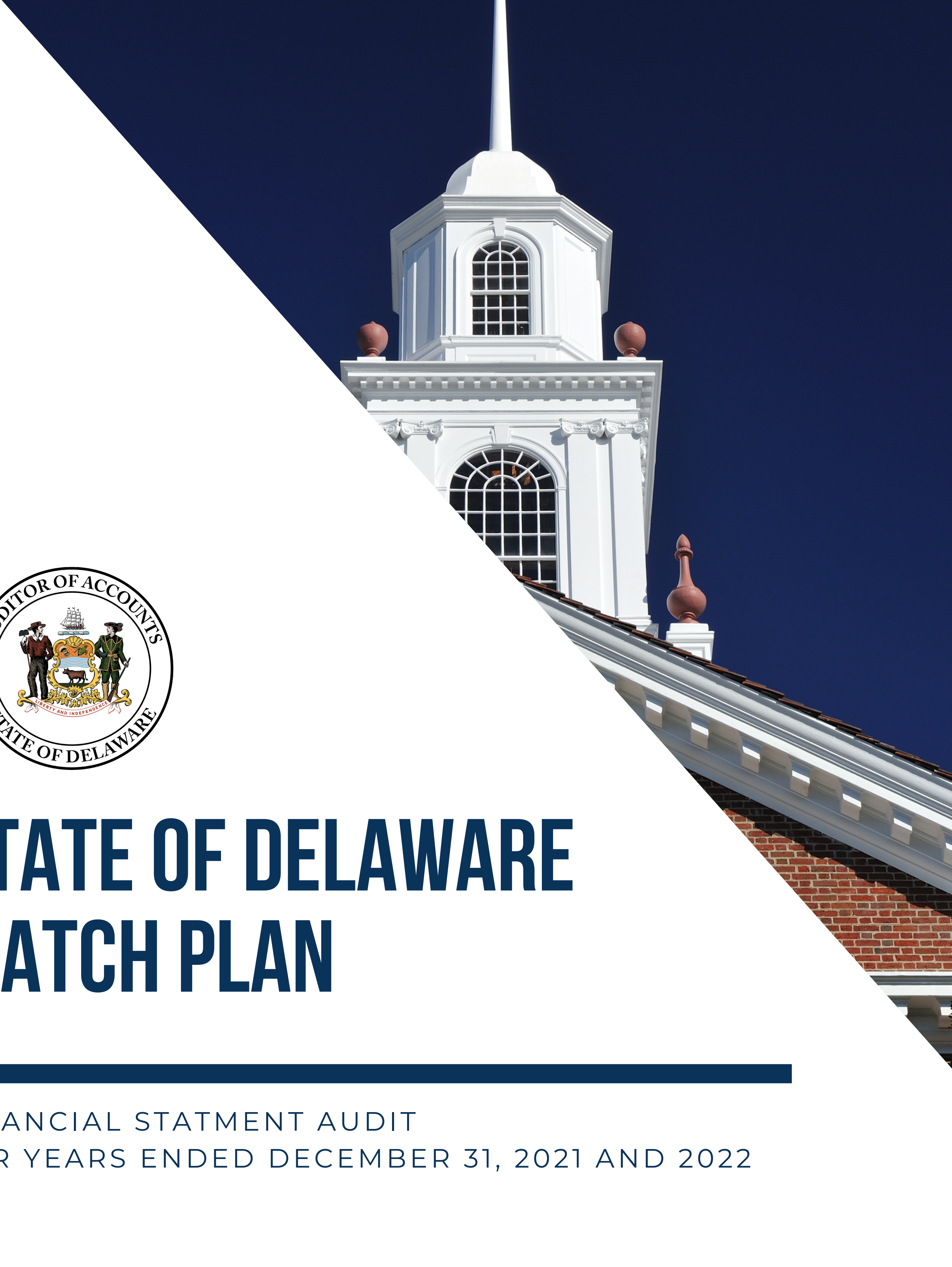

# STATE OF DELAWARE MATCH PLAN

FINANCIAL STATMENT AUDIT
FOR YEARS ENDED DECEMBER 31, 2021 AND 2022

# STATE OF DELAWARE MATCH PLAN

**REPORT SUMMARY** FOR CALENDAR YEARS ENDED DECEMBER 31, 2021 AND 2022

## BACKGROUND

The Office of Auditor of Accounts (AOA) performed a financial statement audit of the State of Delaware Match Plan for the years ended December 31, 2022 and 2021.

