

# DIAMOND STATE PORT CORPORATION

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FINANCIAL STATEMENT AUDIT  
FOR YEAR ENDED JUNE 30, 2023

# DIAMOND STATE PORT CORPORATION FINANCIAL STATEMENT AUDIT

**REPORT SUMMARY** FOR FISCAL YEAR ENDED JUNE 30, 2023

## BACKGROUND

Diamond State Port Corporation (DSPC) is a separate entity that is reported as part of the State's overall financial statements. The corporation serves the state by operating the Port of Wilmington, which is a full-service deep-water port and terminal.

This engagement was performed in accordance with 29 Del. C. § 8786, which requires that the books and accounts of the Diamond State Port Corporation be audited annually by an independent certified public accounting firm that is mutually agreed upon by the State Auditor and the Secretary of State.

## KEY INFORMATION AND FINDINGS

### Previous Lease



- Requirement to invest \$580 million to redevelop existing port facilities and establish new port facilities at Edgemoor
- Concession fee minimum of \$3 million per year for first 10 years, \$13.1 million for the eleventh year, and up to \$12.0 million per year during the remaining 39 years.

### Current Lease



- Requirement to invest \$87 million to redevelop existing port facilities
- Agreement to collaborate with DSPC to establish new port facilities at Edgemoor
- Concession fee minimum of \$1 million per year for the first seven years and a minimum of \$1.5 million per year for the remaining 48 years
- Initial capital contribution of \$21.5 million

The 2023 financial statements of Diamond State Port Corporation (DSPC) reflect the concession agreement as it currently exists between DSPC and Enstructure. The concession agreement has always been accounted for as a leveraged lease in DSPC reports. The 2023 report reflects the Third Amendment to the concession agreement (Third Amendment) that was entered into in July 2023. The amended agreement is for 50 years, a period that began in the fiscal year 2024. (see page 14, Note 3).

Even though the Third Amendment was entered into after the end of the fiscal year 2023, accounting principles require the amended agreement be reflected in the 2023 report of DSPC because the Third Amendment provided for a material change in the financial terms. The new terms were known prior to the publication of this report and affect the year-end balances. (see page 14, Note 3).

Leveraged lease accounting is the proper form of accounting for the terms of this concession agreement. This manner of presentation does not reflect any of the operations of the port. Leveraged lease presentation will reflect whether the concession payments are being made by the concession holder. (see page 13, Note 3).

The Third Amendment gave rise to changes in the balances reported by DSPC that are related to the leveraged lease. The overall loss due to the change in concession holder reflected in the Statement of Revenues, Expenses, and Changes in Net Position is \$97.3 million. (see also page 14, Note 3).

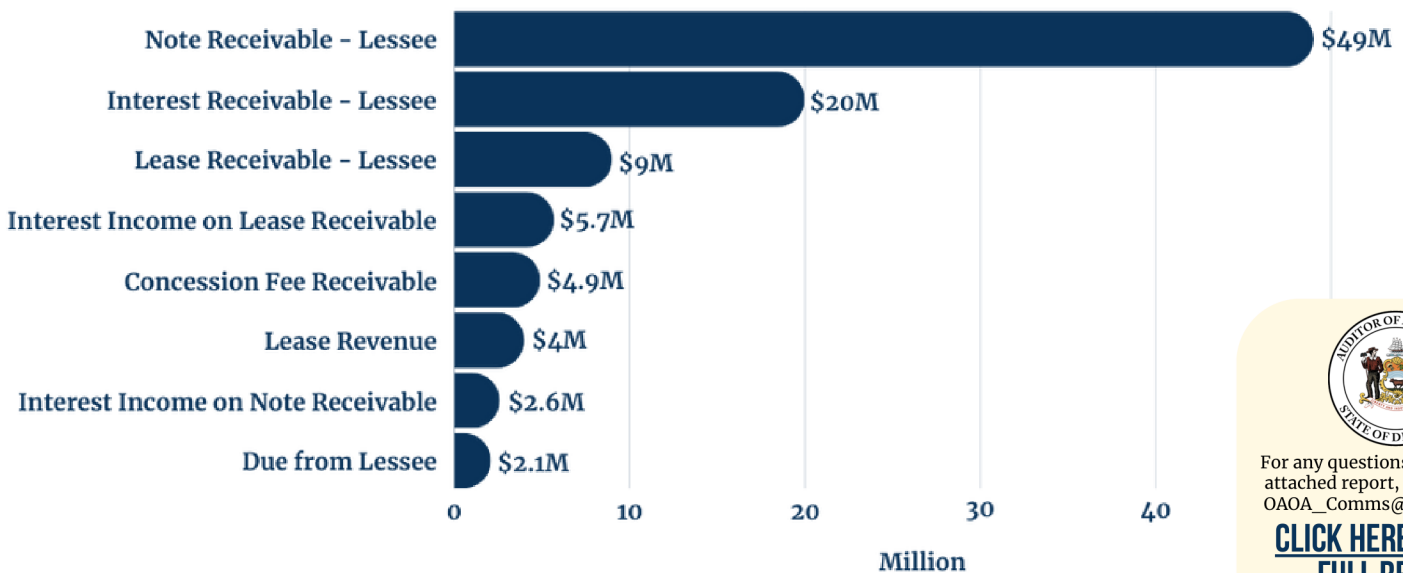
Even though the report is otherwise compliant with generally accepted accounting standards, the report as presented is not fully compliant with government accounting standards. The report is accurate regarding 2023 results; however, Government Accounting Standards also require the report to include DSPC Management Discussion and Analysis. This section would include the comments of management concerning the results presented. This report does not include commentary from management. AOA hopes that future reports will comply with this standard of reporting. (see page 2 of the Independent Auditor’s Report).

In fiscal year 2023, DSPC received a \$30 million grant from the State of Delaware to finance the early engineering and early construction of a new container port in Edgemoor, Delaware. The State funding for the grant was awarded by way of the American Rescue Plan Act. (see page 12, Note 2(g)).

On November 30, 2001, DSPC entered into a loan agreement with DelDOT where DSPC borrowed \$27,500,000. During the year ended June 30, 2023, the Transportation Trust Fund was due to receive \$1.8 million from the corporation; however, the loan was restructured to allow for the deferral of debt service principal and interest payments. (see page 20, Note 8).

The calculation in the following graph is based on data from the current and prior year to arrive at the present value of the losses from the concession agreement. Because this report presents one year of financial activity, users of the financial statement will need to review the prior year report. Going forward AOA anticipates that future reports will be presented with comparative statements as a standard of reporting.

## CONCESSION AGREEMENT LOSS - \$97.3M



For any questions regarding the attached report, please contact [OAOA\\_Comms@delaware.gov](mailto:OAOA_Comms@delaware.gov).

