)	(4,856)	(13,370)	(7,853)	(23,607)	(7,912)	(979)	(12,107)	(1,064)
<b>Total Other Sources (Uses) of Financial Resources</b>	<u>(7,207)</u>	<u>(7,381)</u>	<u>(253)</u>	<u>1,279</u>	<u>(6,619)</u>	<u>2,266</u>	<u>(5,859)</u>	<u>(325)</u>	<u>(3,035)</u>	<u>(452)</u>
<b>Net Change in Fund Balances</b>	<u>1,889</u>	<u>1,833</u>	<u>(88)</u>	<u>1,296</u>	<u>(2,075)</u>	<u>(3,991)</u>	<u>4,430</u>	<u>(44)</u>	<u>(3,847)</u>	<u>744</u>
<b>Fund Balances - Beginning</b>	<u>9,574</u>	<u>13,244</u>	<u>16,811</u>	<u>20,784</u>	<u>25,777</u>	<u>38,685</u>	<u>32,230</u>	<u>906</u>	<u>29,333</u>	<u>7,423</u>
<b>Fund Balances - Ending</b>	<u>\$ 11,463</u>	<u>\$ 15,077</u>	<u>\$ 16,723</u>	<u>\$ 22,080</u>	<u>\$ 23,702</u>	<u>\$ 34,694</u>	<u>\$ 36,660</u>	<u>\$ 862</u>	<u>\$ 25,486</u>	<u>\$ 8,167</u>

STATE OF DELAWARE  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CONTINUED  
 LOCAL SCHOOL DISTRICT FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
 (Expressed in Thousands)

	Laurel	Milford	NCC Vo-Tech	Polytech	Red Clay	Seaford	Smyrna	Sussex Co Vo-Tech	Woodbridge	DOE Administration	Totals
<b>Revenues</b>											
Real Estate Taxes	\$ 4,578	\$ 8,223	\$ 29,083	\$ 4,885	\$ 87,835	\$ 6,573	\$ 11,267	\$ 8,727	\$ 4,882	\$ -	\$ 553,186
Licenses, Fees, Permits and Fines	-	121	-	2	-	-	389	-	103	-	757
Rentals and Sales	61	97	298	1,299	301	54	898	345	313	-	7,903
Federal Government	9	239	872	118	2,606	640	78	69	252	-	8,104
Interest & Other Investment Income	80	43	94	49	306	54	55	49	33	2	1,928
Other	697	236	1,807	109	3,626	318	29	802	200	-	20,938
<b>Total Revenues</b>	<b>5,425</b>	<b>8,959</b>	<b>32,154</b>	<b>6,462</b>	<b>94,674</b>	<b>7,639</b>	<b>12,716</b>	<b>9,992</b>	<b>5,783</b>	<b>2</b>	<b>592,816</b>
<b>Expenditures</b>											
Education	2,858	6,237	30,831	6,956	84,458	6,366	9,105	8,143	5,861	(1,732)	512,781
Unrestricted Payments to Component Unit - Education	146	216	-	-	7,263	228	386	-	(15)	-	35,803
<b>Total Expenditures</b>	<b>3,004</b>	<b>6,453</b>	<b>30,831</b>	<b>6,956</b>	<b>91,721</b>	<b>6,594</b>	<b>9,491</b>	<b>8,143</b>	<b>5,846</b>	<b>(1,732)</b>	<b>548,584</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>2,421</b>	<b>2,506</b>	<b>1,323</b>	<b>(494)</b>	<b>2,953</b>	<b>1,045</b>	<b>3,225</b>	<b>1,849</b>	<b>(63)</b>	<b>1,734</b>	<b>44,232</b>
<b>Other Sources (Uses) of Financial Resources</b>											
Transfers In	242	434	1,258	986	4,214	496	358	179	1,284	-	71,210
Transfers Out	(2,319)	(3,146)	(2,616)	(726)	(11,289)	(2,041)	(3,512)	(1,268)	(2,667)	(1,732)	(120,661)
<b>Total Other Sources (Uses) of Financial Resources</b>	<b>(2,077)</b>	<b>(2,712)</b>	<b>(1,358)</b>	<b>260</b>	<b>(7,075)</b>	<b>(1,545)</b>	<b>(3,154)</b>	<b>(1,089)</b>	<b>(1,383)</b>	<b>(1,732)</b>	<b>(49,451)</b>
<b>Net Change in Fund Balances</b>	<b>344</b>	<b>(206)</b>	<b>(35)</b>	<b>(234)</b>	<b>(4,122)</b>	<b>(500)</b>	<b>71</b>	<b>760</b>	<b>(1,446)</b>	<b>2</b>	<b>(5,219)</b>
<b>Fund Balances - Beginning</b>	<b>4,961</b>	<b>7,616</b>	<b>14,748</b>	<b>9,083</b>	<b>28,439</b>	<b>10,726</b>	<b>8,390</b>	<b>5,132</b>	<b>5,701</b>	<b>81</b>	<b>289,644</b>
<b>Fund Balances - Ending</b>	<b>\$ 5,305</b>	<b>\$ 7,410</b>	<b>\$ 14,713</b>	<b>\$ 8,849</b>	<b>\$ 24,317</b>	<b>\$ 10,226</b>	<b>\$ 8,461</b>	<b>\$ 5,892</b>	<b>\$ 4,255</b>	<b>\$ 83</b>	<b>\$ 284,425</b>

## Statistical Section Index

---

The statistical section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes to the financial statements, and required supplementary information of the primary government says about the State's overall financial health.

<u>Contents</u>	<u>Page</u>
<b>Financial Trends Information</b>	
These schedules contain trend information to assist the reader in understanding and assessing how the State's financial position has changed over time.	
<b>Government-wide Perspective</b>	
Net Position by Component .....	149
Changes in Net Position .....	150
<b>Fund Perspective</b>	
Changes in Fund Balances, Governmental Funds .....	152
Fund Balances, Governmental Funds .....	154
<b>Revenue Capacity Information</b>	
These schedules contain information to assist the reader in understanding and assessing the factors affecting the State's ability to generate its own-source revenues.	
Personal Income by Industry .....	155
Personal Income Tax Rates .....	156
Personal Income Tax Filers and Liability by Income Level, Calendar Year 2013 and Ten Years Prior.....	157
Franchise Taxes .....	158
<b>Debt Capacity Information</b>	
These schedules present information to assist the reader in understanding and assessing the State's debt burden and its ability to issue additional debt in the future.	
Ratios of Outstanding Debt by Type .....	159
Debt Limits .....	160
General Obligation Debt Support .....	161
Pledged Revenue Coverage,.....	162
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to assist the reader in understanding the environment in which the State's financial activities take place.	
Demographic and Economic Statistics.....	163
Principal Employers by Industry .....	164
State Employees by Function .....	165
<b>Operating Information</b>	
These schedules contain information to assist the reader in understanding how the financial information relates to the services the State provides and the activities it performs.	
Operating Indicators by Function .....	166
Capital Asset Statistics by Function .....	167
Capital Asset Balances by Function .....	168

**Sources:** Unless otherwise noted, the information in these schedules is derived from the State's Comprehensive Annual Financial Report for the relevant fiscal year.

**STATE OF DELAWARE**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
(Accrual Basis of Accounting, Expressed in Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008 *</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012**</u>	<u>2013***</u>	<u>2014****</u>	<u>2015</u>
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 1,244,073	\$ 1,385,413	\$ 1,515,272	\$ 1,665,199	\$ 1,799,599	\$ 1,831,490	\$ 1,851,218	\$ 1,701,366	\$ 1,808,658	\$ 1,764,526
Restricted	175,365	182,750	186,430	186,430	186,430	186,430	186,400	408,964	728,406	745,852
Unrestricted (Deficit)**	<u>1,089,100</u>	<u>1,183,671</u>	<u>884,060</u>	<u>366,597</u>	<u>269,978</u>	<u>314,021</u>	<u>(56,000)</u>	<u>(416,439)</u>	<u>(1,212,955)</u>	<u>(2,360,730)</u>
<b>Total Governmental Activities Net Position</b>	<u>\$ 2,508,538</u>	<u>\$ 2,751,834</u>	<u>\$ 2,585,762</u>	<u>\$ 2,218,226</u>	<u>\$ 2,256,007</u>	<u>\$ 2,331,941</u>	<u>\$ 1,981,618</u>	<u>\$ 1,693,891</u>	<u>\$ 1,324,109</u>	<u>\$ 149,648</u>
<b>Business-type Activities</b>										
Net Investment in Capital Assets	\$ 2,616,971	\$ 2,653,221	\$ 2,731,901	\$ 2,727,661	\$ 2,803,634	\$ 2,840,595	\$ 2,956,316	\$ 3,142,841	\$ 3,267,409	\$ 3,445,879
Restricted	358,547	342,263	308,738	202,220	137,831	109,613	169,954	163,539	161,483	212,681
Unrestricted (Deficit)	<u>76,907</u>	<u>89,806</u>	<u>64,577</u>	<u>56,596</u>	<u>5,069</u>	<u>61,721</u>	<u>(85,800)</u>	<u>(122,830)</u>	<u>(65,049)</u>	<u>(157,324)</u>
<b>Total Business-type Activities Net Position</b>	<u>\$ 3,052,425</u>	<u>\$ 3,085,290</u>	<u>\$ 3,105,216</u>	<u>\$ 2,986,477</u>	<u>\$ 2,946,534</u>	<u>\$ 3,011,929</u>	<u>\$ 3,040,470</u>	<u>\$ 3,183,550</u>	<u>\$ 3,363,843</u>	<u>\$ 3,501,236</u>
<b>Primary Government</b>										
Net Investment in Capital Assets	\$ 3,861,044	\$ 4,038,634	\$ 4,247,173	\$ 4,392,860	\$ 4,603,233	\$ 4,672,085	\$ 4,807,534	\$ 4,844,207	\$ 5,076,067	\$ 5,210,405
Restricted	533,912	525,013	495,168	388,650	324,261	296,043	356,384	572,233	889,889	958,533
Unrestricted (Deficit)**	<u>1,166,007</u>	<u>1,273,477</u>	<u>948,637</u>	<u>423,193</u>	<u>275,047</u>	<u>375,742</u>	<u>(141,800)</u>	<u>(539,269)</u>	<u>(1,278,004)</u>	<u>(2,518,054)</u>
<b>Total Primary Government Net Position</b>	<u>\$ 5,560,963</u>	<u>\$ 5,837,124</u>	<u>\$ 5,690,978</u>	<u>\$ 5,204,703</u>	<u>\$ 5,202,541</u>	<u>\$ 5,343,870</u>	<u>\$ 5,022,118</u>	<u>\$ 4,877,171</u>	<u>\$ 4,687,952</u>	<u>\$ 3,650,884</u>

**Source:**

Statement of Net Position, as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year.