This engagement was conducted in accordance with 29 Del. C. § 2722 (e)(7). This section of the Delaware Code specifies that "The (Plans Management) Board shall arrange for an annual financial audit of each of the Plans, which shall be provided annually to the General Assembly. The Board shall enter into a memorandum of understanding with the Auditor of Accounts regarding each such audit..."

29 Del. C. § 2906, charges the Auditor of Accounts with the duty of conducting postaudits of all the financial transactions of all state agencies.

## KEY INFORMATION AND FINDINGS

The State of Delaware Match Plan (the Plan) is a defined contribution plan, under Section 401(a) of the Internal Revenue Code (IRC), covering any individual who is employed by the State, including elected or appointed officials, and who received compensation wholly or in part directly from the State Treasury or from the Treasury through an agency within the State that is wholly or in part supported by the State.

Senate Bill No. 300 suspended funding by the State effective July 1, 2008. There were no employer contributions for years ended December 31, 2022, and 2021. The Plan does not allow participant contributions other than rollover contributions from the trustee of another plan qualified under IRC Section 401(a). Rollover contributions for the years ended December 31, 2022, and 2021, totaled $32,876 and $7,594, respectively.

For the year ended December 31, 2022
- There were approximately 7,000 participants with account balances
- Distributions paid to approximately 950 participants totaled $1.4 million
- Fiduciary net position restricted for pensions decreased by $5.3 million primarily due to net depreciation of investments being greater than interest and dividends
- Administrative expenses were approximately $60,000.

It is my pleasure to report this audit contains an unmodified opinion. An unmodified opinion is sometimes referred to as a "clean" opinion. It is one in which the auditor expresses an opinion that the financial statements present fairly, in all material respects, an entity's financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

The results of tests disclosed no instances of noncompliance or other matters that are required to be reported under Governmental Auditing Standards.

# STATE OF DELAWARE
# MATCH PLAN

# FINANCIAL STATEMENTS

# DECEMBER 31, 2022 AND 2021

STATE OF DELAWARE
MATCH PLAN

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BTCPA
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THORNTON
& COMPANY

# INDEPENDENT AUDITOR'S REPORT

September 14, 2023

Plans Management Board
State of Delaware Match Plan
Dover, Delaware

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of the of the State of Delaware Match Plan (the Plan), Dover, Delaware, which comprise the statements of fiduciary net position as of December 31, 2022 and 2021 and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2022 and 2021, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Statements

The Plan's 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



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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 Plan'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.

<u>Auditor's Responsibilities for the Audit of the Financial Statements</u>

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 GAAS 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 GAAS 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 Plan'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 Plan'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.

Plans Management Board
State of Delaware Match Plan

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2023, on our consideration of the Plan'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 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 Plan's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP
Wilmington, Delaware

This discussion and analysis of State of Delaware Match Plan's (the Plan) financial performance provides an overview of the Plan's financial activities for the years ended December 31, 2022, 2021, and 2020. Please read this section in conjunction with the Plan's financial statements which follow this section.

**Financial Highlights**

- Fiduciary net position restricted for pensions decreased by $5.3 million during 2022, from $26.6 million at December 31, 2021 to $21.3 million at December 31, 2022. This decrease was primarily due to net depreciation of investments being greater than interest and dividends during 2022. Fiduciary net position restricted for pensions increased by $1.5 million during 2021, from $25.1 million at December 31, 2020 to $26.6 million at December 31, 2021. This increase was primarily due to net appreciation of investments being greater than distributions from the Plan during 2021. There were no participant or employer contributions that affected fiduciary net position restricted for pensions during the years ended December 31, 2022, 2021, or 2020.