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**State of Delaware**  
**Diamond State Port Corporation**  
(A Component Unit of the State of Delaware)

**Financial Statements**

**June 30, 2023**

**State of Delaware**  
**Diamond State Port Corporation**

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## Independent Auditors' Report

Board of Directors  
Diamond State Port Corporation  
Wilmington, Delaware

### *Report on the Audit of the Financial Statements*

#### *Opinion*

We have audited the accompanying financial statements of the Diamond State Port Corporation (the Corporation), as of and for the Fiscal Year Ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2023, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statement*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Schedule of Changes in Net Pension Liability and Related Ratios*, and the *Schedule of Contributions* be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB 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. Our opinion on the basic financial statements is not affected by this missing information

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2023 on our consideration of the Corporation'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's 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 Corporation's internal control over financial reporting and compliance.

*Gunnip & Company LLP*

December 4, 2023  
Wilmington, Delaware



## **Financial Statements**

**Diamond State Port Corporation**  
Statement of Net Position  
June 30, 2023

<b>Current assets</b>	
Cash and cash equivalents	\$ 1,353,796
Advances	8,500
	<u>1,362,296</u>
<b>Restricted assets</b>	
Cash equivalents	294,354
	<u>294,354</u>
<b>Noncurrent assets</b>	
Deposit with U.S. Army Corps of Engineers	21,050,000
Lease receivable - lessee	12,699,266
Note receivable - lessee	5,814,795
Net pension asset	786,834
Capital assets - nondepreciable	45,774,601
Capital assets - depreciable, net	141,634,596
	<u>187,409,197</u>
Total capital assets, net	187,409,197
	<u>227,760,092</u>
<b>Total noncurrent assets</b>	<u>227,760,092</u>
<b>Total assets</b>	<u>229,416,742</u>
<b>Deferred outflows of resources</b>	
Pension plan experience differences	159,162
Pension plan change in assumptions	116,432
Pension plan investment return differences	627,918
	<u>903,512</u>
<b>Total deferred outflows of resources</b>	<u>\$ 903,512</u>

See notes to financial statements.

**Diamond State Port Corporation**  
Statement of Net Position (Continued)  
June 30, 2023

<b>Current liabilities</b>	
Accounts payable and accrued expenses	\$ 97,683
Accrued expenses - capital	651,458
Accrued interest payable	15,851
Deferred revenue	<u>94,354</u>
<b>Total current liabilities</b>	<u>859,346</u>
<b>Long-term liabilities</b>	
Notes payable	<u>16,343,514</u>
<b>Total liabilities</b>	<u>17,202,860</u>
<b>Deferred inflows of resources</b>	
Lease receivable	<u>12,699,266</u>
<b>Net position</b>	
Net investment in capital assets	170,414,225
Unrestricted	<u>30,003,903</u>
<b>Total net position</b>	<u><u>\$ 200,418,128</u></u>

See notes to financial statements.

**Diamond State Port Corporation**  
Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2023

<b>Operating revenues (losses)</b>	
Lease revenue from concession agreement	\$ 4,037,824
Interest income from concession agreement	8,332,613
Losses from concession agreement	<u>(97,315,270)</u>
<b>Net operating losses</b>	<u>(84,944,833)</u>
<b>Operating expenses (credit)</b>	
Pension expense adjustment	(127,249)
Contractual services and other expenses	<u>1,045,476</u>
<b>Total operating expenses</b>	<u>918,227</u>
<b>Operating loss</b>	<u>(85,863,060)</u>
<b>Capital contributions</b>	
Capital grant	<u>29,915,646</u>
<b>Nonoperating income (expenses)</b>	
Interest expense	(191,098)
Early engineering works payment	(1,500,000)
Interest and other items	<u>1,689</u>
<b>Total nonoperating expenses</b>	<u>(1,689,409)</u>
<b>Changes in net position</b>	(57,636,823)
<b>Net position, beginning of year</b>	<u>258,054,951</u>
<b>Net position, end of year</b>	<u><u>\$ 200,418,128</u></u>

See notes to financial statements.

**Diamond State Port Corporation**  
Statement of Cash Flows  
Year Ended June 30, 2023

<b>Cash flows used in operating activities</b>	
Early works payments	\$ (1,500,000)
Cash payments for pension	(207,200)
Cash payments to suppliers for goods and services	<u>(1,342,615)</u>
<b>Net cash used in operating activities</b>	<b>(3,049,815)</b>
<b>Cash flows used in capital and financing activities</b>	
Acquisition and construction of capital assets	(9,844,445)
Capital grant	30,010,000
Deposit with U.S. Army Corps of Engineers	(21,050,000)
Interest on cash and investments	<u>1,685</u>
<b>Net cash used in capital and financing activities</b>	<b><u>(882,760)</u></b>
<b>Changes in cash and cash equivalents</b>	<b>(3,932,575)</b>
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	<b><u>5,580,725</u></b>
<b>Cash, cash equivalents and restricted cash, end of year</b>	<b><u><u>\$ 1,648,150</u></u></b>
Supplemental schedule non-cash disclosure	
Accrued interest added to loan principal in accordance with loan agreement	<u>\$ 190,913</u>
Accrued capital assets	<u><u>\$ 651,458</u></u>

See notes to financial statements.

**Diamond State Port Corporation**  
Statement of Cash Flows (Continued)  
Year Ended June 30, 2023

**Reconciliation of operating loss to net cash used  
in operating activities**

Operating loss	\$ (85,863,060)
Adjustments to reconcile operating loss used in operating activities	
Recognition of lease revenue from deferred lease receivable	(2,395,248)
Early works engineering payment	(1,500,000)
Pension expense adjustment	(127,249)
Losses from concession agreement	97,315,270
(Increase) decrease in assets	
Concession fee receivable	(1,652,505)
Lease and note interest receivable	(8,332,614)
Advances	7,829
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	(295,038)
Due to State of Delaware - pension contribution	(207,200)
	<hr/>
<b>Net cash used in operating activities</b>	<b><u><u>\$ (3,049,815)</u></u></b>

See notes to financial statements.

**Diamond State Port Corporation**  
Notes to Financial Statements  
Year Ended June 30, 2023

**Note 1 - Organization**

The Diamond State Port Corporation (the Corporation) was created on August 3, 1995 in accordance with the provisions of Section 24(1) of Senate Bill 260 enacted by the 138th General Assembly of the State of Delaware (the State). The Corporation is a public instrumentality of the State exercising essential government functions necessary in connection with the acquisition, establishment, construction, rehabilitation, improvement, operation, and maintenance of the Port and related facilities. The Port was acquired by the Corporation on September 1, 1995. The Corporation is empowered without limitation, and notwithstanding any other laws, to adopt bylaws and rules and regulations to govern the conduct of its affairs and carry out and discharge its powers, duties, and functions, to sue and be sued, and to enter into contracts and agreements. The Corporation does not have power to tax, to issue bonds, to exercise the power of eminent domain, or to pledge the credit or create any debt or liability of the State.

Effective October 3, 2018, the Corporation and GT USA Wilmington, LLC (GT) entered into a Concession Agreement (Agreement) to transfer the right to commercially operate the Port of Wilmington to GT with the Corporation becoming a landlord with certain oversight and consent rights. The term of the Agreement was 50 years (see Note 3).

Effective July 28, 2023, the Corporation amended the Agreement to transfer the Agreement from GT to Enstructure Wilmington Holdings, LLC (Enstructure). The amended Agreement with Enstructure extended the term through 2078 (60 years) and amended certain other provisions (see Note 3).

**Note 2 - Summary of Significant Accounting Policies**

*(a) Measurement Focus and Basis of Accounting*

The Corporation (the reporting entity) is a discretely presented component unit of the State. The Corporation's activities are financed and operated as an enterprise fund such that costs and expenses of providing services are recovered primarily through user charges.

The accompanying financial statements of the Corporation have been prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) applicable to governmental entities as prescribed by Governmental Accounting Standards Board (GASB). Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Operating revenues and expenses generally result from leasing in connection with the Corporation's ongoing operations. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are recorded as nonoperating income and expenses. When an expense is incurred that can be paid using either restricted or unrestricted resources, it is the Corporation's policy to first apply the expense towards restricted resources and then towards unrestricted resources.

*(b) Cash and Cash Equivalents*

For purposes of the Statement of Cash Flows, the Corporation considers short-term investments with an original maturity of three months or less to be cash equivalents.

**Diamond State Port Corporation**  
Notes to Financial Statements - Continued  
Year Ended June 30, 2023

**Note 2 - Summary of Significant Accounting Policies - Continued**

*(c) Deposit with U.S. Army Corps of Engineers (ASACE)*

The Corporation deposited \$21,050,000 with USACE for the design and construction of a dredged material placement facility estimated to cost \$22,780,000 with an annual operating cost estimated to be \$400,000 to accommodate 3.1 million cubic yards of dredged material over 20 years of maintenance dredging.

*(d) Restricted Assets*

Any restricted investments are stated at fair value.

*(e) Capital Assets*

The assets originally acquired by the Corporation in 1995 were recorded based on estimated fair values. Non-depreciable assets consist of the estimated fair value of land, which was determined based on an independent appraisal and construction-in-progress. The fair values of all other assets acquired were estimated to be the book value of those assets at the date of acquisition. Generally, additions and improvements in excess of \$3,000 are capitalized; however, the decision to determine the remaining useful life is made on a case-by-case basis.

Depreciation is generally recorded using the straight-line method and half-year convention over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Improvements (all categories)	20-30
Buildings and warehouses	30-75
Docks, wharves, and rail	50-60
Equipment and cranes	6-40
Streets and water utilities	20-40
Vehicles and other	6

With the adoption of the Agreement on October 3, 2018, the Corporation sold all equipment, cranes, vehicles and other assets. Except for construction in progress, the remaining capital assets and land are leased to GT. Under the Agreement, the leased assets are to be returned to the Corporation in equal or better condition at the end of the Agreement. Therefore, no depreciation will be recorded on the remaining assets of the Corporation.

*(f) Revenues*

The significant sources of operating revenue are:

Lease Revenue - Represents rentals recognized under the terms of the Agreement for the use of all land, buildings and infrastructure at the Port (See Note 3).

Interest Income - Represents interest recognized under the terms of the lease and note receivable balances from the Agreement (See Note 3).



**Diamond State Port Corporation**  
Notes to Financial Statements - Continued  
Year Ended June 30, 2023

**Note 2 - Summary of Significant Accounting Policies - Continued**

***(g) Capital Contributions***

Capital contributions arise from State and federal grants, generally restricted by the contributors to capital acquisition and construction. Most capital grants and contributions are in the form of cash, which is then used to purchase capital assets, pay debt service, or fund other approved uses. In fiscal year 2023, the Corporation was awarded an American Rescue Plan Act grant by the State of Delaware to finance the early engineering and early construction of a new container port in Edgemoor, Delaware. Additionally, as in past years where the Corporation has provided direct financial assistance to the port operator, the Corporation provided early works engineering funding of \$1,500,000 to GT USA during fiscal year 2023.

***(h) Deferred Outflows of Resources and Deferred Inflows of Resources***

As of June 30, 2023, a deferred outflow of resources is reported for the difference between expected and actual pension plan experience. The difference is amortized over a six- or seven-year period and is recognized as a component of pension expense.

As of June 30, 2023, a deferred outflow of resources is reported for changes in pension plan assumptions. The outflow is amortized over a six or seven-year period and is recognized as a component of pension expense.

As of June 30, 2023, a deferred outflow of resources is reported for the difference between projected and actual investment earnings on pension plan investments. The difference is amortized over a five-year period and is recognized as a component of pension expense.

As of June 30, 2023, a deferred inflow of resources is reported equal to the present value of future lease payments under the Agreement dated October 3, 2018, at inception. The deferred inflow is recognized as revenue in a systemic manner over the term of the Agreement.

***(i) Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

***(j) Change in Accounting Principle***

Effective July 1, 2022, the Corporation adopted the requirements of GASB Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Refer to Note 3 for detail on the impact of implementing GASB Statement No. 94 on the Corporation's Concession Agreement.

**Diamond State Port Corporation**  
Notes to Financial Statements - Continued  
Year Ended June 30, 2023

**Note 3 - Concession Agreement and Corresponding Lease and Notes Receivable**

Effective October 3, 2018, and amended February 10, 2020, the Corporation and GT entered into an Agreement to transfer to GT the right to commercially operate the Port of Wilmington with the Corporation becoming a landlord with certain oversight and consent rights. The term of the Agreement is referred to as a “concession,” however, it does not meet the requirements of a concession arrangement under GASB Statement No. 60 - *Accounting and Financial Reporting for Service Concession Arrangements*. Based on the criteria under GASB Statement No. 60, it is required to be accounted for as a lease. Accordingly, the Corporation is recognizing the lease in accordance with GASB Statement No. 87 - *Leases*, which the Corporation adopted early in fiscal 2019. Effective July 1, 2022, the Corporation implemented the requirements of GASB Statement No. 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The implementation of GASB Statement No. 94 did not impact the financial reporting for the Agreement for the year ended June 30, 2023.

In return for the right to commercially operate the Port, the Agreement requires GT to invest \$580 million to redevelop the existing port facilities and establish new port facilities at Edgemoor and to pay the Corporation a concession fee. In return for the concession fee, the Corporation sold to GT its cranes, tools, vehicles, cargo handling equipment, furniture, furnishings, computers, telephones, telephone numbers, office supplies, software and other intellectual property and all other equipment and parts used in operations at the Port. Also, the Corporation will lease to GT all of the land located at the existing Port and Edgemoor that is owned by the Corporation, together with all improvements, including all buildings, structures, piers, wharves, and utility infrastructure owned by the Corporation and all of the Corporation’s easement rights.