**Notes:**

\* The State implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, during fiscal year 2009. The provisions of GASB Statement No. 49 require the measurement of pollution remediation liabilities at July 1, 2008; therefore, the State's ending net position for fiscal year 2008 has been restated.

\*\* Prior year amounts have not been updated for changes made from the adoption of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and amendment of GASB Statements No. 14 and No. 34* in fiscal year 2013.

\*\*\* The State implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during fiscal year 2014. The provisions of GASB Statement No. 65 require that bond issuance costs are expensed as incurred and deferred bond costs expensed at July 1, 2013; therefore the State's net position for fiscal year 2013 has been restated.

\*\*\*\* The state implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during fiscal year 2015. The provisions of GASB Statement No. 68 require the State to record its net position liability (asset) at July 1, 2014; therefore, the State's ending net position for fiscal year 2014 has been restated.

**STATE OF DELAWARE**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
(Accrual Basis of Accounting, Expressed in Thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General Government	\$ 480,490	\$ 513,326	\$ 549,263	\$ 551,390	\$ 436,025	\$ 662,291	\$ 654,311	\$ 543,931	\$ 683,643	\$ 572,708
Health and Children's Services	1,619,176	1,699,475	1,869,754	1,980,118	2,059,215	2,225,657	2,386,475	2,428,629	2,850,068	3,007,367
Judicial and Public Safety	539,365	574,809	640,380	641,296	624,565	596,764	660,053	711,361	705,218	718,645
Natural Resources and Environmental Control	114,287	173,331	164,446	154,871	148,776	189,301	161,354	147,733	134,294	172,886
Labor	61,013	74,194	68,172	77,911	74,163	74,063	79,706	69,226	68,997	73,155
Education	1,719,901	1,774,528	2,031,009	2,002,158	2,040,439	2,331,626	2,372,080	2,408,647	2,482,569	2,612,590
Payment to Component Unit:										
Education	81,575	89,945	99,969	100,139	105,819	-	-	-	-	-
Interest	46,051	50,560	52,224	57,570	55,782	75,522	61,111	54,969	59,747	60,557
<b>Total Governmental Activities Expenses</b>	<b>4,661,858</b>	<b>4,950,168</b>	<b>5,475,217</b>	<b>5,565,453</b>	<b>5,544,784</b>	<b>6,155,224</b>	<b>6,375,090</b>	<b>6,364,496</b>	<b>6,984,536</b>	<b>7,217,908</b>
<b>Business-type Activities:</b>										
Lottery	408,997	424,111	419,223	388,260	353,449	384,611	386,241	358,467	344,389	358,907
DelDOT	485,169	504,466	535,150	602,296	626,012	587,604	641,850	580,392	606,738	624,452
Unemployment	92,025	108,851	113,955	203,817	379,065	300,262	247,932	169,508	110,063	68,699
<b>Total Business-type Activities Expenses</b>	<b>986,191</b>	<b>1,037,428</b>	<b>1,068,328</b>	<b>1,194,373</b>	<b>1,358,526</b>	<b>1,272,477</b>	<b>1,276,023</b>	<b>1,108,367</b>	<b>1,061,190</b>	<b>1,052,058</b>
<b>Total Primary Government Expenses</b>	<b>5,648,049</b>	<b>5,987,596</b>	<b>6,543,545</b>	<b>6,759,826</b>	<b>6,903,310</b>	<b>7,427,701</b>	<b>7,651,113</b>	<b>7,472,863</b>	<b>8,045,726</b>	<b>8,269,966</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
General Government	148,056	223,600	172,093	104,268	149,299	214,997	166,979	287,709	334,285	273,905
Health and Children's Services	83,445	110,168	99,438	87,548	121,855	67,485	98,430	73,522	67,698	70,532
Judicial and Public Safety	46,762	49,535	53,803	52,681	60,024	54,681	75,713	126,052	72,664	59,551
Natural Resources and Environmental Control	66,354	56,559	47,374	42,555	58,925	95,460	50,587	59,262	52,692	56,364
Labor	-	10,918	-	-	-	6,370	7,089	7,103	7,135	7,228
Education	65,552	40,317	28,235	57,101	63,099	89,125	22,796	5,565	3,029	66,666
Operating Grants and Contributions	959,567	1,001,981	1,094,610	1,199,961	1,460,903	1,701,136	1,541,931	1,551,954	1,953,254	2,076,241
Capital Grants and Contributions	3,334	1,740	16,142	9,936	30,861	-	-	-	-	-
<b>Total Governmental Activities Program Revenues</b>	<b>1,373,070</b>	<b>1,494,818</b>	<b>1,511,695</b>	<b>1,554,050</b>	<b>1,944,966</b>	<b>2,229,254</b>	<b>1,963,525</b>	<b>2,111,167</b>	<b>2,490,757</b>	<b>2,610,487</b>



**STATE OF DELAWARE**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
(Accrual Basis of Accounting, Expressed in Thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Business-type Activities:</b>										
Charges for Services:										
Lottery	\$ 727,993	\$ 755,127	\$ 742,260	\$ 704,308	\$ 689,652	\$ 728,506	\$ 714,303	\$ 635,264	\$ 600,825	\$ 601,869
DelDOT	379,246	379,387	428,646	426,046	426,924	445,084	449,270	462,609	488,178	512,471
Unemployment	86,632	72,254	74,984	76,608	119,473	117,060	122,334	107,646	112,746	131,195
Operating Grants and Contributions	-	-	-	-	196,889	170,681	109,037	72,517	43,760	234,092
Capital Grants and Contributions	107,463	103,331	156,740	193,219	238,276	195,030	199,214	211,245	210,985	-
<b>Total Business-type Activities Program Revenues</b>	<b>1,301,334</b>	<b>1,310,099</b>	<b>1,402,630</b>	<b>1,400,181</b>	<b>1,671,214</b>	<b>1,656,361</b>	<b>1,594,158</b>	<b>1,489,281</b>	<b>1,456,494</b>	<b>1,479,627</b>
<b>Total Primary Government Program Revenues</b>	<b>2,674,404</b>	<b>2,804,917</b>	<b>2,914,325</b>	<b>2,954,231</b>	<b>3,616,180</b>	<b>3,885,615</b>	<b>3,557,683</b>	<b>3,600,448</b>	<b>3,947,251</b>	<b>4,090,114</b>
<b>Net (Expenses) Revenue</b>										
<b>Governmental Activities</b>	(3,288,788)	(3,455,350)	(3,963,522)	(4,011,403)	(3,599,818)	(3,925,970)	(4,357,588)	(4,253,329)	(4,493,779)	(4,607,421)
<b>Business-type Activities</b>	315,143	272,671	334,302	205,808	312,688	383,884	318,135	380,914	395,304	427,569
<b>Total Primary Government Net Expense</b>	<b>(2,973,645)</b>	<b>(3,182,679)</b>	<b>(3,629,220)</b>	<b>(3,805,595)</b>	<b>(3,287,130)</b>	<b>(3,542,086)</b>	<b>(4,039,453)</b>	<b>(3,872,415)</b>	<b>(4,098,475)</b>	<b>(4,179,852)</b>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental Activities:</b>										
Taxes:										
Personal Income	1,014,499	1,016,911	1,010,325	914,460	760,617	986,002	1,126,014	1,130,501	1,040,341	1,140,248
Business	1,535,139	1,672,112	1,659,565	1,655,938	1,820,023	1,926,473	1,834,684	2,051,071	2,061,007	2,291,067
Real Estate	349,728	388,135	398,881	428,878	434,718	464,713	473,351	504,620	537,395	552,215
Other	287,651	254,960	297,971	238,786	250,630	246,268	241,525	344,106	232,017	224,842
Investment Earnings	49,577	82,701	84,449	41,140	20,185	28,356	32,849	11,636	14,192	10,511
Gain (Loss) on Sale of Assets	721	(72)	-	-	-	-	-	-	-	-
Miscellaneous	33,595	24,287	30,629	29,197	15,546	29,201	24,103	25,244	28,878	13,654
Transfers	222,554	259,612	332,132	335,468	335,880	320,891	287,903	238,244	215,006	249,896
<b>Total Governmental Activities</b>	<b>3,493,464</b>	<b>3,698,646</b>	<b>3,813,952</b>	<b>3,643,867</b>	<b>3,637,599</b>	<b>4,001,904</b>	<b>4,020,429</b>	<b>4,305,422</b>	<b>4,128,836</b>	<b>4,482,433</b>
<b>Business-type Activities:</b>										
Investment Earnings	16,634	23,486	21,322	11,686	(15,336)	2,815	4,029	(608)	2,375	2,213
Gain (Loss) on Sale of Assets	(4,211)	(2,680)	299	235	(415)	587	308	1,018	-	-
Miscellaneous	-	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	-	-	-	-
Transfers	(222,554)	(259,612)	(332,132)	(335,468)	(335,880)	(320,891)	(287,903)	(238,244)	(215,006)	(249,896)
<b>Total Business-type Activities</b>	<b>(210,131)</b>	<b>(239,806)</b>	<b>(311,511)</b>	<b>(324,547)</b>	<b>(352,631)</b>	<b>(318,489)</b>	<b>(283,566)</b>	<b>(237,834)</b>	<b>(212,631)</b>	<b>(247,683)</b>
<b>Change in Net Position</b>										
<b>Governmental Activities</b>	204,676	243,296	(149,570)	(367,536)	37,781	75,934	(391,136)	(74,133)	(364,943)	(124,988)
<b>Business-type Activities</b>	105,012	32,865	22,791	(118,739)	(39,943)	65,395	34,569	143,080	182,673	179,886
<b>Total Primary Government</b>	<b>\$ 309,688</b>	<b>\$ 276,161</b>	<b>\$ (126,779)</b>	<b>\$ (486,275)</b>	<b>\$ (2,162)</b>	<b>\$ 141,329</b>	<b>\$ (356,567)</b>	<b>\$ 68,947</b>	<b>\$ (182,270)</b>	<b>\$ 54,898</b>

**Source:**

Statement of Activities, as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year.