- There were no employer contributions for the years ended December 31, 2022, 2021, and 2020. There were approximately 7,000, 7,500, and 9,000 participants with account balances as of December 31, 2022, 2021, and 2020, respectively.

- The Plan does not allow participant contributions other than rollover contributions from the trustee of another plan qualified under Internal Revenue Code Section 401(a). There were $32,876 in rollover contributions for the year ended December 31, 2022. Rollover contributions for the year ended December 31, 2021, totaled $7,594 and there were no rollover contributions for the year ended December 31, 2020. Changes in the amount of rollovers from year to year vary greatly and are the direct result of changes in the number of individuals performing these transactions and the amount of the transactions.

- Net investment income (loss) decreased to approximately -$3.9 million in 2022 from $3.3 million in 2021. This decrease was primarily due to the net depreciation of investments of $4.9 million during 2022. The net appreciation of investments was $1.8 million in 2021. Generally, fluctuations in income are due to changes in the funds offered by the Plan, changes in interest rates for fixed earnings investments, as well as fluctuations in the financial market from year to year.

- Distributions paid to participants were $1.4 million, $1.7 million, and $1.0 million for the years ended December 31, 2022, 2021, and 2020, respectively. Fluctuations in the amount of distributions paid from year to year are primarily due to changes in the number of participants and beneficiaries receiving eligible distributions per year as well as the size of their account balances, which does not have to be consistent. There were approximately 950, 1,605, and 500 individuals who received a distribution from the Plan during the years ended December 31, 2022, 2021, and 2020, respectively.

- Administrative expenses were approximately $60,000, $79,000, and $59,000 for the years ended December 31, 2022, 2021, and 2020, respectively. Fluctuations in these fees are the result of different arrangements with the service providers, as well as assets held by the Plan (since these are asset-based fee charges), and the number of transactions charged directly to participant accounts.

**Overview of the Financial Statements**

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

The following analysis focuses on fiduciary net position restricted for pensions (Table 1) and changes in fiduciary net position (Table 2):

**Table 1**
**Fiduciary Net Position Restricted for Pensions**

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Assets: | | | |
| Investments | $ 21,294,093 | $ 26,587,872 | $ 25,061,691 |
| Liabilities: | | | |
| Accrued expenses payable | 11,745 | 11,745 | 11,995 |
| Fiduciary Net Position Restricted for Pensions | $ 21,282,348 | $ 26,576,127 | $ 25,049,696 |

**Table 2**
**Changes in Fiduciary Net Position**

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Additions: | | | |
| Net investment income (loss) | $ (3,882,230) | $ 3,300,199 | $ 3,227,980 |
| Other income | 44,621 | 19,339 | 11,995 |
| Deductions: | | | |
| Benefits paid to participants | 1,395,697 | 1,714,195 | 995,851 |
| Administrative expenses | 60,473 | 78,912 | 58,686 |
| Changes in Fiduciary Net Position Restricted for Pensions | $ (5,293,779) | $ 1,526,431 | $ 2,185,438 |

**Financial Contact**

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

**STATE OF DELAWARE**
**MATCH PLAN**
**STATEMENTS OF FIDUCIARY NET POSITION**
**DECEMBER 31, 2022 AND 2021**

| | 2022 | 2021 |
|---|---|---|
| ASSETS: | | |
| Investments, at fair value | $ 20,916,114 | $ 26,300,597 |
| Investments, at contract value | 377,979 | 287,275 |
| Total Assets | 21,294,093 | 26,587,872 |
| LIABILITIES: | | |
| Accrued expenses payable | 11,745 | 11,745 |
| FIDUCIARY NET POSITION RESTRICTED FOR PENSIONS | $ 21,282,348 | $ 26,576,127 |

The accompanying notes are an integral part of these financial statements.