The Agreement requires GT to pay a minimum concession fee of \$3,000,000 per year for the first 10 years of the term, \$13,100,000 for the eleventh year, and up to \$12,017,560 per year during the remaining 39 years. The minimum concession fee is based on volume of services provided by GT. The minimum concession fee is adjusted every third year based on the change in consumer price index. Effective February 10, 2020, the per unit concession fee was reduced 50% for the first 10 years of the Agreement. The Corporation received a fee of \$13,406,665 from GT as part of the amendment to the Agreement.

In conjunction with the amendment, the Corporation has agreed to accept payment of the concession fee for the period from January 1, 2019 through February 10, 2020, in four equal payments. The first two payments were received in April 2020 and February 2021. The remaining two payments of \$647,478 each were scheduled to be paid on February 10, 2022 and 2023. As of June 30, 2023, the remaining payments had not been received.

In accordance with GASB Statement No. 87, the initially recognized lease and note receivable balances exclude any concession fees due for services that exceed the minimum embodied in the Agreement or the change in the consumer price index.

Upon the inception and subsequent amendment of the Agreement, for the assets leased, the Corporation recognized a lease receivable and deferred inflow of resources of \$119,762,395, which is equal to the present value of the fixed payment stream. The present value was calculated using a discount rate of 4.2%, in accordance with the requirements of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*. During fiscal year 2023, the Corporation recognized lease revenue and interest income on the lease receivable from the Agreement of \$4,037,824 and \$5,715,551, respectively. The Agreement requires GT to return these assets to the Corporation in a condition necessary for ongoing operations during the five years prior to the termination date.

Similarly, for the assets sold, the Corporation recognized a note receivable of \$54,837,330 which is equal to the present value using the same discount rate of 4.2%. During fiscal year 2023, the Corporation recognized interest income on the note receivable of \$2,617,062.

**Diamond State Port Corporation**  
Notes to Financial Statements - Continued  
Year Ended June 30, 2023

**Note 3 - Concession Agreement and Corresponding Lease and Notes Receivable - Continued**

Future minimum concession fees under the terms of the Agreement are as follows as of June 30:

	Lease Receivable			Note Receivable			Total
	Principal Receivable	Interest	Minimum Concession Fee	Principal Receivable	Interest	Minimum Concession Fee	Minimum Concession Fee
2024	\$ -	\$ 2,057,776	\$ 2,057,776	\$ -	\$ 942,224	\$ 942,224	\$ 3,000,000
2025	-	2,057,776	2,057,776	-	942,224	942,224	3,000,000
2026	-	2,057,776	2,057,776	-	942,224	942,224	3,000,000
2027	-	2,057,776	2,057,776	-	942,224	942,224	3,000,000
2028	-	2,057,776	2,057,776	-	942,224	942,224	3,000,000
2029 - 2033	-	38,123,064	38,123,064	-	17,455,956	17,455,956	55,579,020
2034 - 2038	-	41,215,751	41,215,751	-	18,872,049	18,872,049	60,087,800
2039 - 2043	-	41,215,751	41,215,751	-	18,872,049	18,872,049	60,087,800
2044 - 2048	13,126,657	28,089,094	41,215,751	6,010,492	12,861,557	18,872,049	60,087,800
2049 - 2053	17,692,463	23,523,288	41,215,751	8,101,103	10,770,946	18,872,049	60,087,800
2054 - 2058	22,428,824	18,786,927	41,215,751	10,269,809	8,602,240	18,872,049	60,087,800
2059 - 2063	28,433,133	12,782,618	41,215,751	13,019,088	5,852,961	18,872,049	60,087,800
2064 - 2068	36,044,825	5,170,926	41,215,751	16,504,363	2,367,686	18,872,049	60,087,800
2069	2,036,493	24,295	2,060,788	932,475	11,127	943,602	3,004,390
	<u>\$ 119,762,395</u>	<u>\$ 219,220,594</u>	<u>\$ 338,982,989</u>	<u>\$ 54,837,330</u>	<u>\$ 100,377,691</u>	<u>\$ 155,215,021</u>	<u>\$ 494,198,010</u>

Effective July 28, 2023, the Corporation executed a second amendment to the Agreement. In conjunction with the second amendment and related agreements, GT transferred its interest in the Agreement to Enstructure Wilmington Holdings, LLC (Enstructure) and the Corporation granted GT a full release for all amounts due over the remaining 46 years of the Agreement. The Second Amendment extends the Agreement through October 1, 2078. The reported loss of \$97,315,270 represents present value of the difference between the future payments expected to be received over the remaining 55-year period, not a cash outflow from the Corporation during the fiscal year ended June 30, 2023.

In return for the right to commercially operate the Port, the second amendment requires Enstructure to invest \$87 million to redevelop the existing port facilities and to pay the Corporation a concession fee. Enstructure and the Corporation have agreed to collaborate on the development of the new port facilities at Edgemoor. The agreement will be amended, or another concession agreement will be executed when rights are granted concerning port operations at Edgemoor.

Enstructure assumed the cranes, tools, vehicles, cargo handling equipment, furniture, furnishings, computers, telephones, telephone numbers, office supplies, software and other intellectual property and all other equipment and parts used in operations at the Port that were conveyed to GT at the start of the Agreement. Also, the Corporation will lease to Enstructure the land located at the existing Port. Enstructure is also allowed to utilize the land located at Edgemoor that is owned by the Corporation, together with all improvements, including all buildings, structures, piers, wharves, and utility infrastructure owned by the Corporation and all of the Corporation's easement rights.

**Diamond State Port Corporation**  
Notes to Financial Statements - Continued  
Year Ended June 30, 2023

**Note 3 - Concession Agreement and Corresponding Lease and Notes Receivable – Continued**

The second amendment to the Agreement requires Enstructure to pay a minimum concession fee of \$1,000,000 per year for the first seven years of the term and a minimum of \$1,500,000 during the remaining forty-eight years. The minimum concession fee is adjusted annually based on the change in consumer price index. Upon execution of the second amendment, Enstructure made an initial capital contribution of \$21,500,000 which will be allocated and utilized at the Corporation's discretion. The Corporation also received an option to acquire real property adjacent to the Edgemoor property from Enstructure. At the time the report was issued, the Corporation had not exercised this option.

**Note 4 - Cash and Investments**

*Cash Management Policy Board*

The Corporation follows the Statement of Objectives and Guidelines for the Investment of State of Delaware Funds (the Policy) of the State's Cash Management Policy Board (the Board). The Board, created by State law, establishes policies for investment of all money belonging to the State or on deposit from its political subdivisions, other than money deposited in any State Pension Fund or the State Deferred Compensation Program and to determine the terms, conditions, and other matters relating to those investments, including the designation of permissible investments (29 Del. c. §2716(a)). 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.

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.

*Investment Guidelines and Management*

The Policy requires State funds to be allocated and held in the following categories of accounts:

- Collection and disbursement accounts
- Liquidity accounts
- Reserve accounts
- Endowment accounts
- Operating accounts

The Corporation's accounts are considered operating accounts. State agencies and other public authorities maintain various operating accounts with the intent of segregating such funds for accounting and reporting purposes. In addition, operating accounts may be created to meet particular purposes and/or to comply with State statutes, bond trust agreements, and/or federal guidelines. The investment objectives of such funds are to ensure safety and maximize return while providing for the liquidity requirements specifically identifiable to the use of such funds.

**Diamond State Port Corporation**  
Notes to Financial Statements - Continued  
Year Ended June 30, 2023

**Note 4 - Cash and Investments - Continued**

The Policy specifies the type of investments that investment 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 following investments are permissible for operating accounts, subject to the percentage limitations of the account:

- U.S. Treasury obligations
- U.S. government agency obligations
- Certificates of deposit and time deposits
- Corporate debt instruments
- Repurchase agreements
- Money market funds
- Canadian treasury bills
- Canadian agency securities
- Mortgage-backed and asset-backed securities
- Municipal obligations

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

*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.

All 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. 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.

As of June 30, 2023, the Corporation held no investments.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the value of an investment. The Policy provides that maximum maturity for investments in Corporation accounts, at the time of purchase, shall not exceed ten years, except when it is prudent to match a specific investment instrument with a known specific future liability, in which case the maturity limitation shall match the maturity of the corresponding liability.

**Diamond State Port Corporation**  
Notes to Financial Statements - Continued  
Year Ended June 30, 2023

**Note 4 - Cash and Investments – Continued**

*Fair Value Measurements*

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Corporation did not hold any investments at June 30, 2023.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Corporation follows the Policy by investing only in authorized securities. The Corporation's general investment policy for credit risk is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments.

The Policy requires that investments in:

- Certificates of deposit and time deposits be with a banking institution with assets of not less than \$100 billion, that is rated not lower than A1/P-1/F1 short term by at least two rating agencies;
- Money market funds be invested solely in government securities, which are rated in the highest rating category by at least one rating agency;
- Asset-backed securities have the highest credit rating from at least two rating agencies; and
- 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-2	P-2	F2
Senior long-term debt	A-	A3	A-*
Corporate bonds and debentures	A-	A3	A-

\* Excluding asset-backed commercial paper that is rated A1 or better

As of June 30, 2023, the Corporation held no investments.

*Investments in Excess of 5%*

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

The Policy provides that the purchase of securities cannot exceed the following percentage of account limitations, valued at market.

**Diamond State Port Corporation**  
Notes to Financial Statements - Continued  
Year Ended June 30, 2023

**Note 4 - Cash and Investments – Continued**

- A. U.S. Treasury obligations - no restrictions.
- B. U.S. government agency obligations - 50% in total; 20% in any one issuer.
- C. Certificates of deposit and time deposits - 50% in total (domestic and nondomestic combined); 25% in all nondomestic banking institutions; 5% in any one issuer.
- D. Corporate debt instruments - 50% in total; 25% in all nondomestic corporations; 25% in any one industry; 5% in any one issuer.
- E. Repurchase agreements - 50% in total; provided that any securities purchased subject to repurchase agreements shall be subject to the respective Percentage Limit for such security type as set forth in the Policy and valued for such purposes at the lesser of fair market value and 102% of the maturity value of the securities pursuant to the repurchase agreement and marked-to-the-market daily as requested by the investment manager.
- F. Money market funds - no restrictions.
- G. Canadian treasuries - 25% in total.
- H. Canadian agency securities - 25% in total; 10% in any one agency.
- I. Mortgage-backed and asset-backed securities - 10% in total.

For the purpose of calculating the various Policy restrictions, the Corporation considers the total investment portfolio, which includes cash and cash equivalents, while calculating the percentage of individual investments.

As of June 30, 2023, the Corporation held no investments.

**Note 5 - Restricted Assets**

*Cash and Cash Equivalents*

Cash and cash equivalents, as reported on the Statement of Net Position, is under the control of the Corporation. The Corporation invests the deposited cash, including the cash float, in short-term securities and other investments. The Corporation maintains substantially all of its cash and cash equivalent accounts with one financial institution. Deposits are insured up to \$250,000. The Corporation has never experienced any losses related to these balances. Deposits in excess of the FDIC limits were \$22,481,669 as of June 30, 2023.

Restricted assets consisted of \$294,354 of cash equivalents restricted for capital improvements, as of June 30, 2023.

**Diamond State Port Corporation**  
Notes to Financial Statements - Continued  
Year Ended June 30, 2023

**Note 6 - Capital Assets**

Property and equipment activity during fiscal year 2023 consisted of the following:

	June 30, 2022	Additions	Sales and Retirements	June 30, 2023
Capital assets - nondepreciable				
land	\$ 36,484,007	\$ -	\$ -	\$ 36,484,007
Construction in progress	-	9,290,594	-	9,290,594
<b>Total capital assets - Nondepreciable</b>	<b>\$ 36,484,007</b>	<b>\$ 9,290,594</b>	<b>\$ -</b>	<b>\$ 45,774,601</b>
Capital assets - depreciable				
Land improvements	\$ 21,919,335	\$ -	\$ -	\$ 21,919,335
Buildings and warehouses	100,999,459	-	-	100,999,459
Docks, wharves, and rail	87,599,450	-	-	87,599,450
Streets and water utilities	6,032,486	-	-	6,032,486
Vehicles and other	2,932,255	-	-	2,932,255
<b>Total capital assets - depreciable</b>	<b>219,482,985</b>	<b>-</b>	<b>-</b>	<b>219,482,985</b>
Less: accumulated depreciation				
Land improvements	10,806,728	-	-	10,806,728
Buildings and warehouses	38,488,904	-	-	38,488,904
Docks, wharves, and rail	21,890,507	-	-	21,890,507
Streets and water utilities	4,529,765	-	-	4,529,765
Vehicles and other	2,132,485	-	-	2,132,485
<b>Total accumulated depreciation</b>	<b>77,848,389</b>	<b>-</b>	<b>-</b>	<b>77,848,389</b>
<b>Total capital assets - depreciable, net</b>	<b>\$ 141,634,596</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 141,634,596</b>

**Note 7 - Revolving Line of Credit**

The Corporation has a \$3,000,000 unsecured, revolving line of credit from M&T Bank, originally, at a rate of LIBOR plus 200 bps through May 11, 2023. Effective May 12, 2023, the line of credit rate is priced at 30-day Secured Overnight Financing Rate (SORF) plus 200 bps and expires June 30, 2024. There was no outstanding balance as of June 30, 2023. Bank advances on the credit line are payable within 30 days of demand and interest-only is billed monthly.