**STATE OF DELAWARE**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(Modified Accrual Basis of Accounting, Expressed in Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenues</b>										
Taxes (1)	\$ 3,187,378	\$ 3,322,523	\$ 3,366,308	\$ 3,238,062	\$ 3,249,145	\$ 3,623,456	\$ 3,621,597	\$ 3,904,072	\$ 3,870,760	\$ 4,208,372
Licenses, Fees, Permits and Fines	319,768	339,347	355,604	356,228	392,388	326,249	340,351	336,068	351,789	374,554
Rentals and Sales	51,047	59,547	34,294	37,736	38,615	123,781	118,839	135,530	86,428	119,743
Federal Government	976,143	1,016,215	1,111,247	1,220,072	1,442,722	1,726,141	1,528,034	1,529,921	1,936,497	2,076,443
Interest and Other Investment Income	49,577	82,701	84,313	41,140	20,185	28,356	32,850	11,637	14,170	10,462
Other Revenues	340,827	313,765	109,385	146,967	215,951	106,925	206,356	218,176	195,346	165,800
<b>Total Revenues</b>	<u>4,924,740</u>	<u>5,134,098</u>	<u>5,061,151</u>	<u>5,040,205</u>	<u>5,359,006</u>	<u>5,934,908</u>	<u>5,848,027</u>	<u>6,135,404</u>	<u>6,454,990</u>	<u>6,955,374</u>
<b>Expenditures</b>										
General Government (2)	633,784	681,609	568,408	577,079	471,515	551,988	624,616	459,465	610,073	617,220
Health and Children's Services (3)	1,674,907	1,751,795	1,880,828	1,996,677	2,059,159	2,230,948	2,358,293	2,452,766	2,849,628	3,030,064
Judicial and Public Safety (4)	543,684	580,707	585,648	572,830	578,777	600,911	602,635	663,861	663,072	674,179
Natural Resources and Environmental Control	192,706	212,296	174,823	157,669	156,268	177,823	154,486	172,521	175,545	164,662
Labor	66,646	66,785	65,656	75,804	73,922	69,912	72,444	68,554	67,952	72,057
Education (5)	1,773,371	1,821,210	1,836,092	1,851,336	1,886,353	1,982,154	2,069,469	2,159,145	2,184,638	2,230,063
Payment to Component Unit: Education	81,575	89,945	99,969	100,139	105,819	117,381	131,268	141,700	150,034	164,108
Capital Outlay	223,779	220,635	277,754	270,847	241,050	195,415	187,704	226,123	285,705	200,087
Debt Service: Principal	113,781	116,617	151,650	142,069	155,789	140,750	139,325	155,096	157,372	170,068
Interest	49,037	50,609	57,673	60,827	66,222	65,725	72,293	77,136	77,693	80,318
Costs of Issuance of Debt	343	764	415	841	3,797	628	548	1,118	975	598
<b>Total Expenditures</b>	<u>5,353,613</u>	<u>5,592,972</u>	<u>5,698,916</u>	<u>5,806,118</u>	<u>5,798,671</u>	<u>6,133,635</u>	<u>6,413,081</u>	<u>6,577,485</u>	<u>7,222,687</u>	<u>7,403,424</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(428,873)</u>	<u>(458,874)</u>	<u>(637,765)</u>	<u>(765,913)</u>	<u>(439,665)</u>	<u>(198,727)</u>	<u>(565,054)</u>	<u>(442,081)</u>	<u>(767,697)</u>	<u>(448,050)</u>

**STATE OF DELAWARE**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(Modified Accrual Basis of Accounting, Expressed in Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Other Financing Sources (Uses)</b>										
Transfer In	\$ 374,511	\$ 402,963	\$ 491,038	\$ 470,687	\$ 970,215	\$ 549,639	\$ 540,713	\$ 589,269	\$ 446,493	\$ 600,793
Transfer Out	(151,957)	(147,411)	(158,906)	(135,219)	(634,335)	(228,749)	(252,810)	(351,025)	(231,487)	(350,897)
Other Financing Sources	-	2,281	26	-	-	-	-	29,134	1,867	-
Issuance of General Obligation Bonds	132,000	383,133	217,375	236,000	645,130	310,665	275,425	336,330	225,000	306,870
Issuance of Revenue Bonds	-	-	-	-	-	-	56,170	-	-	-
Premium on Bond Sales	4,850	9,661	10,220	17,044	66,054	10,910	37,347	44,635	24,413	53,159
Payment to Bond Refunding Agent	-	-	-	-	(460,580)	-	-	-	-	(98,915)
Advance Refunding Escrow	-	-	-	-	35,189	54,644	-	-	-	-
Issuance of Advanced Refundings	-	-	-	-	(35,189)	(54,644)	(54,834)	(132,178)	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>359,404</u>	<u>650,627</u>	<u>559,753</u>	<u>588,512</u>	<u>586,484</u>	<u>642,465</u>	<u>602,011</u>	<u>516,165</u>	<u>466,286</u>	<u>511,010</u>
<b>Net Change in Fund Balance</b>	<u>\$ (69,469)</u>	<u>\$ 191,753</u>	<u>\$ (78,012)</u>	<u>\$ (177,401)</u>	<u>\$ 146,819</u>	<u>\$ 443,738</u>	<u>\$ 36,957</u>	<u>\$ 74,084</u>	<u>\$ (301,411)</u>	<u>\$ 62,960</u>
<b>Debt Service as a Percentage of Non-capital Expenditures</b>	3.29%	3.23%	4.02%	3.82%	4.24%	3.61%	3.53%	3.81%	3.52%	3.61%

**Source:**

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year.

**Notes:**

- (1) Taxes include personal income taxes and business taxes.
- (2) General government summarizes the expenditures of the following General Government Departments: Legislative, Executive, Technology and Information, Other Elective Offices, State, Finance, Office of Management and Budget, Agriculture, Elections, and the Advisory Council for Exceptional Citizens.
- (3) Health and Children's Services summarizes the expenditures of the Departments of Health and Social Services, and Services for Children Youth and Their Families.
- (4) Judicial and Public Safety summarizes the expenditures of the following Departments: Judicial, Legal, Corrections, Safety and Homeland Security, Fire Prevention and the Delaware National Guard.
- (5) Education summarizes the expenditures of the Departments of Higher Education and Public Education.

**STATE OF DELAWARE**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(Modified Accrual Basis of Accounting, Expressed in Thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Fund</b>										
Reserved	\$ 331,388	\$ 383,719	\$ 369,058	\$ 311,745	\$ 352,732	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,039,370	956,073	856,479	744,438	843,635	-	-	-	-	-
Nonspendable Fund Balance	-	-	-	-	-	9,807	8,121	7,681	6,630	5,306
Restricted Fund Balance	-	-	-	-	-	209,513	87,507	114,418	157,502	184,079
Committed Fund Balance	-	-	-	-	-	142,198	236,896	209,557	184,091	192,970
Assigned Fund Balance	-	-	-	-	-	229,241	100,483	91,597	80,289	83,002
Unassigned (Deficit)	-	-	-	-	-	786,663	963,986	1,025,284	788,727	763,249
<b>Total General Fund</b>	<b>\$ 1,370,758</b>	<b>\$ 1,339,792</b>	<b>\$ 1,225,537</b>	<b>\$ 1,056,183</b>	<b>\$ 1,196,367</b>	<b>\$ 1,377,422</b>	<b>\$ 1,396,993</b>	<b>\$ 1,448,537</b>	<b>\$ 1,217,239</b>	<b>\$ 1,228,606</b>
<b>All Other Governmental Funds:</b>										
Reserved	\$ 196,502	\$ 224,018	\$ 189,794	\$ 176,122	\$ 12,202	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported In:										
Federal Fund	(60,841)	(41,060)	14,000	(15,916)	(48,405)	-	-	(914)	-	-
Local School District Fund	74,206	106,083	168,077	213,160	296,171	-	-	-	-	-
Capital Projects Fund	(205,898)	(62,353)	(108,940)	(118,479)	(33,638)	-	-	-	-	-
Nonspendable Fund Balance										
Federal Fund	-	-	-	-	-	-	-	-	281,260	275,997
Restricted Fund Balance										
Federal Fund	-	-	-	-	-	56,030	15,630	-	-	1,351
Local School District Fund	-	-	-	-	-	338,271	306,397	294,276	289,644	284,425
Capital Projects Fund	-	-	-	-	-	40,068	110,302	160,982	123,902	184,626
<b>Total All Other Governmental Funds</b>	<b>\$ 3,969</b>	<b>\$ 226,688</b>	<b>\$ 262,931</b>	<b>\$ 254,887</b>	<b>\$ 226,330</b>	<b>\$ 434,369</b>	<b>\$ 432,329</b>	<b>\$ 454,344</b>	<b>\$ 694,806</b>	<b>\$ 746,399</b>

**Source:**

Combined Balance Sheet, as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year.

**Note:**

The State changed its fund structure when GASB Statement No. 54 was implemented for Fiscal Year 2011.