**STATE OF DELAWARE**
**MATCH PLAN**
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**
**DECEMBER 31, 2022 AND 2021**

| | 2022 | 2021 |
|---|---|---|
| ADDITIONS: | | |
| Net investment income (loss): | | |
| Net appreciation (depreciation) in fair value of investments | $ (4,862,165) | $ 1,809,941 |
| Interest and dividends | 979,935 | 1,490,258 |
| Net Investment Income (Loss) | (3,882,230) | 3,300,199 |
| Rollover contributions | 32,876 | 7,594 |
| Other income | 11,745 | 11,745 |
| TOTAL ADDITIONS | (3,837,609) | 3,319,538 |
| Benefits paid to participants | 1,395,697 | 1,714,195 |
| Administrative expenses | 60,473 | 78,912 |
| TOTAL DEDUCTIONS | 1,456,170 | 1,793,107 |
| Net increase (decrease) in fiduciary net position | (5,293,779) | 1,526,431 |
| FIDUCIARY NET POSITION RESTRICTED FOR PENSIONS: | | |
| Beginning of Year | 26,576,127 | 25,049,696 |
| End of Year | $ 21,282,348 | $ 26,576,127 |

The accompanying notes are an integral part of these financial statements.

## NOTE 1 DESCRIPTION OF THE PLAN

The following description of State of Delaware Match Plan (the Plan) provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions. Participants may also find more information at https://treasurer.delaware.gov/deferred-compensation-plans/.

### General

Delaware Code Title 29, Part V, Chapter 60A (the Code) sets forth the requirements for deferred compensation programs for public officers and employees of the State of Delaware (the State). The purpose of the Code is to create a vehicle through which all employees of the State may, on a voluntary basis, provide for additional retirement income security. The Code gives authority to the Plans Management Board, which is responsible for oversight of the Plan. Section 6060 of the Code authorizes the Plans Management Board to establish the Plan pursuant to Section 401(a) of the Internal Revenue Code (IRC).

The Plan is a defined contribution plan, under Section 401(a) of the IRC, covering any individual who is employed by the State, including elected or appointed officials, and who received compensation wholly or in part directly from the State Treasury or from the Treasury through an agency within the State that is wholly or in part supported by the State. The Plan does not cover individuals hired on a temporary basis or as consultants. Under the Plan's provisions, employees of the State are eligible to participate in the Plan provided they are enrolled in the Deferred Compensation Plan and have made salary reduction contributions for six months.

### Contributions

Section 6061 of the Code establishes the employer contribution to participants. Commencing January 1, 2001, and each pay period thereafter, the State would contribute $10 per pay period to each participant who made a deferral into the Deferred Compensation Plan. Modifications of the matching contribution amount per pay period, formula to determine the match, number of pay periods per year to be matched, and other fiscal and operational aspects of the Plan are contingent upon funding by the State General Assembly and may be administered through rules and regulations promulgated by the Plans Management Board and pursuant to IRC Section 401(a). Senate Bill No. 300 suspended funding by the State effective July 1, 2008. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans (rollover). Otherwise, participants do not make any contributions to the Plan.

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

NOTE 1 DESCRIPTION OF THE PLAN (cont'd)

Participant Accounts

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

Employees electing to participate in the Plan may contribute to a group annuity contract offering administered by Voya Retirement Insurance and Annuity Company, various publicly traded mutual funds, and a self-directed brokerage account.

Vesting

Participants are immediately vested in the State's contributions plus actual earnings thereon.

Payment of Benefits

Upon termination of service due to death, disability, retirement, or other reasons, a participant will receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, periodic payments, or an annuity. If a participant's account balance does not exceed $5,000 at his or her severance from employment ($1,000 prior to January 1, 2022), the administrator may pay such amount to the participant or beneficiary as soon as practicable after the participant's severance from employment.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation and Basis of Accounting

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Investments are reported at fair value (except for fully benefit-responsive investment contracts which are reported at contract value). Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date.