**Diamond State Port Corporation**  
Notes to Financial Statements - Continued  
Year Ended June 30, 2023

**Note 8 - Notes Payable and Deferred Outflows and Inflows of Resources**

The following is a summary of debt transactions for the Fiscal Year Ended June 30, 2023:

	Outstanding June 30, 2022	Capitalized Interest	Payments and Other Reductions	Outstanding June 30, 2023
Transportation trust fund note	\$ 16,152,601	\$ 190,913	\$ -	\$ 16,343,514

Interest charges were as follows for the fiscal year ended June 30, 2023:

	Accrued Interest June 30, 2022	Interest Expense Incurred	Interest Capitalized	Accrued Interest June 30, 2023
Transportation trust fund note	\$ 15,666	\$ 191,098	\$ (190,913)	\$ 15,851

**Transportation Trust Fund Note** - On November 30, 2001, the Corporation entered into a loan agreement with DelDOT. The Corporation borrowed \$27,500,000. The funds were used to repay the balances in full of the original DRBA Note and the Wilmington Trust Company Note, and, at a discount, the City of Wilmington Deferred Payment Note.

During the year ended June 30, 2023, the loan was restructured to allow for the deferral of debt service principal and interest payments due March 31, 2023 and May 31, 2023, and to restructure the principal balance effective July 1, 2023. The interest rate was 1.18% during 2023. The restructured loan matures on March 31, 2034. During the year ending June 30, 2022, \$190,913 of capitalized interest was added to the principal balance payable through March 31, 2034, per the terms of the restructuring of the Transportation Trust Fund Note.

The future capitalized interest and maturities of principal and interest payments on the Transportation Trust Fund Note are as follows as of June 30, 2023:

Fiscal Year	Principal	Interest	Total
2024	\$ (193,170)	\$ 193,170	\$ -
2025	1,655,242	193,635	1,848,877
2026	1,674,806	174,071	1,848,877
2027	1,694,601	154,276	1,848,877
2028	1,714,630	134,247	1,848,877
2029 - 2033	8,881,969	362,413	9,244,382
2034	915,436	9,002	924,438
	<u>\$ 16,343,514</u>	<u>\$ 1,220,814</u>	<u>\$ 17,564,328</u>

**Diamond State Port Corporation**  
Notes to Financial Statements - Continued  
Year Ended June 30, 2023

**Note 9 - Capital Contributions**

Since its inception and for fiscal year 2023, the Corporation has received capital contributions from State and Federal grants as follows:

	Inception to Date	Fiscal Year 2023
State of Delaware	\$ 260,065,000	\$ 29,915,646
Federal	15,067,510	-
Total	\$ 275,132,510	\$ 29,915,646

**Note 10 - Pension Plan and Other Post-Retirement Employee Benefits**

**Plan Description** - The Diamond State Port Corporation Pension Plan (the Plan) is a single-employer, defined benefit pension plan that covers all eligible employees of the Corporation.

**Benefits** - The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. A member may retire after completing five years of service and after reaching normal retirement age of 65. Benefits fully vest after five years of credited service. If an employee terminates his or her employment after at least five years of credited service but before normal retirement age, he or she may defer pension benefits until reaching retirement age. Employees who retire after reaching normal retirement age with at least five years of credited service are entitled to receive pension benefits equal to 1.75% of their final average monthly compensation multiplied by the years of credited service (not to exceed 30 years). Final average monthly compensation is the monthly average of the highest consecutive five years of compensation within the past ten years of employment.

Disability benefits are generally the same as pension benefits; however, employees must have 15 years of credited service, subject to certain limitations. Survivors' benefits are generally equal to 50% of the pension benefit the employee would have received at age 65 if at least 15 years of credited service are obtained.

**Funding Policy** - Contribution requirements are determined by the State Board of Pension Trustees principally based on an actuarially determined rate. Plan members are required to contribute 2% of their compensation. Interest is credited at the rate of 7% per year.

**Freezing of Plan** - Effective on the adoption of the Concession Agreement, October 3, 2018, the employees of the Corporation were offered positions by GT and the Plan was:

- Frozen as to further employee contributions and employees will be paid out pensions as provided for under the Plan;
- Employees would be credited for a partial year as the last year of service

As of June 30, 2023, the following former employees are still covered by the Plan:

Inactive members or beneficiaries	179
Terminated, vested members	111
	290

**Diamond State Port Corporation**  
Notes to Financial Statements - Continued  
Year Ended June 30, 2023

**Note 10 - Pension Plan and Other Post-Retirement Employee Benefits - Continued**

*Net Pension Liability/(Asset)* - The Corporation's net pension liability/(asset) for the fiscal year ended June 30, 2023 was determined by actuarial valuation as of June 30, 2021 rolled forward to the measurement date of June 30, 2022. There have been no changes between the measurement date of the net pension liability/(asset) and the employer's report date that are expected to have a significant effect on the net pension liability/(asset). The total pension liability/(asset) used to calculate net pension liability/(asset) was determined using the following actuarial assumptions as of June 30, 2022:

Inflation	2.50%
Investment rate of return	7.00%, including inflation

The actuarial assumptions used in the June 30, 2021 valuation were based on the recommendation of the actuary and adopted by the Plan's Board of Trustees based on the most recent review of the Plan's experience study completed in 2021 covering the period July 1, 2015 to June 30, 2020. For the June 30, 2022 measurement date, the Plan's mortality rates updated to the Pub-2010 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on RPEC-2020 mortality improvement scale on a fully generational projection.