**STATE OF DELAWARE**  
**Personal Income by Industry**  
**Last Ten Calendar Years**  
(Expressed in Millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Earnings by industry</b>										
<u>Farm Earnings</u>										
Farm	\$ 292.0	\$ 207.0	\$ 208.0	\$ 149.0	\$ 162.0	\$ 147.0	\$ 178.0	\$ 213.0	\$ 246.0	\$ 262.0
<u>Non-farm Earnings</u>										
Private Earnings:										
Accommodation and Food Services	\$ 695.0	\$ 740.0	\$ 772.0	\$ 780.0	\$ 746.0	\$ 777.0	\$ 800.0	\$ 838.0	\$ 847.0	\$ 888.0
Administrative and Waste Services	858.0	958.0	988.0	987.0	915.0	935.0	1,010.0	1,035.0	1,098.0	1,209.0
Arts, Entertainment, and Recreation	272.0	287.0	289.0	297.0	301.0	336.0	368.0	359.0	343.0	368.0
Construction	- *	2,242.0	2,074.0	1,938.0	1,591.0	1,537.0	1,599.0	1,564.0	1,696.0	1,786.0
Educational Services	255.0	288.0	295.0	303.0	316.0	314.0	320.0	340.0	334.0	396.0
Finance and Insurance	4,046.0	4,105.0	3,811.0	3,580.0	3,611.0	3,818.0	4,053.0	4,217.0	4,426.0	4,609.0
Forestry, Fishing, and Related Activities	16.0	17.0	17.0	16.0	15.0	19.0	23.0	28.0	26.0	- *
Health Care and Social Assistance	2,654.0	2,851.0	3,050.0	3,317.0	3,442.0	3,572.0	3,765.0	3,901.0	3,972.0	4,185.0
Information	682.0	664.0	778.0	943.0	962.0	947.0	943.0	1,046.0	1,061.0	1,054.0
Management of Companies and Enterprises	1,017.0	1,165.0	1,121.0	1,130.0	1,086.0	1,174.0	1,183.0	1,107.0	950.0	901.0
Manufacturing, Durable and Non-durable	2,401.0	2,481.0	2,670.0	2,456.0	2,178.0	1,983.0	1,907.0	1,957.0	1,908.0	1,961.0
Mining	- *	66.0	59.0	92.0	25.0	- *	30.0	26.0	27.0	- *
Professional, Scientific, and Technical Services	2,592.0	2,664.0	2,799.0	3,057.0	2,857.0	2,903.0	3,305.0	3,646.0	3,677.0	3,904.0
Real Estate and Rental and Leasing	682.0	727.0	619.0	771.0	840.0	844.0	816.0	852.0	949.0	957.0
Trade, Retail	1,759.0	1,843.0	1,883.0	1,787.0	1,716.0	1,743.0	1,823.0	1,849.0	1,891.0	1,970.0
Trade, Wholesale	1,196.0	1,372.0	1,326.0	1,335.0	1,264.0	1,262.0	1,316.0	1,294.0	1,231.0	1,275.0
Transportation and Warehousing	608.0	649.0	665.0	652.0	636.0	632.0	681.0	727.0	779.0	862.0
Utilities	238.0	269.0	253.0	277.0	277.0	275.0	274.0	265.0	281.0	288.0
Other Services, Except Public Administration	834.0	922.0	924.0	908.0	860.0	873.0	895.0	938.0	968.0	1,012.0
<b>Total Private Earnings</b>	<b>\$20,805.0</b>	<b>\$ 24,310.0</b>	<b>\$ 24,393.0</b>	<b>\$ 24,626.0</b>	<b>\$ 23,638.0</b>	<b>\$ 23,944.0</b>	<b>\$ 25,111.0</b>	<b>\$ 25,989.0</b>	<b>\$ 26,464.0</b>	<b>\$ 27,625.0</b>
Government and Government Enterprises:										
Federal, Civilian	\$ 383.0	\$ 392.0	\$ 423.0	\$ 490.0	\$ 487.0	\$ 515.0	\$ 525.0	\$ 537.0	\$ 523.0	\$ 527.0
Military	395.0	368.0	385.0	414.0	447.0	468.0	465.0	470.0	469.0	457.0
State and Local Government	3,334.0	3,475.0	3,647.0	3,738.0	3,959.0	3,952.0	4,036.0	4,244.0	4,359.0	4,362.0
<b>Total Government Enterprises</b>	<b>\$ 4,112.0</b>	<b>\$ 4,235.0</b>	<b>\$ 4,455.0</b>	<b>\$ 4,642.0</b>	<b>\$ 4,893.0</b>	<b>\$ 4,935.0</b>	<b>\$ 5,026.0</b>	<b>\$ 5,251.0</b>	<b>\$ 5,351.0</b>	<b>\$ 5,346.0</b>
<b>Total Non-farm Earnings</b>	<b>\$25,040.0</b>	<b>\$ 28,545.0</b>	<b>\$ 28,848.0</b>	<b>\$ 29,268.0</b>	<b>\$ 28,531.0</b>	<b>\$ 28,879.0</b>	<b>\$ 30,137.0</b>	<b>\$ 31,240.0</b>	<b>\$ 31,815.0</b>	<b>\$ 32,971.0</b>
<b>Total Earnings by Industry</b>	<b>\$25,332.0</b>	<b>\$ 28,752.0</b>	<b>\$ 29,056.0</b>	<b>\$ 29,417.0</b>	<b>\$ 28,693.0</b>	<b>\$ 29,026.0</b>	<b>\$ 30,315.0</b>	<b>\$ 31,453.0</b>	<b>\$ 32,061.0</b>	<b>\$ 33,233.0</b>
Less: Contributions for Government Social Insurance (1)	\$ (2,820.0)	\$ (3,002.0)	\$ (3,085.0)	\$ (3,193.0)	\$ (3,124.0)	\$ (3,145.0)	\$ (2,854.0)	\$ (2,964.0)	\$ (3,445.0)	\$ (3,618.0)
Plus: Adjustment for Residence (2)	(2,291.0)	(2,573.0)	(2,512.0)	(2,571.0)	(2,132.0)	(2,268.0)	(2,803.0)	(2,818.0)	(2,407.0)	(2,545.0)
Plus: Dividends, Interest and Rent (3)	5,746.0	6,546.0	6,944.0	7,042.0	6,351.0	6,160.0	6,686.0	7,029.0	7,239.0	7,521.0
Plus: Personal Current Transfer Receipts (4)	4,510.0	4,884.0	5,296.0	5,895.0	6,634.0	7,087.0	7,423.0	7,679.0	8,039.0	8,393.0
<b>Total Personal Income</b>	<b>\$30,477.0</b>	<b>\$ 34,607.0</b>	<b>\$ 35,699.0</b>	<b>\$ 36,590.0</b>	<b>\$ 36,422.0</b>	<b>\$ 36,860.0</b>	<b>\$ 38,767.0</b>	<b>\$ 40,379.0</b>	<b>\$ 41,487.0</b>	<b>\$ 42,984.0</b>

**Source:**

Personal income by major source and earnings by industry is provided by the Bureau of Economic Analysis, U.S. Department of Commerce ([www.bea.gov/regional](http://www.bea.gov/regional)) through estimates released May 2015.

**Notes:**

- (1) Contributions for government social insurance are included in earnings by type and industry, but they are excluded from personal income.
- (2) The adjustment for residence is the net inflow of the earnings of interarea commuters. For the United States, it consists of adjustments for border workers: wage and salary disbursements to U.S. residents employed by international organizations and foreign embassies.
- (3) Rental income of persons includes the capital consumption adjustment.
- (4) This component of personal income is payments to persons for which no current services are performed. It consists of payments to individuals and to nonprofit institutions by federal, state, and local governments and by businesses. Government payments to individuals includes retirement and disability insurance benefits, medical payments (mainly Medicare and Medicaid), income maintenance benefits, unemployment insurance benefits, veterans' benefits, and federal grants and loans to students. Government payments to nonprofit institutions excludes payments by the federal government for work under research and development contracts. Business payments to persons consists primarily of liability payments for personal injury and of corporate gifts to nonprofit institutions.

\* Not shown to avoid disclosure of confidential information

**STATE OF DELAWARE**  
**Personal Income Tax Rates**  
**Last Ten Calendar Years**  
(Expressed in Millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Personal Income Tax Revenue (1)	\$ 878.2	\$ 1,013.2	\$ 1,012.7	\$ 1,008.5	\$ 914.5	\$ 743.8	\$ 986.0	\$ 1,095.5	\$ 1,130.5	\$ 1,040.3
Personal Income (2)	\$ 30,477.0	\$ 34,607.0	\$ 35,699.0	\$ 36,590.0	\$ 36,422.0	\$ 36,860.0	\$ 38,767.0	\$ 40,379.0	\$ 41,487.0	\$ 42,984.0
Average Effective Rate (3)	2.88%	2.93%	2.84%	2.76%	2.51%	2.02%	2.54%	2.71%	2.72%	2.42%

**Personal Income Tax Rates (4)**

Tax Year	Taxable Income	Tax Liability	Plus	On Taxable Income Over
2012-2013	\$60,000 and high	\$2,943.50	6.75%	\$60,000
	\$25,000 - \$59,99	\$1,001.00	5.55%	\$25,000
	\$20,000 - \$24,99	\$741.50	5.20%	\$20,000
	\$10,000 - \$19,99	\$261.50	4.80%	\$10,000
	\$5,000 - \$9,999	\$66.00	3.90%	\$5,000
	\$2,000 - \$4,999	\$0.00	2.20%	\$2,000
	\$1,999 and lower	\$0.00	0.00%	\$0

Tax Year	Taxable Income	Tax Liability	Plus	On Taxable Income Over
2014	\$60,000 and high	\$2,943.50	6.60%	\$60,000
	\$25,000 - \$59,99	\$1,001.00	5.55%	\$25,000
	\$20,000 - \$24,99	\$741.50	5.20%	\$20,000
	\$10,000 - \$19,99	\$261.50	4.80%	\$10,000
	\$5,000 - \$9,999	\$66.00	3.90%	\$5,000
	\$2,000 - \$4,999	\$0.00	2.20%	\$2,000
	\$1,999 and lower	\$0.00	0.00%	\$0

As an example, for tax year 2013, a taxable income over \$60,000, pays a tax of \$2,943.50 plus 6.75% of the taxable income in excess of \$60,000.

**Sources:**

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year. Personal income is provided by the Bureau of Economic Analysis, U.S. Department of Commerce ([www.bea.gov/regional](http://www.bea.gov/regional)) through estimates released May 2015. Delaware Department of Finance Fiscal Notebook

**Notes:**

- (1) Personal income tax revenue is net of refunds, on a cash basis, for the fiscal year.
- (2) Personal income is reported on a calendar basis and includes estimates for items not included to avoid disclosure of confidential information.
- (3) The total direct rate for personal income is not available. Average effective rate equals personal income tax revenue divided by personal income.
- (4) The tax rate table is used to determine gross liability. Amounts shown are for all filing status returns.

**STATE OF DELAWARE**  
**Personal Income Tax Filers and Liability by Income Level**  
**Calendar Year 2013 and Ten Years Prior**

<b>Tax Year 2003</b>							<b>Tax Year 2013</b>				
<b>Delaware AGI Taxpayer Percentile</b>		<b>Delaware AGI</b>			<b>Liability Net of Credits</b>		<b>Delaware AGI</b>			<b>Liability Net of Credits</b>	
		<b>Number of Filers</b>	<b>Average DE AGI</b>	<b>Percentage of Total (1)</b>	<b>Total Liability</b>	<b>Percentage of Total (1)</b>	<b>Number of Filers</b>	<b>Average DE AGI</b>	<b>Percentage of Total (1)</b>	<b>Total Liability</b>	<b>Percentage of Total (1)</b>
From:	To:										
0	10	45,299	\$ 3,628	0.8%	\$ 46,082	0.0%	50,969	\$ 4,104	0.7%	\$ 148,436	0.0%
10	20	45,299	9,582	2.1%	1,381,134	0.2%	50,969	10,868	2.0%	2,154,248	0.2%
20	30	45,299	15,526	3.4%	6,989,977	1.0%	50,970	17,332	3.2%	8,967,085	0.9%
30	40	45,299	21,476	4.7%	16,100,274	2.4%	50,969	24,072	4.4%	18,960,374	1.8%
40	50	45,299	27,435	6.1%	26,845,648	3.9%	50,970	31,226	5.7%	34,577,345	3.4%
50	60	45,299	33,870	7.5%	39,599,445	5.8%	50,970	39,409	7.2%	55,242,516	5.4%
60	70	45,298	41,444	9.2%	54,324,097	7.9%	50,969	49,502	9.0%	78,738,815	7.6%
70	80	45,300	51,552	11.4%	73,571,695	10.7%	50,969	62,894	11.5%	108,088,282	10.5%
80	90	45,299	67,832	15.0%	103,777,298	15.2%	50,970	84,479	15.4%	159,629,936	15.5%
90	95	22,650	94,945	10.5%	80,108,634	11.7%	25,485	120,326	11.0%	128,201,616	12.4%
95	99	18,120	155,952	13.8%	120,993,472	17.7%	20,388	203,457	14.8%	202,577,375	19.6%
99	100	4,531	703,086	15.5%	160,932,738	23.5%	5,097	832,376	15.2%	234,412,205	22.7%

Source: Delaware Division of Revenue

Notes: The number of filers is equal for each 10 percentile.  
(1) Percentage of total is each respective income range's share of total AGI or Net Liability.