The Voya Fixed Plus Account III (the Account) investment is valued at the contract value of the owner's account. The contract owner's account equals the sum of contributions, plus guaranteed interest credited, minus withdrawals and fees. Stability of principal is the primary investment objective. The contract guarantees minimum rates of interest and may credit interest that exceeds the guaranteed minimum rates. Contract value is the relevant measurement attribute for that portion of the fiduciary net position available for plan benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Account is reported at contract value, which approximates fair value.

Variable earnings investments in publicly traded mutual funds are presented at fair value based on published quotations.

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

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

Administration of Plan Assets

The State's Plans Management Board is responsible for the administration of the Plan. The daily operations of the Plan are administered by Delaware's Office of the State Treasurer (OST).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Voya Institutional Trust Company (Voya) is the trustee and recordkeeper of the Plan. Voya invests funds received from contributions in accordance with participants' elections; records investment sales, interest, and dividend income; and makes distribution payments to participants. Certain administrative expenses of maintaining the Plan are paid by the State.

Participants may also select a self-directed brokerage account through TD Ameritrade.

Payment of Benefits

Benefits are recorded when paid.

Administrative Expenses

Certain expenses of maintaining the Plan are paid by the Plan, unless otherwise paid by the State. Expenses paid by the State are excluded from these financial statements. Costs associated with participant-initiated transactions are paid by the respective participants' accounts. Some administrative expenses are paid from the Plan.

Other income of $11,745 and $11,745 for the years ended December 31, 2022 and 2021, respectively, represent reimbursements from the Office of the Management and Budget for accrued legal and accounting fees.

Voya charges the Plan a .08% asset-based fee. The State charges the Plan a .05% oversight fee for certain administrative functions that it performs. These fees are paid from participant accounts and deposited into a Recordkeeping Expense Account to be paid out to various vendors for retirement plan consulting, legal, accounting, OST administrative, and other fees. The .05% oversight fee is reviewed periodically by the OST and may be adjusted based on actual expense results.

NOTE 3 RELATED-PARTY TRANSACTIONS

Two State employees are required to serve on the Plans Management Board. One state employee representative must be eligible to participate in the Plan.

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

Certain administrative functions of the Plan are performed by officers or employees of the State. Certain State employee salaries are paid out of plan assets.

## NOTE 4 PLAN TERMINATION

Although it has not expressed any intent to do so, the State General Assembly may amend the Code or the Plans Management Board, through authority given to it by the Code, has the right at any time to terminate the Plan. The Plans Management Board has charged the OST with daily administration and to carry out resolutions of the Plans Management Board.

## NOTE 5 TAX STATUS

The Internal Revenue Service (IRS) has determined and informed the State by a letter dated March 6, 2013, that the Plan and related trust, as then designed, were designed in accordance with applicable sections of the IRC. The Plan has since been restated effective January 1, 2017. The State believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC and, therefore, believes that the Plan is qualified, and the related trust is tax exempt.

## NOTE 6 RISKS AND UNCERTAINTIES

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

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are held in custody by Voya Institutional Trust Company and TD Ameritrade self-directed brokerage account. The concentration of investments is determined by the participants' elections to invest in the available investment options as selected by the Plans Management Board. The investments that exceed 5% are identified in Note 7.

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

NOTE 6 RISKS AND UNCERTAINTIES (cont'd)

the Plan's name. Investments are held in a trust account for the benefit of the Plan. As a result, the investments of the Plan are not exposed to custodial credit risk.

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

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The Plan allows mutual fund investments in countries outside of the United States. The fair value of these investments was $160,066 and $179,059 as of December 31, 2022 and 2021, respectively. The individual funds are identified in Note 7.