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

Best estimates of geometric real rates of return for each major asset class are summarized in the following table for the year ended June 30, 2022:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.70%
International equity	5.70%
Fixed income	2.00%
Alternative investments	7.80%
Cash and equivalents	0.00%

*Discount Rate* - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at a dollar amount determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Diamond State Port Corporation**  
Notes to Financial Statements - Continued  
Year Ended June 30, 2023

**Note 10 - Pension Plan and Other Post-Retirement Employee Benefits - Continued**

*Changes in the Corporation's Net Pension Liability/(Asset)* - Changes in the Corporation's net pension liability/(asset) for the fiscal year 2023 were as follows:

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net</b>	<b>Net Liability Pension Liability (Asset)</b>
Balance, June 30, 2022	\$ 33,920,547	\$ 43,183,871	\$ (9,263,324)
Changes for the year:			
Interest	2,338,816	-	2,338,816
Difference between expected and actual experience	807,618	-	807,618
Contributions - employer	-	207,200	(207,200)
Net investment income	-	(5,513,383)	5,513,383
Benefit payments, including refunds of employee contributions	(2,678,320)	(2,678,320)	-
Administrative expenses	-	(23,873)	23,873
Changes of Assumptions Loss (Gain)	-	-	-
Net changes	468,114	(8,008,376)	8,476,490
Balance, June 30, 2023	\$ 34,388,661	\$ 35,175,495	\$ (786,834)

*Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate* - The following presents the net pension liability/(asset) calculated using the discount rate of 7.00% as of June 30, 2022, the measurement date, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<b>Discount Rate</b>	<b>Net Pension Liability/ (Asset) as of June 30, 2023</b>
1% Decrease	6.00%	\$ 2,644,900
Current discount rate	7.00%	\$ (786,834)
1% Increase	8.00%	\$ (3,697,194)

*Expected and Actual Experience Differences* - The difference between expected and actual experience with regard to economic and demographic factors is amortized over two years for the measurement period through June 30, 2022. The first year of amortization is recognized as pension expense with the remaining years either a deferred outflow or deferred inflow. The collective amount of the unamortized difference between expected and actual experience was \$159,162 (outflow) as of June 30, 2023.

**Diamond State Port Corporation**  
Notes to Financial Statements - Continued  
Year Ended June 30, 2023

**Note 10 - Pension Plan and Other Post-Retirement Employee Benefits - Continued**

*Change in Assumptions* - The change in assumptions about future economic or demographic factors or other inputs are amortized over one year for the measurement period through June 30, 2022. The first year of amortization is recognized as pension expense with the remaining years either deferred outflow or deferred inflow. The collective amount of the unamortized change in assumptions was \$116,432 (outflow), as of June 30, 2023.

*Difference Between Projected and Actual Investment Earnings on Pension Plan Investments* - The difference between the actual earnings on Plan investments compared to the Plan's expected rate of return of 7.0%, as of June 30, 2022, are amortized over a closed period of five years of which four years are remaining. The first year of amortization is recognized as pension expense with the remaining four years to be shown as deferred inflow of resources. The collective amount of the unamortized difference between projected and actual earnings was \$(627,918) (outflow), as of June 30, 2023.

*Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources* - For fiscal year 2023, the components of pension expense were as follows:

Interest	\$ 2,338,816
Administrative expense	23,873
Projected earnings on Plan investments	(2,937,023)
Amortization of pension plan experience	839,620
Amortization of investment return differences	(508,967)
Amortization of change in assumptions	116,432
Pension expense	\$ (127,249)

As of June 30, 2023 the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Pension plan investment return differences	\$ 627,918
Pension plan experience differences	159,162
Pension plan change in assumptions	116,432
Totals	\$ 903,512

**Diamond State Port Corporation**  
Notes to Financial Statements - Continued  
Year Ended June 30, 2023

**Note 10 - Pension Plan and Other Post-Retirement Employee Benefits – Continued**

*Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources - Continued*

Amounts reported as deferred outflows of resources for pension contributions will be recognized as a reduction to the net pension liability/(asset) in the following fiscal year. Amounts reported as deferred outflows of resources for pension plan experience differences, pension plan change in assumptions and pension plan investment return differences will be recognized in pension expense during the fiscal years ended June 30:

2024	\$ (158,240)
2025	(330,976)
2026	(297,354)
2027	<u>1,690,082</u>
	<u>\$ 903,512</u>

*Annual Pension Cost* - The Corporation's pension expense for the year ended June 30, 2023 was \$(127,249).

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. The unfunded actuarial accrued liability is being amortized over a closed five-year period as a percentage of payroll. All payments are determined assuming the same dollar amount will be paid each of the five years of the amortization. This method was chosen to reflect the characteristics of a frozen plan.

The Schedule of Changes in Net Pension Liability and Related Ratios presented as Required Supplementary Information following the Notes to Financial Statements, presents multi-year trend information about whether the actuarial value of Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Delaware Public Employees' Retirement System, which administers the Plan, issues a publicly available financial report, including financial statements and required supplementary information. The report may be obtained by writing the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402, or by calling 1-800-722-7300.

*Payable to the Plan* – As of June 30, 2023, no contributions were due to the Plan.

**Note 11 - Major Customers**

Any customer that comprises 10% of the Corporation's total revenue during a fiscal year must be disclosed as a major customer. After the adoption of the Agreement, on October 3, 2018, the Corporation no longer works directly with customers (See Note 3). Revenues under the Agreement (from GT) accounted for 100% of operating revenues in fiscal year 2023.

**Diamond State Port Corporation**  
Notes to Financial Statements - Continued  
Year Ended June 30, 2023

**Note 12 - Commitments and Contingencies**

*Environmental Contingencies* - Under the provisions of the Port of Wilmington Acquisition Agreement (Acquisition Agreement) dated September 1, 1995, the City retains responsibility for all liabilities under environmental laws that arise out of, or result from, any condition existing at the Port on or before the agreement closing date, September 8, 1995.

On February 14, 2002, the Acquisition Agreement was amended, and in conjunction with the prepayment of the Port Deferred Payment Note, the Corporation agreed to assume responsibility for \$2,000,000 of potential environmental liabilities. To date, no such liabilities have been identified.

*Litigation and Claims* - The Corporation is party to various claims and legal proceedings, which normally occur in port operations.

*U.S. Army Corp. of Engineers Contracts* – On June 12, 2023, the Corporation and the U.S. Army Corp of Engineers' (USACE) North Atlantic Division Commander entered the following Memorandums of Agreement:

- An agreement for the construction of improvements on the Delaware River for access to the Edgemoor, Delaware Port.
- Agreements for the design and construction of a dredged material placement facility estimated to cost \$22,780,000 with an annual operating cost estimated to be \$400,000 to accommodate 3.1 million cubic yards of dredged material over 20 years of maintenance dredging. In conjunction with these agreements, The Corporation deposited \$21,050,000 with USACE which is reported on the June 30, 2023 Statement of Net Position as a deposit. Design and construction activities had not commenced as of June 30, 2023.
- An agreement for the placement of dredged material. Prior to the placement of any dredged material, the Corporation is required to provide a deposit of \$17,095,000 for the estimated cubic yards placed. The deposit for the placement of dredged material is not expected to become due and payable prior to December 2024. After the dredged material has been placed the Corporation and USACE will complete and final accounting that will result in a true-up payment or refund.

**Note 13 - Subsequent Events**

Events and transactions subsequent to year end have been evaluated for potential recognition in the financial statements or disclosure in the Notes to Financial Statements. All events and transactions have been evaluated through December 4, 2023, which is the date the financial statements were available to be issued.

**Required Supplementary Information**



**Diamond State Port Corporation**  
Schedule of Changes in Net Pension Liability and Related Ratios  
June 30, 2023

The following provides an analysis of the changes in the Corporation's net pension liability as of June 30 for each fiscal year:

Reporting date	2023	2022	2021	2020	2019	2018	2017	2016
Measurement date	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>								
Service cost	\$ -	\$ -	\$ -	\$ -	\$ 1,041,488	\$ 942,605	\$ 898,545	\$ 949,798
Interest	2,338,816	2,276,642	2,289,653	2,599,856	2,494,875	2,314,182	2,218,491	2,160,067
Benefit changes	-	-	-	(4,180,856)	-	-	-	-
Difference between expected and actual experience	807,618	211,499	(262,090)	762,953	265,075	(975,351)	(599,480)	1,402,477
Change in assumptions	-	524,086	-	-	-	815,025	(873,072)	-
Benefit payments, including refunds of employee contributions	(2,678,320)	(2,760,581)	(2,615,929)	(2,561,733)	(981,216)	(892,104)	(822,498)	(728,383)
<b>Net changes in total pension liability</b>	468,114	251,646	(588,366)	(3,379,780)	2,820,222	2,204,357	821,986	3,783,959
<b>Total pension liability - beginning</b>	33,920,547	33,668,901	34,257,267	37,637,047	34,816,825	32,612,468	31,790,482	28,006,523
<b>Total pension liability - ending (a)</b>	\$34,388,661	\$33,920,547	\$33,668,901	\$34,257,267	\$37,637,047	\$34,816,825	\$32,612,468	\$31,790,482

**Diamond State Port Corporation**  
Schedule of Changes in Net Pension Liability and Related Ratios  
June 30, 2023

Reporting date	2023	2022	2021	2020	2019	2018	2017	2016
Measurement date	2022	2021	2020	2019	2018	2017	2016	2015
<b>Plan fiduciary net position</b>								
Contributions - employer	\$ 207,200	\$ 208,600	\$ 310,000	\$ 304,552	\$ 1,175,029	\$ 1,134,262	\$ 1,200,251	\$ 1,052,285
Contributions - employees	-	-	-	64,048	280,350	239,853	245,836	233,430
Net investment income	(5,513,383)	12,197,843	3,024,518	1,517,426	3,129,075	2,949,265	(393,808)	915,990
Benefit payments, including refunds of employee contributions	(2,678,320)	(2,760,581)	(2,615,929)	(2,561,733)	(981,216)	(892,104)	(822,498)	(728,383)
Administrative expenses	(23,873)	(23,028)	(27,548)	(55,846)	(40,082)	(29,781)	(32,046)	(37,115)
<b>Net changes in plan fiduciary net position</b>	<b>(8,008,376)</b>	<b>9,622,834</b>	<b>691,041</b>	<b>(731,553)</b>	<b>3,563,156</b>	<b>3,401,495</b>	<b>197,735</b>	<b>1,436,207</b>
<b>Plan fiduciary net position - beginning</b>	<b>43,183,871</b>	<b>33,561,037</b>	<b>32,869,996</b>	<b>33,601,549</b>	<b>30,038,393</b>	<b>26,636,898</b>	<b>26,439,163</b>	<b>25,002,956</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$35,175,495</b>	<b>\$43,183,871</b>	<b>\$33,561,037</b>	<b>\$32,869,996</b>	<b>\$33,601,549</b>	<b>\$30,038,393</b>	<b>\$26,636,898</b>	<b>\$26,439,163</b>
<b>Corporation's net pension liability - ending (a) - (b)</b>	<b>\$ (786,834)</b>	<b>\$(9,263,324)</b>	<b>\$ 107,864</b>	<b>\$ 1,387,271</b>	<b>\$ 4,035,498</b>	<b>\$ 4,778,432</b>	<b>\$ 5,975,570</b>	<b>\$ 5,351,319</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>102.29%</b>	<b>127.31%</b>	<b>99.68%</b>	<b>95.95%</b>	<b>89.28%</b>	<b>86.28%</b>	<b>81.68%</b>	<b>83.17%</b>
<b>Covered payroll</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$14,021,830</b>	<b>\$12,028,232</b>	<b>\$12,376,200</b>	<b>\$11,790,800</b>
<b>Corporation's net pension liability as a percentage of covered payroll</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>28.78%</b>	<b>39.73%</b>	<b>48.28%</b>	<b>45.39%</b>

**Diamond State Port Corporation**  
**Schedule of Contributions**  
**June 30, 2023**

Reporting date	2024	2023	2022	2021	2020	2019	2018	2017	2016
Measurement date	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ -	\$ 207,200	\$ 208,600	\$ 310,000	\$ 304,552	\$ 1,175,029	\$ 1,134,262	\$ 1,200,251	\$ 1,052,285
Contributions in relation to the actuarially determined contribution	-	207,200	208,600	310,000	304,552	1,175,029	1,134,262	1,200,251	1,052,285
Contribution excess/(deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	N/A	N/A	N/A	N/A	N/A	\$14,021,830	\$12,028,232	\$12,376,200	\$11,790,800
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	8.38%	9.43%	9.70%	8.92%

**Diamond State Port Corporation**  
Schedule of Contributions (Continued)  
June 30, 2023

**Notes to Schedule**

Measurement date: *June 30, 2021 - 2022*

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

***Methods and Assumptions Used to Determine Contribution Rates***

Actuarial cost method:	Entry age normal
Amortization method:	Level dollar - closed
Remaining amortization period	4 years
Asset valuation method:	Smoothed market, 20% annual market weight
Inflation:	2.50%
Salary increases:	N/A
Investment rate of return	7.00%, including inflation
Retirement age:	A member may retire after completing five years of service and after reaching normal retirement age of 65.
Mortality:	Mortality rates were based on the Pub-2010 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on RPEC-2020 mortality improvement scale on a fully generational projection.

**Diamond State Port Corporation**  
Schedule of Contributions (Continued)  
June 30, 2023

**Notes to Schedule**

Measurement dates: *June 30, 2018 - June 30, 2020*

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

***Methods and Assumptions Used to Determine Contribution Rates***

Actuarial cost method:	Entry age normal
Amortization method:	Level dollar - closed
Remaining amortization period	4 years
Asset valuation method:	Smoothed market, 20% annual market weight
Inflation:	2.50%
Salary increases:	N/A
Investment rate of return	7.00%, including inflation
Retirement age:	A member may retire after completing five years of service and after reaching normal retirement age of 65.
Mortality:	Mortality rates were based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on RPEC-2015 mortality improvement scale on a fully generational projection.

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

**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***

Board of Directors  
Diamond State Port Corporation  
Wilmington, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Diamond State Port Corporation (the Corporation) as of and for the Fiscal Year Ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated December 4, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 4, 2023  
Wilmington, Delaware

*Gunnip & Company LLP*