**STATE OF DELAWARE**  
**Franchise Taxes**  
**Last Ten Fiscal Years**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Franchise Tax (In Millions)	\$ 524.8	\$ 539.7	\$ 566.3	\$ 574.2	\$ 633.6	\$ 615.8	\$ 612.6	\$ 606.4	\$ 623.4	\$ 677.0
Number of Filers	239,824.0	231,376.0	233,447.0	219,808.0	214,561.0	214,788.0	216,393.0	219,773.0	224,691.0	230,558.0
Average Amount per Filer	\$ 2,188.3	\$ 2,332.6	\$ 2,425.8	\$ 2,612.3	\$ 2,953.0	\$ 2,867.0	\$ 2,831.0	\$ 2,759.2	\$ 2,774.5	\$ 2,936.0

<b>Authorized Share Method</b>	<b>Tax Year 2005-2007</b>	<b>Tax Year 2008</b>	<b>Tax Year 2009-2011</b>	<b>Tax Year 2012-2015</b>
3,000 shares or less, Minimum Tax	\$ 35.00	\$ 75.00	\$ 75.00	\$ 75.00
3,001-5,000 shares	\$ 62.50	\$ 75.00	\$ 75.00	\$ 175.00
5,001-10,000 shares	\$ 112.50	\$ 150.00	\$ 150.00	\$ 250.00
Each additional 10,000 shares, add	\$ 62.50	\$ 75.00	\$ 75.00	\$ 75.00
Maximum Yearly Tax	\$ 165,000.00	\$ 165,000.00	\$ 180,000.00	\$ 180,000.00

Assumed Par Value Capital Method

- 1 Calculate "assumed par" by dividing total gross assets by total issued shares carrying the decimal to six places.
- 2 Multiply the assumed par by the number of authorized shares having a par value less than the assumed par.
- 3 Multiply the number of authorized shares with a par value greater than the assumed par value by their respective value.
- 4 Add the results of #2 and #3 above. The result is your assumed par value capital.
- 5 Calculate the tax by dividing the assumed par value capital, rounded up to the next million if it is over \$1,000,000 and multiply by \$200.00 for tax years 2000-2002. For tax years 2003 to 2008, the multiplier is \$250. Beginning tax year 2009, the multiplier increased from \$250 to \$350.

**Sources:**

Delaware Economic and Financial Advisory Council (DEFAC) Revenue Forecast  
Delaware Secretary of State, Division of Corporations  
Delaware Department of Finance Fiscal Notebook



**STATE OF DELAWARE**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(Expressed in Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Governmental Activities</b>										
General Obligation Bonds	\$ 1,045,166	\$ 1,307,487	\$ 1,373,212	\$ 1,467,143	\$ 1,495,904	\$ 1,748,454	\$ 1,853,287	\$ 1,941,110	\$ 1,999,892	\$ 2,067,323
Revenue Bonds	-	-	-	-	-	-	56,170	56,170	54,535	56,837
Notes Payable	<u>3,746</u>	<u>4,882</u>	<u>8,563</u>	<u>3,006</u>	<u>212</u>	<u>77</u>	<u>-</u>	<u>28,500</u>	<u>28,123</u>	<u>27,277</u>
<b>Total Governmental Activities</b>	<u>1,048,912</u>	<u>1,312,369</u>	<u>1,381,775</u>	<u>1,470,149</u>	<u>1,496,116</u>	<u>1,748,531</u>	<u>1,909,457</u>	<u>2,025,780</u>	<u>2,082,550</u>	<u>2,151,437</u>
<b>Business-type Activities</b>										
General Obligation Bonds	-	3,383	2,783	2,107	1,451	787	441	246	103	-
Revenue Bonds	<u>953,265</u>	<u>1,018,815</u>	<u>992,636</u>	<u>1,142,613</u>	<u>1,219,530</u>	<u>1,244,208</u>	<u>1,087,669</u>	<u>1,007,131</u>	<u>939,055</u>	<u>906,878</u>
<b>Total Business-type Activities</b>	<u>953,265</u>	<u>1,022,198</u>	<u>995,419</u>	<u>1,144,720</u>	<u>1,220,981</u>	<u>1,244,995</u>	<u>1,088,110</u>	<u>1,007,377</u>	<u>939,158</u>	<u>906,878</u>
<b>Total Primary Government</b>	<u>\$ 2,002,177</u>	<u>\$ 2,334,567</u>	<u>\$ 2,377,194</u>	<u>\$ 2,614,869</u>	<u>\$ 2,717,097</u>	<u>\$ 2,993,526</u>	<u>\$ 2,997,567</u>	<u>\$ 3,033,157</u>	<u>\$ 3,021,708</u>	<u>\$ 3,058,315</u>
<b>Personal Income</b>	\$34,607,719	\$35,698,470	\$36,590,354	\$36,423,315	\$36,860,326	\$38,767,723	\$40,378,899	\$41,487,286	\$42,984,325	\$44,693,213
<b>Debt as a Percentage of Personal Income</b>	5.79%	6.54%	6.50%	7.18%	7.37%	7.72%	7.42%	7.31%	7.03%	6.84%
<b>Population</b>	859	872	884	892	900	908	917	926	936	N/A
<b>Amount of Debt per Capita (Expressed in Thousands)</b>	\$2,331	\$2,677	\$2,689	\$2,931	\$3,019	\$3,297	\$3,269	\$3,276	\$3,228	N/A

**Sources:**

Personal income and population is provided by the Bureau of Economic Analysis, U.S. Department of Commerce ([www.bea.gov/regional](http://www.bea.gov/regional)) through estimates released May 2015.

**Notes:**

Details regarding the State's outstanding debt can be found in the long-term liabilities note to the financial statements.

All personal income and per capita amounts are updated to reflect revised U.S. Bureau of Economic Analysis estimates.

N/A - Data is not available at this time.

**STATE OF DELAWARE**  
**Debt Limits**  
**Last Ten Fiscal Years**  
(Expressed in Millions)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Estimated General Fund Revenue	\$ 3,006.4	\$ 3,274.3	\$ 3,366.1	\$ 3,147.0	\$ 3,190.7	\$ 3,333.2	\$ 3,422.9	\$ 3,689.7	\$ 3,740.5	\$ 3,939.2
Projected New Tax-Supported Debt Authorizations (5%)	\$ 150.3	\$ 163.8	\$ 168.3	\$ 157.4	\$ 160.0	\$ 167.0	\$ 171.1	\$ 184.5	\$ 187.0	\$ 196.9

**Source:**

Delaware General Assembly

**Notes:**

There is no constitutional debt limit for the State.

The General Assembly passed legislation to have a three-part debt limit, as follows:

- 1 The aggregate principal amount of new "tax-supported obligations of the State" may not exceed 5% of the estimated budgetary general fund revenue for that fiscal year.
- 2 No "tax-supported obligations of the State" and no "Transportation Trust Fund debt obligations" of the Delaware Transportation Authority may be incurred if the aggregate maximum annual payments on all such outstanding obligations exceed 15% of the estimated budgetary general fund revenue plus Transportation Trust Fund revenue for the fiscal year following the fiscal year in which such obligations is incurred (the 15% test).
- 3 No general obligation debt (with certain exceptions) may be incurred if the maximum annual debt service payable in any fiscal year on all such outstanding obligations will exceed the estimated cumulative cash balances (including all reserves) for the fiscal year following the fiscal year in which the obligation is incurred.

**STATE OF DELAWARE**  
**General Obligation Debt Support**  
**Last Ten Fiscal Years**  
(Expressed in Millions)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>General Obligation Debt Supported by Budgetary General Fund Revenue</b>										
State Facilities	\$ 373.8	\$ 360.9	\$ 334.1	\$ 343.2	\$ 437.6	\$ 471.1	\$ 485.2	\$ 567.6	\$ 592.7	\$ 663.9
School Facilities (State Share)	264.8	464.0	522.5	608.7	542.0	604.7	665.6	641.5	694.2	677.9
<b>Subtotal</b>	<u>638.6</u>	<u>824.9</u>	<u>856.6</u>	<u>951.9</u>	<u>979.6</u>	<u>1,075.8</u>	<u>1,150.8</u>	<u>1,209.1</u>	<u>1,286.9</u>	<u>1,341.8</u>
<b>General Obligation Debt Supported by Budgetary Special Fund Revenue</b>										
Highway and Other Transportation Improvements	4.2	3.4	2.8	2.1	1.5	0.8	0.4	0.2	0.1	-
School Facilities (Local Share)	401.8	482.1	516.2	514.9	516.0	536.0	545.3	545.7	538.3	533.5
Housing Authority Loans	0.6	0.5	0.4	0.4	0.3	-	-	-	-	-
<b>Subtotal</b>	<u>406.6</u>	<u>486.0</u>	<u>519.4</u>	<u>517.4</u>	<u>517.8</u>	<u>536.8</u>	<u>545.7</u>	<u>545.9</u>	<u>538.4</u>	<u>533.5</u>
<b>Total General Obligation Debt Outstanding</b>	<u>\$ 1,045.2</u>	<u>\$ 1,310.9</u>	<u>\$ 1,376.0</u>	<u>\$ 1,469.3</u>	<u>\$ 1,497.4</u>	<u>\$ 1,612.6</u>	<u>\$ 1,696.5</u>	<u>\$ 1,755.0</u>	<u>\$ 1,825.3</u>	<u>\$ 1,875.3</u>
<b>Population (In Thousands)</b>	<u>859.0</u>	<u>872.0</u>	<u>884.0</u>	<u>892.0</u>	<u>900.0</u>	<u>908.0</u>	<u>917.0</u>	<u>926.0</u>	<u>936.0</u>	<u>N/A</u>
<b>Debt per capita (In Thousands)</b>	<u>1.22</u>	<u>1.50</u>	<u>1.56</u>	<u>1.65</u>	<u>1.66</u>	<u>1.78</u>	<u>1.85</u>	<u>1.90</u>	<u>1.95</u>	<u>N/A</u>

**Source:**  
Delaware Office of the State Treasurer

**Notes:**  
This table reflects the portion of general obligation debt supported by budgetary general fund and budgetary special fund revenue.  
Population and Debt per capita line added to conform to GFOA comments and suggestions.  
N/A - Data is not available at this time.