NOTE 7 INVESTMENTS

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

- Savings accounts in federally insured banking institutions
- United States government bonds or debt instruments
- Life insurance and annuity contracts, provided the companies offering such contracts are subject to regulation by the Insurance Commissioner of the State
- Investment funds registered under the Investment Company Act of 1940
- Securities which are traded on the New York Exchange, National Association of Securities Dealers Automated Quotations (NASDAQ) or American Stock Exchange

Effective September 5, 2018, the Plans Management Board approved an Investment Policy Statement to guide decision making related to the selection, monitoring, and removal of investment options and other matters.

Fair Value Measurements

The Plan 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 and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

NOTE 7 INVESTMENTS (cont'd)

*Level 1* – Unadjusted quoted prices for identical instruments in active markets.

*Level 2* – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs are observable.

*Level 3* – Valuations derived from valuation techniques in which significant inputs are unobservable.

The categorization of investments within hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

The following table presents the level of the Plan's investments reported at fair value as of December 31, 2022 and 2021:

| December 31, 2022 | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Interest-bearing cash | $ 534,810 | $ 534,810 | $ - | $ - |
| Registered investment companies | 20,312,400 | 20,312,400 | - | - |
| Self-directed brokerage accounts | 68,904 | 68,904 | - | - |
| Total Investments, at Fair Value | $ 20,916,114 | $ 20,916,114 | $ - | $ - |
| **December 31, 2021** | | | | |
| Interest-bearing cash | $ 398,680 | $ 398,680 | $ - | $ - |
| Registered investment companies | 25,810,416 | 25,810,416 | - | - |
| Self-directed brokerage accounts | 91,501 | 91,501 | - | - |
| Total Investments, at Fair Value | $ 26,300,597 | $ 26,300,597 | $ - | $ - |

The Plan's investments (including gains and losses on investments bought, sold, as well as held during the year) appreciated (depreciated) in value by ($4,862,165) and $1,809,941 during 2022 and 2021, respectively.

NOTE 7 INVESTMENTS (cont'd)

Fully Benefit-Responsive Investment Contracts

The Plan holds a traditional fully benefit-responsive investment contract with Voya Retirement Insurance and Annuity Company (VRIAC). VRIAC maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. Because the investment contract meets the criteria to be considered fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the investment contract. The investment contract is presented on the face of the statements of net assets available for benefits at contract value. Contract value, as reported by VRIAC, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investments at contract value. Transfers from the contract will be subject to either percentage limit restrictions or equity wash restrictions. Withdrawals are allowed to pay benefits to participants at any time.

The contract value of the investment contract as of December 31, 2022 and 2021, was $377,979 and $287,275, respectively. The investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan. The crediting interest rate is based on a formula established by the contract issuer, but may not be less than 1%. Such interest rates are reviewed on an annual basis for resetting.

Certain events limit the Plan's ability to transact at contract value with the issuer. Such events include the following: (a) amendments to the plan documents (including complete or partial plan termination or merger with another plan), (b) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, (c) bankruptcy of the plan sponsor or other plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the Plan, or (d) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption.

Furthermore, certain events would allow the issuer to terminate the contract with the Plan and settle at an amount different from contract value. Examples of such events include (a) an uncured breach of the Plan's investment guidelines, (b) a material amendment to the contract without the issuer's consent, (c) a violation of a material obligation under the contract, or (d) a material misrepresentation.

The State does not believe that any events that would limit the Plan's ability to transact at contract value with the plan participants or the issuer are probable of occurring.