**STATE OF DELAWARE**  
**Pledged Revenue Coverage**  
**Last Ten Fiscal Years**  
(Expressed in Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenue Bonds - DelDOT</b>										
Revenue - Turnpike and Motor Vehicles	\$ 337,350	\$ 346,954	\$ 381,590	\$ 367,399	\$ 363,948	\$ 376,186	\$ 378,960	\$ 387,918	\$ 401,922	\$ 411,005
Debt Service:										
Principal	\$ 58,445	\$ 61,370	\$ 67,640	\$ 73,510	\$ 74,380	\$ 71,760	\$ 76,320	\$ 83,230	\$ 75,205	\$ 77,655
Interest	40,573	45,534	46,210	43,619	50,885	52,585	56,411	48,097	47,162	41,467
Debt Service Requirements	\$ 99,018	\$ 106,904	\$ 113,850	\$ 117,129	\$ 125,265	\$ 124,345	\$ 132,731	\$ 131,327	\$ 122,367	\$ 119,122
Coverage	3.41	3.25	3.35	3.14	2.91	3.03	2.86	2.95	3.28	3.45
<b>Revenue Bonds - DSU</b>										
Revenue - Student Tuition and Fees	\$ 50,551	\$ 51,836	\$ 56,381	\$ 57,036	\$ 59,197	\$ 66,712	\$ 75,769	\$ 82,393	\$ 71,439	\$ 70,500
Less: Operating Expenses	(32,089)	(40,683)	(41,855)	(41,224)	(44,105)	(47,454)	(58,230)	(61,156)	(60,972)	(57,281)
Net Available Revenue	\$ 18,462	\$ 11,153	\$ 14,526	\$ 15,812	\$ 15,092	\$ 19,258	\$ 17,539	\$ 21,237	\$ 10,467	\$ 13,219
Debt Service:										
Principal	2,078	\$ 1,440	\$ 1,480	\$ 1,585	\$ 1,710	\$ 1,845	\$ 2,030	\$ 1,700	\$ 2,793	\$ 2,942
Interest *	505	2,279	2,814	4,381	3,542	3,510	3,310	4,923	5,233	5,457
Debt Service Requirements	\$ 2,583	\$ 3,719	\$ 4,294	\$ 5,966	\$ 5,252	\$ 5,355	\$ 5,340	\$ 6,623	\$ 8,026	\$ 8,399
Coverage	7.15	3.00	3.38	2.65	2.87	3.60	3.28	3.21	1.30	1.57
<b>Revenue Bonds - DSHA</b>										
Gross Revenues	\$ 81,632	\$ 82,689	\$ 134,059	\$ 144,322	\$ 294,656	\$ 259,106	\$ 360,467	\$ 314,633	\$ 175,961	\$ 112,651
Less: Operating Expenses	(1,137)	(660)	(849)	(962)	(893)	(2,944)	(504)	(321)	(267)	(264)
Net Available Revenue	\$ 80,495	\$ 82,029	\$ 133,210	\$ 143,360	\$ 293,763	\$ 256,162	\$ 359,963	\$ 314,312	\$ 175,694	\$ 112,387
Debt Service:										
Principal	\$ 58,956	\$ 51,517	\$ 84,578	\$ 79,687	\$ 217,757	\$ 219,278	\$ 232,105	\$ 275,434	\$ 151,501	\$ 94,073
Interest	18,120	28,791	45,172	52,251	49,496	39,646	39,076	32,161	22,557	17,099
Debt Service Requirements	\$ 77,076	\$ 80,308	\$ 129,750	\$ 131,938	\$ 267,253	\$ 258,924	\$ 271,181	\$ 307,595	\$ 174,058	\$ 111,172
Coverage	1.04	1.02	1.03	1.09	1.10	0.99	1.33	1.02	1.01	1.01

**Sources:**

Delaware Department of Transportation  
Delaware State University  
Delaware State Housing Authority

**Notes:**

Gross revenues represent mortgage principal repayment, mortgage insurance claims received, unused bond proceeds and excess reserves. Expenses do not include interest or amortization. Abbreviations: Delaware Department of Transportation (DelDOT), Delaware State University (DSU), Delaware State Housing Authority (DSHA)

Debt service for Delaware State University includes Delaware State University Student Housing Foundation beginning in years 2004 through current.

\*Interest on Delaware State University Student Housing Foundation is a variable rate. In 2007, the increase in interest is reflective in interest rates due to the market.

**STATE OF DELAWARE**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**  
(Expressed in Thousands, Unless Otherwise Stated)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Population</b>										
State	845	859	872	884	892	900	908	917	926	936
Percentage Change	1.8%	1.7%	1.5%	1.4%	0.9%	0.9%	0.9%	1.0%	1.0%	1.1%
National	295,517	298,380	301,231	304,094	306,772	309,326	311,583	313,874	316,129	318,857
Percentage Change	0.9%	1.0%	1.0%	1.0%	0.9%	0.8%	0.7%	0.7%	0.7%	0.9%
<b>Total Personal Income</b>										
State (In Millions)	\$30,477.0	\$34,607.0	\$35,699.0	\$36,590.0	\$36,422.0	\$36,860.0	\$38,767.0	\$40,379.0	\$41,487.0	\$42,984.0
Percentage Change	-1.3%	13.6%	3.2%	2.5%	-0.5%	1.2%	5.2%	4.2%	2.7%	3.6%
National (In Billions)	\$10,606	\$11,376	\$11,990	\$12,429	\$12,080	\$12,417	\$13,190	\$13,873	\$14,151	\$14,709
Percentage Change	5.6%	7.3%	5.4%	3.7%	-2.8%	2.8%	6.2%	5.2%	2.0%	3.9%
<b>Per Capita Personal Income</b>										
State	\$38,333	\$40,276	\$40,950	\$41,398	\$40,846	\$40,969	\$42,696	\$44,031	\$44,815	\$45,942
Percentage Change	3.1%	5.1%	1.7%	1.1%	-1.3%	0.3%	4.2%	3.1%	1.8%	2.5%
National	\$35,888	\$38,127	\$39,804	\$40,873	\$39,379	\$40,144	\$42,332	\$44,200	\$44,765	\$46,129
Percentage Change	4.6%	6.2%	4.4%	2.7%	-3.7%	1.9%	5.5%	4.4%	1.3%	3.0%
<b>Resident Civilian Labor Force and Employment (in units)</b>										
Civilian Labor Force	432,400	441,200	443,600	447,000	437,500	434,400	443,200	445,500	442,500	451,800
Employed	414,500	425,400	428,300	424,900	401,300	397,900	410,000	413,300	412,800	425,900
Unemployed	17,900	15,800	15,300	22,100	36,200	36,500	33,200	32,200	29,700	25,900
Unemployment Rate	4.1%	3.6%	3.4%	4.9%	8.3%	8.4%	7.5%	7.2%	6.7%	5.7%

**Sources:**

Population and personal income is provided by the Bureau of Economic Analysis, U.S. Department of Commerce ([www.bea.gov/regional](http://www.bea.gov/regional)) SA05N through estimates released May 2015.  
Delaware Department of Labor, Office of Occupational and Labor Market Information

**Notes:**

Total personal income is comprised of earned income, dividends, interest and rents, and government transfer payments.

Per capita income is calculated by dividing personal income by population; amounts may not be exact due to rounding.

Numbers for prior years revised due to releases of updated data by the Bureau of Economic Analysis.

**STATE OF DELAWARE**  
**Principal Employers by Industry**  
**Last Ten Calendar Years**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Number of Employees by Industry</b>										
<u>Farm Employment</u>										
Farm	3,163	3,137	3,210	3,041	2,983	3,113	3,113	3,457	3,343	3,801
<u>Non-farm Employment</u>										
Private Employment:										
Accommodation and Food Services	33,642	34,127	34,687	35,329	35,117	35,742	36,617	37,299	38,371	39,265
Administrative and Waste Services	28,231	29,541	30,622	29,672	27,810	27,747	28,329	28,164	29,678	31,934
Arts, Entertainment, and Recreation	12,967	13,077	12,865	13,135	12,909	13,724	14,160	14,096	14,171	15,347
Construction	- *	40,579	38,218	34,975	29,750	28,416	27,993	27,363	28,594	29,601
Educational Services	8,642	9,227	9,161	9,187	9,211	9,214	9,020	9,064	9,089	9,891
Finance and Insurance	48,647	47,509	48,913	50,647	52,332	50,562	52,905	53,293	55,118	56,411
Forestry, Fishing, and Related Activities	862	834	880	- *	- *	- *	- *	- *	- *	-
Health Care and Social Assistance	52,830	54,522	56,985	61,099	62,126	62,919	64,392	65,828	67,927	69,962
Information	7,627	7,736	8,022	8,175	7,591	7,147	6,978	6,813	6,630	6,367
Management of Companies and Enterprises	13,201	12,805	12,085	11,870	11,075	10,548	9,196	8,751	7,216	6,850
Manufacturing, Durable and Non-durable	34,048	34,165	34,367	32,754	29,046	27,168	26,814	26,970	26,627	27,100
Mining	- *	181	177	- *	- *	- *	- *	- *	- *	-
Professional, Scientific, and Technical Services	34,055	34,113	35,577	36,145	34,369	34,003	36,017	37,523	38,798	39,476
Real Estate and Rental and Leasing	20,521	21,476	23,225	23,008	22,529	22,749	23,851	23,008	23,312	22,964
Trade, Retail	62,370	62,937	63,908	62,057	59,098	58,437	59,576	59,442	60,404	61,346
Trade, Wholesale	16,048	16,358	16,042	15,739	14,478	13,623	13,815	13,804	13,544	13,386
Transportation and Warehousing	13,145	13,812	14,239	13,807	12,874	12,421	12,783	13,169	14,464	15,915
Utilities	2,231	2,236	2,191	2,281	2,185	2,150	2,004	2,065	2,137	2,204
Other Services, Except Public Administration	27,535	28,008	28,518	28,751	27,470	27,066	27,467	27,967	28,390	26,253
<b>Total Private Employment</b>	<u>416,602</u>	<u>463,243</u>	<u>470,682</u>	<u>468,631</u>	<u>449,970</u>	<u>443,636</u>	<u>451,917</u>	<u>454,619</u>	<u>464,470</u>	<u>474,272</u>
Governmental and Governmental Enterprises:										
Federal, Civilian	5,435	5,390	5,538	5,693	5,797	6,156	5,842	5,629	5,551	5,538
Military	8,422	8,032	8,275	8,378	8,464	8,674	8,765	8,974	9,141	8,922
State Governmental	30,556	31,739	32,670	33,176	32,581	32,804	32,491	33,273	33,459	33,855
Local Governmental	23,875	24,435	24,025	24,452	24,810	25,303	25,693	25,913	26,111	26,321
<b>Total Governmental Employment</b>	<u>68,288</u>	<u>69,596</u>	<u>70,508</u>	<u>71,699</u>	<u>71,652</u>	<u>72,937</u>	<u>72,791</u>	<u>73,789</u>	<u>74,262</u>	<u>74,636</u>
<b>Total Non-farm Employment</b>	<u>484,890</u>	<u>532,839</u>	<u>541,190</u>	<u>540,330</u>	<u>521,622</u>	<u>516,573</u>	<u>524,708</u>	<u>528,408</u>	<u>538,732</u>	<u>548,908</u>
<b>Total Employment</b>	<u>488,053</u>	<u>535,976</u>	<u>544,400</u>	<u>543,371</u>	<u>524,605</u>	<u>519,686</u>	<u>527,821</u>	<u>531,865</u>	<u>542,075</u>	<u>552,709</u>

**Source:**

Number of employees by industry is provided by the Bureau of Economic Analysis, U.S. Department of Commerce ([www.bea.gov/regional/](http://www.bea.gov/regional/)) through estimates released May 2015.

**Notes:**

Due to statutory requirements (confidentiality provisions), the State can not disclose the number employed by the ten largest employers. As an alternative comparison, this schedule presents the number employed by nonfarm related industries. The ten largest employers are nonfarm related; therefore, the number employed by those employers could be expected to fall within this schedule.

\* Not shown to avoid disclosure of confidential information, estimates for items are not included in the totals

**STATE OF DELAWARE**  
**State Employees by Function**  
**Last Ten Fiscal Years**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Full-Time Employees</b>										
General Government	1,989	2,162	2,233	2,201	1,971	1,974	1,956	2,024	2,043	2,014
Health and Children's Services	5,888	6,000	5,897	5,761	5,031	5,053	5,024	4,978	4,916	4,826
Judicial and Public Safety	5,325	5,517	5,595	5,496	5,401	5,363	5,411	5,463	5,476	5,561
Natural Resources and Environmental Control	1,293	1,348	1,243	1,302	713	716	720	706	693	683
Transportation	1,997	1,994	2,054	1,997	1,716	1,732	1,743	1,699	1,684	1,662
Labor	426	439	445	454	445	441	435	434	436	422
Education	16,493	16,555	16,583	16,530	16,753	17,039	17,366	17,571	17,786	17,697
State Total	<u>33,411</u>	<u>34,015</u>	<u>34,050</u>	<u>33,741</u>	<u>32,030</u>	<u>32,318</u>	<u>32,655</u>	<u>32,875</u>	<u>33,034</u>	<u>32,865</u>

**Source:**

Delaware Payroll Human Resources Statewide Technology System

**Note:**

Includes employees of Local School Districts, but not those of Charter Schools.

**STATE OF DELAWARE**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Department/Agency	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Children, Youth and Their Families</b>										
Number of Youths in Care	8,882	9,129	8,115	7,532	22,539	23,442	25,068	22,987	21,591	23,155
<b>Corrections</b>										
Average Daily Inmate Population	6,837	7,088	7,156	7,018	6,727	6,577	6,652	6,884	6,951	6,824
<b>Natural Resources and Environmental Control</b>										
Number of Visitors to State Parks	4,556,931	5,513,777	4,812,961	4,650,000	4,789,780	4,436,936	4,780,745	5,066,857	5,020,518	6,431,539
<b>Education</b>										
Public School Enrollment, Grades K-12	120,938	122,261	124,041	125,430	126,801	129,395	130,610	131,514	133,369	134,932
Delaware State University - Students Enrolled	3,722	3,690	3,756	3,534	3,819	4,178	4,425	4,877	4,857	5,015
Delaware Technical & Community College - Enrolled	19,593	19,565	20,349	20,484	21,352	21,654	21,062	20,366	19,421	19,165
<b>Health and Social Services</b>										
Medicaid Eligibles	142,515	143,386	148,827	156,266	173,769	193,633	207,067	212,693	217,658	224,198
Prescription Assistance Program	9,065	8,515	7,003	6,267	5,995	6,178	6,243	6,075	5,867	5,640
Childcare Caseloads	14,769	15,039	14,009	13,549	13,696	14,461	14,609	14,765	14,063	14,303
Client Visits to Service Centers	406,487	441,196	452,554	605,991	686,606	687,976	708,000	653,243	643,299	636,473
<b>Judicial</b>										
Court of Common Pleas - Filings	90,964	99,345	128,372	136,631	140,139	126,843	119,753	188,082	139,209	134,713
Superior Court - Filings	11,041	12,869	13,177	14,137	15,060	23,265	20,676	20,367	19,497	18,520
<b>Labor</b>										
Workers' Compensations Petitions Filed	7,619	7,414	7,545	8,196	7,641	7,205	6,755	6,841	6,645	7,035
<b>Safety and Homeland Security</b>										
Number of Criminal Histories Requested	35,263	37,321	38,289	37,384	39,627	43,571	45,995	48,821	50,823	53,964
Calls to 911 Centers	605,194	395,701	434,562	596,691	263,424	325,803	296,796	555,060	369,867	333,282
<b>Transportation</b>										
Licensed Drivers	619,877	622,027	632,304	636,580	644,014	651,799	657,978	663,524	717,875	737,952
Registered Motor Vehicles	847,692	862,473	871,010	845,802	832,661	839,733	825,327	833,786	855,239	879,071
Bus ridership - Fixed Routes	8,472,093	8,313,800	8,628,149	9,146,869	9,218,232	9,920,213	11,594,262	11,195,263	10,952,118	10,257,127
Train Ridership - Newark to Philadelphia	947,890	1,028,631	1,073,296	1,137,709	1,106,742	1,158,650	1,207,644	1,232,098	1,208,279	1,273,590

**Sources:**

Delaware Department of Services for Children Youth & Their Families  
Delaware Department of Corrections  
Delaware Department of Education  
Delaware State University  
Delaware Technical & Community College  
Delaware Department of Health & Social Services  
Delaware Judicial Department  
Delaware Department of Labor  
Delaware State Police  
Delaware Department of Transportation

**Notes:**

Licensed drivers and registered motor vehicles are tracked on a calendar year.  
NA - not available



**STATE OF DELAWARE**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Government</b>										
Acres of Farmland Permanently Preserved	3,216	1,094	2,948	2,896	4,487	5,927	6,355	5,859	4,360	1,066
<b>Health and Children's Services</b>										
Hospitals	5	5	6	6	6	6	5	5	5	5
Service Centers	14	14	15	15	15	15	15	15	15	15
<b>Natural Resources and Environmental Control</b>										
Acres of Wildlife Habitat Actively Managed	7,975	8,911	8,150	8,557	8,500	8,700	8,700	8,400	8,400	8,200
<b>Transportation</b>										
Centerline Miles	4,454	4,454	4,447	4,360	4,378	4,378	4,378	4,378	4,448	4,448
Centerline Miles Rated Good	3,055	3,071	3,007	3,423	3,796	3,796	3,796	3,796	4,032	4,032
Number of Bridges	1,417	1,457	1,509	1,556	1,562	1,566	1,591	1,601	1,592	1,626
Structural Rating of Good	1,112	1,131	1,118	1,144	1,137	1,140	1,149	1,151	1,198	1,211
Square Feet of Bridge Deck	7,267,932	7,289,913	7,311,730	7,330,395	7,341,988	7,354,916	7,174,339	7,614,980	7,858,872	8,049,340
Square Feet of Bridge Deck Rated Good	6,860,141	6,809,939	6,799,842	6,800,531	6,685,282	6,670,643	6,476,158	6,956,457	5,886,694	5,979,029
<b>National Guard</b>										
Number of Armory Facilities	14	14	13	12	12	12	10	11	10	11
<b>Education</b>										
Local School Districts										
Number of Elementary Schools	105	105	108	102	100	101	104	106	106	107
Number of Middle Schools	35	35	36	38	40	40	37	38	37	36
Number of High Schools	33	33	32	31	31	31	32	30	30	32
Number of Special Schools	14	14	14	13	13	15	14	14	14	12
Number of Administration Buildings	19	19	19	20	22	23	24	23	25	25

**Source:**

Delaware Department of Agriculture  
Delaware Office of Management and Budget  
Delaware Department of Transportation  
Delaware National Guard  
Department of Education

**STATE OF DELAWARE**  
**Capital Asset Balances by Function**  
**Last Ten Fiscal Years**  
(Expressed in Thousands)

<b>Function</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Buildings</b>										
General Government	\$ 405,941	\$ 444,439	\$ 460,711	\$ 459,906	\$ 468,958	\$ 525,042	\$ 521,673	\$ 523,219	\$ 527,752	\$ 554,355
Health and Children's Services	149,535	151,888	158,691	190,450	188,454	193,410	191,778	190,865	194,224	190,798
Judicial and Public Safety	353,106	353,315	358,662	359,135	371,690	373,648	375,424	375,869	387,579	430,857
Natural Resources and Environmental Control	10,892	23,773	27,538	29,149	38,750	42,143	43,130	43,130	43,484	45,100
Transportation	54,857	55,051	77,471	89,564	91,065	98,057	104,837	109,638	140,730	159,631
Education	1,251,807	1,479,998	1,705,323	1,890,709	2,093,349	2,271,507	2,382,520	2,465,751	2,503,000	2,806,521
<b>Total Buildings</b>	<b>\$ 2,226,138</b>	<b>\$ 2,508,464</b>	<b>\$ 2,788,396</b>	<b>\$ 3,018,913</b>	<b>\$ 3,252,266</b>	<b>\$ 3,503,807</b>	<b>\$ 3,619,362</b>	<b>\$ 3,708,472</b>	<b>\$ 3,796,769</b>	<b>\$ 4,187,262</b>
<b>Land and Land Improvements</b>										
General Government	\$ 184,916	\$ 211,040	\$ 252,200	\$ 274,853	\$ 289,265	\$ 317,066	\$ 337,587	\$ 127,166	\$ 128,036	\$ 133,499
Health and Children's Services	10,620	11,469	11,993	13,667	13,518	13,518	13,518	13,518	13,518	13,518
Judicial and Public Safety	25,521	26,102	25,971	25,971	25,987	29,567	80,820	80,820	84,458	84,133
Natural Resources and Environmental Control	284,814	300,525	309,158	323,370	371,079	369,834	375,847	383,945	397,552	402,858
Transportation	211,272	206,411	222,986	249,775	276,761	276,761	276,761	283,876	288,612	298,948
Education	64,374	75,910	84,728	100,968	110,825	138,874	148,668	160,218	165,246	194,740
<b>Total Land and Land Improvements</b>	<b>\$ 781,517</b>	<b>\$ 831,457</b>	<b>\$ 907,036</b>	<b>\$ 988,604</b>	<b>\$ 1,087,435</b>	<b>\$ 1,195,620</b>	<b>\$ 1,233,201</b>	<b>\$ 1,049,543</b>	<b>\$ 1,077,422</b>	<b>\$ 1,127,696</b>
<b>Equipment and Vehicles</b>										
General Government	\$ 38,801	\$ 33,825	\$ 34,380	\$ 26,339	\$ 25,826	\$ 25,255	\$ 21,192	\$ 21,472	\$ 21,610	\$ 31,829
Health and Children's Services	14,639	18,209	19,684	20,876	17,486	18,203	18,377	17,453	17,490	15,980
Judicial and Public Safety	33,761	37,183	34,091	33,488	31,573	30,960	35,509	36,290	40,310	41,804
Natural Resources and Environmental Control	19,963	21,035	21,500	21,412	22,021	22,731	23,077	24,409	25,290	26,693
Transportation	161,945	179,466	218,606	220,630	237,416	239,415	254,506	268,900	296,476	294,328
Labor	712	875	875	806	862	862	662	946	1,023	1,023
Education	49,955	56,486	60,185	63,787	62,990	68,287	77,130	80,657	81,807	86,079
<b>Total Equipment and Vehicles</b>	<b>\$ 319,776</b>	<b>\$ 347,079</b>	<b>\$ 389,321</b>	<b>\$ 387,338</b>	<b>\$ 398,174</b>	<b>\$ 405,713</b>	<b>\$ 430,453</b>	<b>\$ 450,127</b>	<b>\$ 484,006</b>	<b>\$ 497,736</b>
<b>Infrastructure</b>										
Transportation	\$ 3,255,998	\$ 3,283,783	\$ 3,345,399	\$ 3,385,364	\$ 3,432,677	\$ 3,481,075	\$ 3,564,347	\$ 3,670,250	\$ 3,723,674	\$ 3,760,135

**Source:**  
Delaware Department of Finance

**Notes:**

Information regarding Infrastructure can be found in the Required Supplementary Information contained on page 123. Information is given as to the number of bridges and their condition as well as the center-lane miles and their condition for the past three years. The State preserves farmland under the Department of Agriculture which is part of General Government. In addition, land is preserved as park land under the Department of Natural Resources and Environmental Control. Other land is used for functional purposes of the department, including housing building to perform the Department's function.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Delaware (the State), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 28, 2015. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report includes a reference to other auditors who audited the financial statements of certain agencies and component units of the State of Delaware, which represent the indicated percent of total assets and deferred outflows of resources, net position/ fund balance, and total revenues as described in our report on the State's financial statements and as presented in the following tables. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors. The financial statements of the Delaware Sustainable Energy Utility, the Delaware Public Employees' Retirement System, Delaware State University and the Riverfront Development Corporation of Delaware were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Delaware Sustainable Energy Utility, the Delaware Public Employees' Retirement System, Delaware State University and the Riverfront Development Corporation of Delaware.

**Percentage Audited by  
Other Auditors**

	<b>Assets and Deferred Outflows of Resources</b>	<b>Revenues</b>	<b>Net Position/ Fund Balance</b>
Governmental Activities	0%	0%	27%
Business-type Activities	98%	91%	98%
Discretely Presented Component Units	100%	100%	100%
General Fund	1%	0%	3%
Lottery Fund	100%	100%	100%
DeIDOT Fund	100%	100%	100%
Aggregate Remaining Fund Information	95%	74%	97%

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the

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

purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 identified certain deficiencies in internal control, 2015-001 – 2015-006 described in the accompanying schedule of findings and responses that we consider to be material weaknesses.

#### **Compliance and Other Matters**

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

#### **State of Delaware's Response to Findings**

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

#### **Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 28, 2015

**State of Delaware**  
**Schedule of Findings and Management Response**  
**June 30, 2015**

**Material Weaknesses**

**Finding 2015-001 - Prior Period Adjustment Resulting from the Understatement of Liability- Division of Unemployment Insurance**

***Condition***

The Division of Unemployment Insurance (UI) recorded entries in fiscal year 2014 that resulted in the understatement of accrued liabilities. This resulted in a prior period audit adjustment to increase the accrued liability, and a respective charge to decrease net position by \$6.2 million.

***Criteria***

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the State's ability to ensure financial transactions are authorized and accurate.

***Cause***

This was the result of UI not having a full understanding of the nature of the entries that were recorded, and the accounting treatment for the respective liability accounts.

***Effect***

Accrued liabilities were understated and net position overstated at June 30, 2014, resulting in the need for a prior period adjustment to correct these accounts.

***Recommendation***

We recommend that UI increase their documentation and procedures over accrued liabilities in order to fully understand the nature of the accounts.

***Management Response***

Management concurs with the finding. Management has put procedures in place to monitor the individual accounts on a monthly basis to ensure the appropriate reporting of the liability for future reporting periods.

**Finding 2015-002 - Overstatement of Grants Receivable - Division of Accounting, Department of Finance**

***Condition***

In the process of compiling the GAAP Reporting Packages, a spreadsheet error was made by Division of Accounting, Department of Finance resulting in the overstatement of grants receivable. This required an audit adjustment to decrease grants receivable and the related revenue amount by \$6.6 million.

***Criteria***

COSO/Internal Control Framework defines control activities as “policies and procedures that help ensure management’s directives are carried out.” Management review controls are defined as, “the activities of a person, different than the preparer, through analyzing and performing oversight of activities performed, and is an integral part of any internal control structure.”

***Cause***

Division of Accounting, Department of Finance’s internal controls over financial reporting were inadequate to prevent or detect a misstatement during the preparation of the State’s CAFR and the supporting accounting records.

***Effect***

A material audit adjustment was necessary to correct the error.

***Recommendation***

We recommend that policies and procedures be implemented to ensure that internal controls over the financial reporting process include additional layers of review in order to mitigate potential misstatements.

***Management Response***

Management concurs with the finding. The CAFR process has been significantly improved over the years and continues to evolve. Management continues to implement new practices to ensure that the financial statements are complete and accurate. This includes continued enhancement of our review procedures during the CAFR compilation process, however, we acknowledge that the inherent reliance on spreadsheets throughout any compilation process presents risk of error, however mitigated.

## **Finding 2015-003 - Understatement of Allowance for Doubtful Accounts - Department of Corrections**

### ***Condition***

The Department of Corrections' (DOC) failed to properly perform a valuation of the collectability of all accounts receivable at year end, resulting in an understatement of the allowance for doubtful accounts. This error resulted in an audit adjustment to increase the allowance for doubtful accounts in the amount of \$10.1 million.

### ***Criteria***

COSO/Internal Control Framework defines control activities as “policies and procedures that help ensure management’s directives are carried out.” Management review controls are defined as, “the activities of a person, different than the preparer, through analyzing and performing oversight of activities performed, and is an integral part of any internal control structure.”

COSO/Internal Control Framework indicates that monitoring is implemented to help ensure “that internal control continues to operate effectively”. Monitoring involves oversight of internal controls by management or other parties outside the process. It may also include the application of independent methodologies, such as the allowance for doubtful accounts, by employees within a process.

### ***Cause***

Department of Corrections' (DOC) procedures and controls were inadequate to ensure proper reporting of accounts receivable balances on the agency’s accounts receivable GAAP reporting package. DOC does not have adequate internal controls in place to properly monitor the performance of the estimate of the allowance for doubtful accounts calculation. Lack of adequate review procedures resulted in errors not being detected during review.

### ***Effect***

A material audit adjustment was necessary to correct the error.

### ***Recommendation***

We recommend that policies and procedures be implemented to ensure that internal controls over the financial reporting process include additional layers of review in order to mitigate potential misstatements. Monitoring of the estimate of the allowance for doubtful accounts should be included as part of the internal control procedures.

### ***Management Response***

Management concurs with this finding. Management will continue to review the individual accounts included in the account receivable balance to identify any trending of the individuals associated with those accounts and reevaluate the accounts receivable policy on a regular basis.

## **Finding 2015-004 - Understatement of Allowance for Doubtful Accounts - Superior Courts**

### ***Condition***

The methodology used by the Superior Court (SC) to determine the valuation of the allowance for doubtful accounts was not properly evaluated. The method used by SC was to determine the collection rate to date, and apply that rate to the remaining balance of accounts receivable. This methodology does not consider that the rate of collections will decrease as the uncollected balances age, and as a result understated the allowance for doubtful accounts. This error resulted in an audit adjustment to increase the allowance for doubtful accounts in the amounts of \$25.6 million.

### ***Criteria***

COSO/Internal Control Framework indicated that monitoring is implemented to help ensure “that internal control continues to operate effectively”. Monitoring involves oversight of internal controls by management or other parties outside the process. It may also include the application of independent methodologies, such as the allowance for doubtful accounts, by employees within a process.

### ***Cause***

The Superior Court's (SC) internal controls for the review and approval of the estimate of the allowance for doubtful accounts failed to establish an allowance estimate method that was based on historical collection rates. The SC does not have adequate internal controls in place to properly monitor the performance of the estimate of the allowance for doubtful accounts calculation.

### ***Effect***

A material audit adjustment was necessary to correct the error.

### ***Recommendation***

We recommend that policies and procedures be implemented to ensure that internal controls over the financial reporting process include additional layers of review in order to mitigate potential misstatements. Monitoring of the estimate of the allowance for doubtful accounts should be included as part of the internal control procedures to ensure that the methodology is properly supported by historical collection data.

### ***Management Response***

Management concurs with this finding. Management will continue to review the individual accounts included in the account receivable balance to identify any trending of the individuals associated with those accounts and reevaluate the accounts receivable policy on a regular basis.



## **Finding 2015-005 - Overstatement of Accounts Receivable- Department of Insurance**

### ***Condition***

The Department of Insurance incorrectly reported the accounts receivable balance on the GAAP reporting package at June 30, 2015, resulting in an overstatement of accounts receivable balance. This error required in an audit adjustment to decrease accounts receivable in the amounts of \$5.3 million.

### ***Criteria***

COSO/Internal Control Framework defines control activities as “policies and procedures that help ensure management’s directives are carried out.” Management review controls are defined as, “the activities of a person, different than the preparer, through analyzing and performing oversight of activities performed, and is an integral part of any internal control structure.”

### ***Cause***

The Department of Insurance’s procedures and controls were inadequate to ensure proper reporting of accounts receivable balances on the agency’s accounts receivable GAAP reporting package. There was a lack of adequate review by the Department’s supervisory staff.

### ***Effect***

A material audit adjustment was necessary to correct the error.

### ***Recommendation***

We recommend that policies and procedures be implemented to ensure that internal controls over the financial reporting process include additional layers of review in order to mitigate potential misstatements.

### ***Management Response***

Management concurs with this finding.

**Finding 2015-006 - Understatement of Unemployment Insurance Accounts Receivable - Division of Unemployment Insurance**

***Condition***

In computing the allowance for doubtful accounts, the Division of Unemployment Insurance (UI) incorrectly reserved 58% of the accounts receivable balance, instead of 42% which represents the historical rate of accounts deemed uncollectable. This resulted in an audit adjustment to reduce the allowance for doubtful accounts on accounts receivable by \$3.3 million.

***Criteria***

COSO/Internal Control Framework defines control activities as “policies and procedures that help ensure management’s directives are carried out.” Management review controls are defined as, “the activities of a person, different than the preparer, through analyzing and performing oversight of activities performed, and is an integral part of any internal control structure.”

***Cause***

UI does not have adequate internal controls in place to properly assess the accuracy of the allowance for doubtful accounts calculation as errors were not detected during review.

***Effect***

A material audit adjustment was necessary to adjust the estimate.

***Recommendation***

We recommend that policies and procedures be implemented to document the methodology of the allowance calculation to ensure that it is properly followed.

***Management Response***

Management concurs with the finding. Management will incorporate procedures to ensure completeness and accuracy of the allowance for doubtful accounts, including the evaluation of the adequacy of the allowance percentages with review and oversight by management, including the Division of Accounting for the proper calculation of the allowance.