NOTE 7 INVESTMENTS (cont'd)

The fair or contract value of investments held by the Plan at December 31, 2022 and 2021, was as follows:

| | Fair Value/Contract Value | |
|---|---|---|
| | 2022 | 2021 |
| Voya Variable Earnings Investments: | | |
| American Funds 2010 Target Date - R-6 | $ 563,967 | $ 735,164 |
| American Funds 2015 Target Date - R-6 | 1,021,354 | 1,282,919 |
| American Funds 2020 Target Date - R-6 | 2,283,173 * | 2,875,768 * |
| American Funds 2025 Target Date - R-6 | 3,599,532 * | 4,543,944 * |
| American Funds 2030 Target Date - R-6 | 3,625,028 * | 4,539,322 * |
| American Funds 2035 Target Date - R-6 | 3,698,926 * | 4,610,655 * |
| American Funds 2040 Target Date - R-6 | 2,335,820 * | 2,911,999 * |
| American Funds 2045 Target Date - R-6 | 973,386 | 1,192,122 |
| American Funds 2050 Target Date - R-6 | 123,815 | 167,013 |
| American Funds 2055 Target Date - R-6 | 5,040 | 8,262 |
| American Funds 2060 Target Date - R-6 | 27,841 | 34,695 |
| American Funds 2065 Target Date - R-6 | 15,662 | 14,504 |
| American Funds Washington Mutual - R-6 | 144,364 | 152,997 |
| Champlain Mid Cap Fund - Institutional | 55,164 | 90,470 |
| JP Morgan U.S. Small Company - R-6 | 75,191 | 105,687 |
| Lazard International Equity - R-6 | - | 38,132 ** |
| TRwPr Overseas Stock Fund I | 37,414 ** | - |
| PIMCO Total Return - Institutional | 68,476 | 60,221 |
| T. Rowe Price Blue Chip Growth - I | 407,330 | 742,449 |
| Vanguard Extended Market Index - Institutional | 167,708 | 252,203 |
| Vanguard Federal Money Market | 534,810 | 398,680 |
| Vanguard Institutional Index - Institutional | 754,063 | 1,000,848 |
| Vanguard Intermediate-Term Bond Index - Institutional | 166,763 | 245,899 |
| Vanguard Total International Stock Index - Institutional | 122,652 ** | 140,927 ** |
| TIAA-CREF Real Estate Securities - Institutional | 39,731 | 64,216 |
| Voya Fixed Plus Account III (Contract Value) | 377,979 | 287,275 |
| TD Ameritrade Self Directed Brokerage Account | 68,904 | 91,501 |
| | $ 21,294,093 | $ 26,587,872 |

* Represents investments greater than 5% of net position
** Represents investments in foreign securities

## NOTE 8 PLAN AMENDMENT

Effective January 1, 2022, the Plan was amended to account for Involuntary Cash-Out of Small Account Balances. If a Participant's Account balance is less than Five Thousand Dollars ($5,000) at his or her Severance from Employment, the Administrator may distribute such Account to the Participant or Beneficiary, without the consent of the Participant or Beneficiary, in the form of a lump sum payment, as soon as practicable after the Participant's Severance from Employment. Notwithstanding anything in this Plan to the contrary, for purposes of the foregoing $5,000 threshold, a Participant's Account balance will be determined without regard to any separate account that holds rollover contributions permitted under Section 4.3. Any such distribution of small account balances made under this Paragraph shall comply with the requirements of Section 401(a)(31)(B) of the Code relating to automatic distribution as a direct rollover to an individual retirement plan for distributions in excess of One Thousand Dollars ($1,000). For purposes of the $1,000 threshold, a Participant's Account balance shall be inclusive of any separate account that holds rollover contributions.

## NOTE 9 SUBSEQUENT EVENTS

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

**STATE OF DELAWARE**
**MATCH PLAN**

**OTHER REPORT**

BTCPA
BARBACANE
THORNTON
& COMPANY

INDEPENDENT AUDITOR'S 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*

September 14, 2023

Plans Management Board
State of Delaware Match Plan
Dover, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Delaware Match Plan (the Plan), Dover, Delaware, which comprise the statement of fiduciary net position as of December 31, 2022, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing 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 Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.



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Plans Management Board
State of Delaware Match Plan

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan'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 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.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP