

2013  
DELAWARE

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013



STATE OF DELAWARE  
**OFFICE OF THE GOVERNOR**  
TATNALL BUILDING, SECOND FLOOR  
WILLIAM PENN STREET, DOVER, DE 19901

JACK A. MARKELL  
GOVERNOR

PHONE: 302-744-4101  
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To the People of Delaware  
and the Honorable Members of the  
147<sup>th</sup> General Assembly:

I am pleased to present the State of Delaware's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. The CAFR includes the State's Basic Financial Statements, prepared in conformity with generally accepted accounting principles and audited by the independent firm of KPMG LLP. This all-inclusive financial report is prepared by the Department of Finance and is designed to assess the financial health of the State to support the information needs of investors, policymakers, legislators and taxpayers alike.

My administration continues to work towards expanding economic opportunities for Delawareans during this challenging economic recovery, and we have reason to be optimistic about our future. Those reasons include decisions to expand and invest in Delaware by Grayling Industries and ILC Dover, GE Aviation, Harim Industries and the many other businesses. Our fiscal success has repeatedly been reinforced by the reaffirmation of the State's triple-A credit rating by Moody's Investor Service, Fitch Ratings and Standard & Poor's, most recently in February 2013.

The financial statements and disclosures that follow detail a well-funded pension plan, a healthy budget reserve and consistently strong fiscal management practices, evidence that Delaware is well positioned for decades of economic growth. Prudent and proactive financial management keeps Delaware moving forward.

Sincerely,

A handwritten signature in blue ink that reads "Jack Markell".

Jack A. Markell  
Governor

# State of Delaware

## Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

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

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

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

Prepared by the Department of Finance, Division of Accounting

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

## **Acknowledgments**

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

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**Candice D. McMillan, MBA, CICA**  
State Accountant IV

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

**Jennifer Thornton**  
State Accountant III

Special appreciation to:

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

**State of Delaware  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2013  
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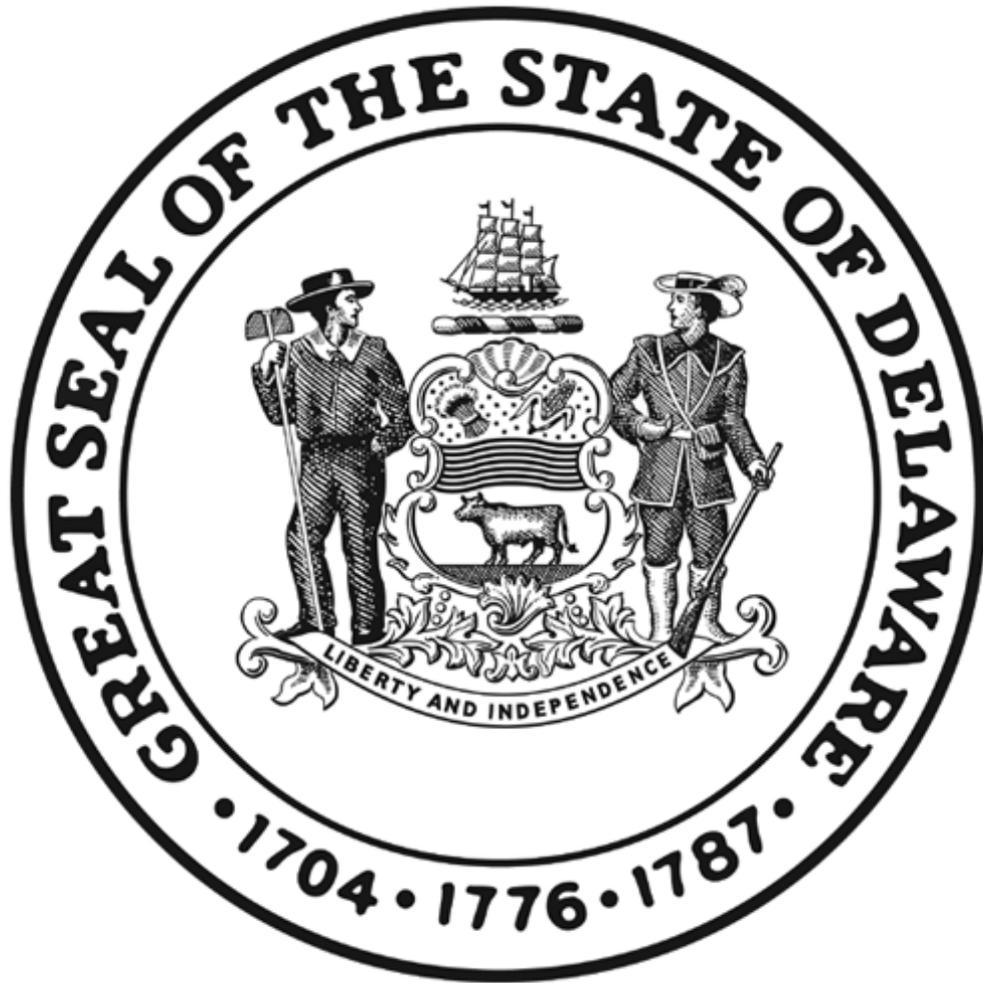
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# Introductory section

Comprehensive Annual Financial Report



STATE OF DELAWARE  
DEPARTMENT OF FINANCE  
OFFICE OF THE SECRETARY

THOMAS J. COOK  
SECRETARY OF FINANCE

February 6, 2014

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

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the State of Delaware (the State) for the fiscal year ended June 30, 2013. This report has been prepared in accordance with U.S. generally accepted accounting principles (GAAP) applicable to state and local governments, as prescribed by the Governmental Accounting Standards Board (GASB). The State continues to follow the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for the form and content of government financial reports and participates in the GFOA's program for the Certificate of Achievement for Excellence in Financial Reporting.

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

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

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

### PROFILE OF THE GOVERNMENT

The State is located on the eastern seaboard of the United States and is bordered by the Atlantic Ocean, the Delaware Bay and the states of New Jersey, Pennsylvania and Maryland. The State is 96 miles long and has a land area of 1,955 square miles. In 2013, it is estimated that over 917,000 people reside here. As the first state to ratify the United States Constitution on December 7, 1787, The State of Delaware is known as "The First State." The structure of the State's government, which is similar to

other states, consists of three branches that operate through a system of checks and balances. The executive branch is comprised of the Governor, Lt. Governor, State Treasurer, State Auditor, Attorney General and Insurance Commissioner. The legislative branch is bicameral and consists of a 21-member Senate and a 41-member House of Representatives. The judicial branch includes the Supreme Court, Superior Court, Court of Chancery, and other courts.

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

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

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

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

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

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

Disbursements are controlled by an encumbrance accounting system designed to provide information on the actual extent of the State's obligations and guard against over-committing available funds. Appropriations are reduced immediately when purchase orders are issued for goods and services. The total amount of budgetary general fund cash disbursements, plus unliquidated

encumbrances, cannot exceed the amount appropriated by the General Assembly for any specific budgetary line items by department. Internal controls prevent State organizations from spending beyond budgetary limits (see Notes to Required Supplementary Information for more details).

Although the majority of the State's financial transactions are processed through the State's primary accounting system, certain special funds have financial activity external to that system, such as the Transportation Trust Fund, the Delaware State Housing Authority and Delaware State University. This activity is governed in adherence to legislative regulations and guidelines established by their boards. In addition, these entities are audited annually and produce published financial reports.

## **Budget Process**

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

## **Appropriation Limit**

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

## **Tax Limitations**

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

## **Revenue and Expenditure Forecasting**

The Delaware Economic and Financial Advisory Council (DEFAC), an entity created by executive order in 1977, is required to submit revenue forecasts for the budgetary general fund and transportation trust fund to the Governor and the General Assembly. The committee is comprised of 32 members appointed by the Governor from the executive and legislative branches of State government and the private sector.

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

generated for the current fiscal year in September, December, March, April, May and June.

The revenue and expenditure forecasts are used in the State budget process to ensure State compliance with constitutional limits on spending and statutory debt limitations. In addition, DEFAC advises the Governor and General Assembly on economic conditions in the State and advises the Governor and the Secretary of Finance on tax policy. DEFAC meetings are open to the public and provide a general forum for members of the public and private sectors to exchange views on matters of economic and fiscal concern for the State.

## **ECONOMIC CONDITION AND OUTLOOK**

During the most recent two business cycles, Delaware's economic performance has largely mirrored national trends in terms of employment and income growth. While Delaware's ties to the national economy are unmistakable, Delaware, until recently, consistently posted lower unemployment rates than the United States. More recently, Delaware has experienced an unemployment rate that matches the national average.

The State's recent performance is due, in part, to the changing composition of its economic base. With a heavy concentration in financial services, the State's economy could not avoid the effects of recent industry turmoil. Despite this uncertainty, the State's major employers, Bank of America, JP Morgan Chase, Barclays Bank and now Capital One, continue to maintain a major presence in the State and demonstrate the State's importance as a financial center. Capital One, which purchased the popular on-line bank, ING Direct, in February 2013 began filling 170 positions making good on its promise to add approximately 500 jobs in the State by the end of 2013. JP Morgan Chase purchased a former MBNA site to house 800 new marketing, technology and information security jobs, part of its commitment to add 1,200 Delaware employees. The State's long-established manufacturing sectors, oil-refining and fibers, have also suffered as a result of the worst economic downturn since World War II. In response to these setbacks, however, the State has made important strides to reinvigorate and modernize its manufacturing base. PBF Energy continues to operate, the former Valero refinery in Delaware City, Delaware. Bloom Energy began producing solid oxide fuel cells, "Bloom Boxes" on a new manufacturing facility on the site of the State's former Chrysler assembly plant. In addition to its commitment to Delmarva Power, Bloom has received orders from JP Morgan Chase and Macy's in Cheshire, Connecticut and counts Walmart, Google, eBay, FedEx, Staples, Coke and Bank of America as its customers. Allen Harim Foods, a poultry processor and breeder, has announced a \$100 million investment in a former pickling plant in Millsboro, Delaware and committed to creating 700 new jobs. Engineering development and manufacturing firm, ILC Dover, transferred 115 new jobs to Delaware from Mexico by moving the manufacturing operations of its recently acquired subsidiary, Grayling Industries, to a new plant in Sussex County.

Since the adoption of the Financial Center Development Act in 1981, diversifying the State's economy has consistently ranked among State policymakers' highest priorities. The State's economic development efforts have followed a two-pronged approach. Broadly speaking, the State has continually improved its business climate using a combination of (i) prudent fiscal management, including judicious tax policy, and (ii) strategic investments in public education and infrastructure. When faced with specific challenges, alert and supportive policymakers have teamed with the business community to develop effective policy responses to a changing economic landscape. One such result is a proposed state-of-the-art data center. West Chester, Pa.-based The Data Centers LLC proposes to build a 288,000-square-foot self-powered data center on a portion of the campus that once housed the

Chrysler Newark Assembly Plant. The site would employ 290 full time employees and attract additional economic development opportunities. In March 2010, the U.S. Department of Education announced that the State was one of only two recipients to be awarded “Race to the Top” federal funding. Race to the Top is a federal education program that is funded under the American Recovery and Reinvestment Act to reward states for aggressively reforming their education systems. The State will receive over \$100 million in Race to the Top funding to be paid out over a four year period. As of October 2013, \$80.0 million has been drawn from the grant which began in June 2010.

To enhance its position in an increasingly competitive gaming market and to increase employment across the State, Delaware has diversified its gaming portfolio. In May 2009, Governor Jack Markell signed a sports betting bill that reactivated a sports lottery in the State of Delaware; in June 2012, Governor Markell signed a bill that expanded sports betting beyond the State’s three racinos into various retail establishments and allows Keno at multiple retail venues. The same bill allows the introduction of internet gaming both in and out of the racinos, which is expected to be introduced in fiscal 2014. In fiscal 2013, table games, sports betting and Keno accounted for \$93.5 million in revenue.

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

The State’s business-friendly legal system continues to attract new incorporations. In recent years, more than 70% of new U.S. initial public offerings (“IPO”) have chosen the State of Delaware as their legal domicile. Even though IPO activity has suffered from economic and other factors, the State has continued to register a record number of business formations in the form of LLCs and LPs.

### **INDEPENDENT AUDIT**

The accounting firm of KPMG LLP has audited the State’s basic financial statements for the fiscal year ended June 30, 2013. Based upon that audit, the independent auditor has issued an unmodified opinion that the State of Delaware’s basic financial statements are fairly presented in conformity with GAAP. Their report on the basic financial statements has been included in the financial section of this CAFR.

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

### **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the State of Delaware for its

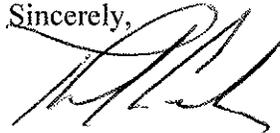
CAFR for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish a timely, easily readable, and efficiently organized comprehensive annual financial report that conforms to program standards. The report must comply with both generally accepted accounting principles and all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The State has received a Certificate of Achievement for the last 18 consecutive years (fiscal years 1995 – 2012). We believe that this year's report continues to conform to the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **ACKNOWLEDGEMENTS**

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

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Cook', written in a cursive style.

Thomas J. Cook  
Secretary of Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**State of Delaware**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

**State of Delaware  
Selected State Officials  
As of June 30, 2013**

**KEY ELECTED OFFICIALS:**

Governor	Jack A. Markell
Lt. Governor	Matthew Denn
Attorney General	Joseph R. Biden III
State Treasurer	Chip Flowers, Jr.
State Auditor	R. Thomas Wagner, Jr.
Insurance Commissioner	Karen Weldin Stewart

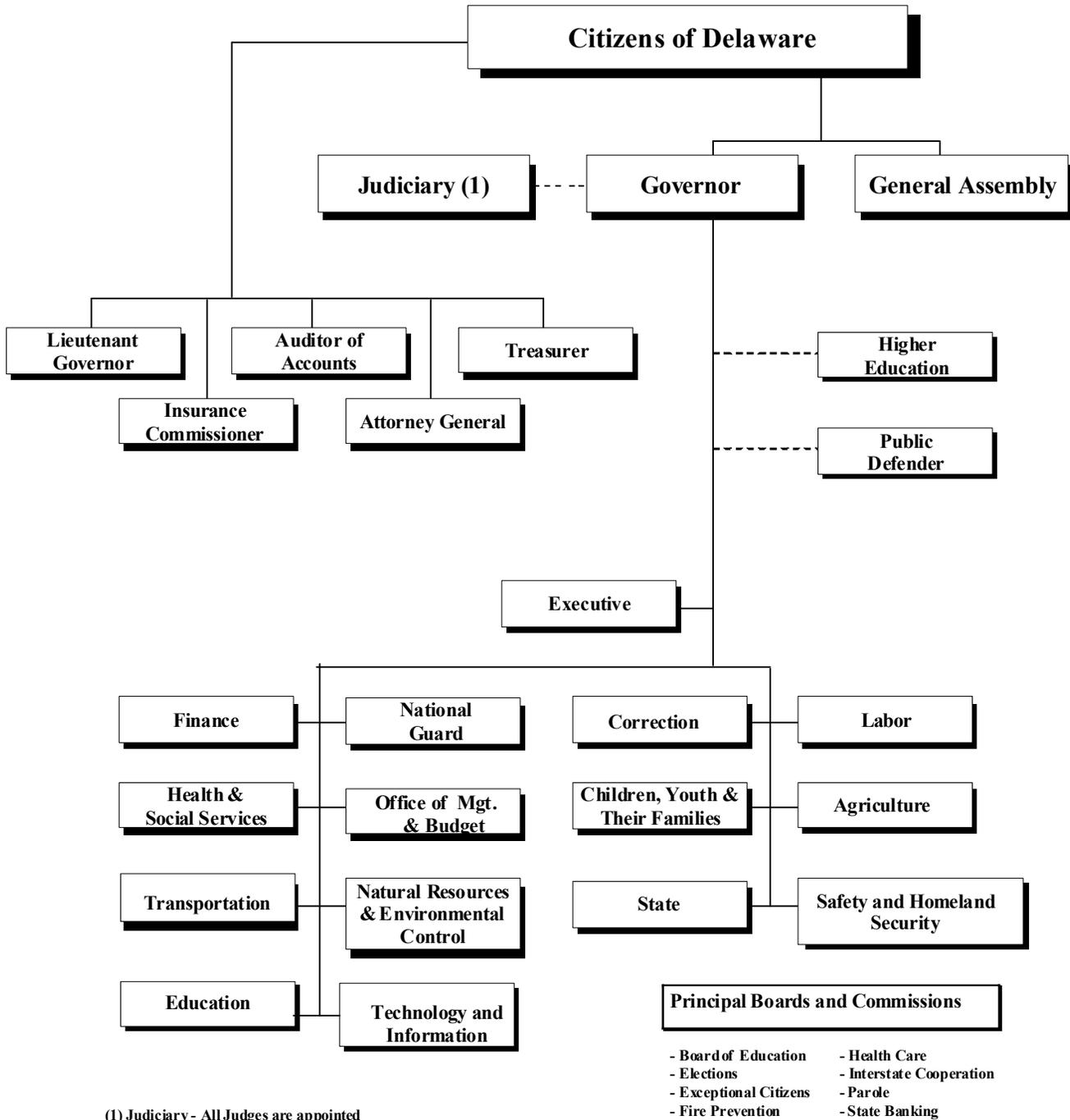
**KEY LEGISLATIVE OFFICIALS:**

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

**CABINET POSITIONS AND OTHER APPOINTED OFFICIALS:**

Agriculture	W. Edwin Kee, Jr.
Correction	Robert Coupe
Delaware Economic and Development Office	Alan B. Levin
Delaware State Housing Authority	Anas Ben-Addi
Education	Mark Murphy
Finance	Thomas J. Cook
Health and Social Services	Rita M. Landgraf
Labor	John McMahon
Delaware National Guard	(Major General) Francis D. Vavala
Natural Resources and Environmental Control	Collin P. O'Mara
Office of Management and Budget	Ann S. Visalli
Safety and Homeland Security	Lewis D. Schiliro
Services for Children, Youth and Their Families	Jennifer Ranji
State	Jeffrey W. Bullock
Technology and Information	James M. Sills III
Transportation	Shailen Bhatt

## State of Delaware Organizational Chart



(1) Judiciary - All Judges are appointed by the Governor with the consent of the Senate.

# FINANCIAL SECTION

Comprehensive Annual Financial Report



**KPMG LLP**  
1601 Market Street  
Philadelphia, PA 19103-2499

## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Delaware (the State), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Delaware State Housing Authority (DSHA), Delaware State University (DSU), Delaware Charter Schools, Riverfront Development Corporation (RDC), and Diamond State Port Corporation (DSPC) within the aggregate discretely presented component units. The financial statements of DSHA, DSU, RDC, DSPC and the Delaware Charter Schools were audited by other auditors whose reports thereon have been furnished to us and which represent 89% of total assets, 80% of total net position and 93% of total revenues within the aggregate discretely presented component units. Our opinions, insofar as it relates to the amounts included for those entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



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

***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Delaware, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

***Emphasis of Matter***

*Change in Accounting Principle Resulting from the Adoption of a New Accounting Pronouncement*

As discussed in Note 1 to the financial statements, effective July 1, 2012, the State adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. Our opinion is not modified with respect to this matter.

*Delaware State Housing Authority*

As discussed in Notes 1 and 21 to the financial statements, the Delaware State Housing Authority, a discretely presented component unit, restated its net position as of July 1, 2012 to correct a material misstatement in the amount previously reported. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis and required supplementary information as listed in the accompanying table of contents (collectively referred to as RSI) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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



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

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

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

*KPMG LLP*

Philadelphia, Pennsylvania  
February 6, 2014

## **STATE OF DELAWARE**

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

The following is a discussion and analysis of the State of Delaware's (the State's) financial activities as of and for the fiscal year ended June 30, 2013. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages i-vi of this report, and the State's financial statements, which follow this section.

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

#### **Financial Highlights**

- The assets of the State exceeded its liabilities at the close of the most recent fiscal year by \$4,877.2 million (net position). Component units reported a net position of \$1,109.3 million, an increase of \$27.4 million from the previous year as restated.
- As a result of its operations, the primary government's total net position increased by \$68.9 million (1.4%) in fiscal year 2013 when compared to the previous year's ending net position as restated. Net position of governmental activities decreased by \$74.1 million (4.2%) from the previous year, while net position of the business-type activities increased \$143.1 million (4.7%) from the previous year.
- The State's governmental funds reported combined ending fund balances of \$1,902.9 million, an increase of \$74.1 million (4.1%) in comparison with the restated prior year balance.
- The general fund reported unassigned fund balance of \$1,025.3 million which was 23.6% of total general fund expenditures.
- The State's total general obligation debt increased \$58.4 million (3.5%) during fiscal year 2013 to \$1,755.2 million. Of the State's outstanding general obligation debt, \$545.7 million (31.1%) has been issued on behalf of local school districts, which is supported by the property tax revenues of those districts. In addition, the State has \$1,063.3 million in outstanding revenue bonds with \$56.2 million for energy conservation projects and \$1,007.1 million for transportation projects.

#### **Overview of the Financial Statements**

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

## Government-Wide Financial Statements

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

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

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

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

The government-wide financial statements include not only the State (known as the primary government), but also legally separate entities for which the State is financially accountable. These entities include the Delaware State Housing Authority, the Diamond State Port Corporation, the Riverfront Development Corporation, the Delaware State University, the Delaware Agricultural Lands Preservation Foundation and 22 charter schools. Financial information for these component units is reported separately from the financial information presented for the primary government. The government-wide financial statements can be found on pages 19 - 20 of this report.

## Fund Financial Statements

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

- *Governmental Funds* Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on near-term inflows and

outflows of available resources, as well as on balances of available resources on hand at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

The basic governmental funds financial statements can be found on pages 21 - 24 of this report.

The State budgets and controls its financial activities on the cash basis of accounting. In compliance with State law, the State records its financial transactions in either of two major categories – the General Fund or the Special Fund. References to these funds in this report include the terms “budgetary” or “budgetary basis” to differentiate them from the GAAP funds of the same name which encompass different funding categories. The State adopts an annual appropriated budget for its budgetary general fund. A budgetary comparison schedule has been provided for the budgetary general fund to demonstrate compliance with the budget. The schedule can be found on page 117 of this report.

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

The basic proprietary fund financial statements can be found on pages 25 - 27 of this report.

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

The basic fiduciary fund financial statements can be found beginning on pages 28 – 29 of this report. The combining fiduciary and agency fund statements can be found on pages 127 - 131.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32 - 113 of this report.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain Required Supplementary Information (RSI) concerning the status of the State's legally adopted budget, the maintenance of the State's infrastructure and additional schedules related to funding status and progress, annual pension costs and actuarial methods and assumptions for the State's pension and OPEB trusts. The RSI can be found on pages 115 - 125 of this report.

### **Statewide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's assets exceeded its liabilities by \$4,877.2 million at the close of the most recent fiscal year.

The largest portion of the State's net position of 99.3% reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment) less any related outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position, comprising 11.7% of total net position, represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The remaining portion of the State's net position represents the unrestricted deficit net position (11.0%).

## Condensed Financial Information - Primary Government

As of June 30, 2013

(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets:</b>						
Non-capital Assets	\$ 3,091,193	\$ 2,930,951	\$ 492,035	\$ 542,418	\$ 3,583,228	\$ 3,473,369
Capital Assets	3,548,331	3,630,903	4,155,114	4,034,852	7,703,445	7,665,755
Total Assets	<u>6,639,524</u>	<u>6,561,854</u>	<u>4,647,149</u>	<u>4,577,270</u>	<u>11,286,673</u>	<u>11,139,124</u>
<b>Liabilities:</b>						
Long-Term Liabilities						
Outstanding	4,039,786	3,734,563	1,171,349	1,232,755	5,211,135	4,967,318
Other Liabilities	906,117	845,643	292,250	304,045	1,198,367	1,149,688
Total Liabilities	<u>4,945,903</u>	<u>4,580,206</u>	<u>1,463,599</u>	<u>1,536,800</u>	<u>6,409,502</u>	<u>6,117,006</u>
<b>Net Position:</b>						
Net Investment in						
Capital Assets	1,701,366	1,851,218	3,142,841	2,956,316	4,844,207	4,807,534
Restricted	408,694	519,836	163,539	169,954	572,233	689,790
Unrestricted deficit	(416,439)	(389,406)	(122,830)	(85,800)	(539,269)	(475,206)
Total Net Position	* <u>\$ 1,693,621</u>	<u>\$ 1,981,648</u>	<u>\$ 3,183,550</u>	<u>\$ 3,040,470</u>	<u>\$ 4,877,171</u>	<u>\$ 5,022,118</u>

\*The State implemented GASB Statement No. 61 during fiscal 2013. The provisions of GASB Statement No. 61 required the State to reevaluate its component units. The Delaware Agricultural Lands Preservation Foundation which was previously a blended component unit is now considered a discretely presented component unit. Therefore, the State's governmental activities net position as of July 1, 2012 has been restated. Fiscal 2012 amounts for governmental activities reported above have not been restated to reflect this change.

The capital assets of the governmental activities decreased by \$82.6 million (2.3%) since June 30, 2012. The decrease is the result of decreased land easements in the amount of \$213.4 million due to a restatement of net position with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 61. The land easements are now recorded by a discretely presented component unit, the Delaware Agricultural Lands Preservation Foundation on page 30. These decreases are offset by increases in construction in progress and other depreciable assets as a result of significant renovations to, and expansions of, existing school buildings across all counties to accommodate the rise in student population.

The increase in governmental activities non-capital assets is due to an increase in cash and investments due to an increase in business and real estate tax revenues along with increases in charges for services.

The increase in governmental activities long-term liabilities outstanding of \$305.2 million (8.2%) is primarily due to an increase in the other post employment benefits liability and bonds payable. At June 30, 2013, the long-term obligation for OPEB was \$1,682.0 million, an increase of \$185.5 million (12.4%) from fiscal year 2012. The OPEB obligation will increase each year as the State continues to defer full funding of its annual required contribution. Additional information for the OPEB obligation can be found in Note 14 of the financial statements.

In addition, the general obligation long term debt increased by \$58.6 million (3.5%) from fiscal year 2012. The State's debt as a percentage of the State's personal income was 7.8% in fiscal

year 2012 and 7.3% in fiscal year 2013. The State's debt burden reflects its centralized role in financing facilities, such as schools and prisons.

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

**Changes in Net Position - Primary Government**  
**For Year End June 30, 2013**  
 (Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 559,213	\$ 421,594	\$ 1,205,519	\$ 1,285,907	\$ 1,764,732	\$ 1,707,501
Operating Grants and Contributions	1,551,954	1,541,931	72,517	109,037	1,624,471	1,650,968
Capital Grants and Contributions	-	-	211,245	199,214	211,245	199,214
<b>General Revenues:</b>						
<b>Taxes:</b>						
Personal Income Taxes	1,130,501	1,126,014	-	-	1,130,501	1,126,014
Business Taxes	2,051,071	1,834,684	-	-	2,051,071	1,834,684
Real Estate Taxes	504,620	473,351	-	-	504,620	473,351
Other Taxes	217,880	241,525	-	-	217,880	241,525
Investment Income (Loss)	11,636	32,849	(608)	4,029	11,028	36,878
Gain on Sale of Assets	-	-	1,018	308	1,018	308
Miscellaneous	25,244	24,103	-	-	25,244	24,103
<b>Total Revenues</b>	<b>6,052,119</b>	<b>5,696,051</b>	<b>1,489,691</b>	<b>1,598,495</b>	<b>7,541,810</b>	<b>7,294,546</b>
<b>Expenses:</b>						
General Government	543,931	654,311	-	-	543,931	654,311
Health and Children's Services	2,428,629	2,386,475	-	-	2,428,629	2,386,475
Judicial and Public Safety	711,361	660,053	-	-	711,361	660,053
Natural Resources and Environmental Control	147,733	161,354	-	-	147,733	161,354
Labor	69,226	79,706	-	-	69,226	79,706
Education	2,408,647	2,372,080	-	-	2,408,647	2,372,080
Interest Expense	54,969	61,111	-	-	54,969	61,111
Lottery	-	-	358,467	386,241	358,467	386,241
Transportation/DelDOT	-	-	580,392	641,850	580,392	641,850
Unemployment	-	-	169,508	247,932	169,508	247,932
<b>Total Expenses</b>	<b>6,364,496</b>	<b>6,375,090</b>	<b>1,108,367</b>	<b>1,276,023</b>	<b>7,472,863</b>	<b>7,651,113</b>
Increase (Decrease) in Net Position Before Transfers	(312,377)	(679,039)	381,324	322,472	68,947	(356,567)
Transfers	238,244	287,903	(238,244)	(287,903)	-	-
Increase (Decrease) in Net Position	(74,133)	(391,136)	143,080	34,569	68,947	(356,567)
Net Position - Beginning of Year As Restated	* 1,767,754	2,372,784	3,040,470	3,005,901	4,808,224	5,378,685
<b>Net Position - End of Year</b>	<b>\$ 1,693,621</b>	<b>\$ 1,981,648</b>	<b>\$ 3,183,550</b>	<b>\$ 3,040,470</b>	<b>\$ 4,877,171</b>	<b>\$ 5,022,118</b>

\*The State implemented GASB Statement No. 61 during fiscal 2013. The provisions of GASB Statement No. 61 required the State to reevaluate its component units. The Delaware Agricultural Lands Preservation Foundation which was previously a blended component unit is now considered a discretely presented component unit. Therefore, the State's governmental activities net position as of July 1, 2012 has been restated. Fiscal 2012 amounts for governmental activities reported above have not been restated to reflect this change.

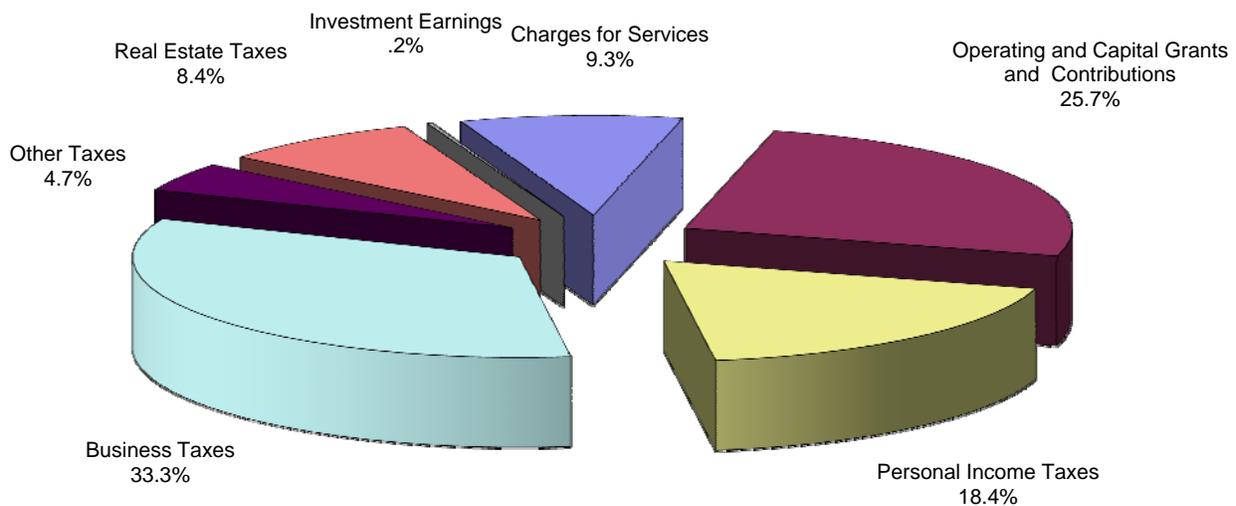
**Governmental Activities**

Since fiscal year 2012, the net position for governmental activities has decreased by \$74.1 million. A comparison of the cost of services by function for the State’s governmental activities is shown in the following chart, along with the revenues used to cover the net expenses of the governmental activities. Key elements of the decrease in the State’s net position from governmental activities are as follows:

Total general revenues of governmental activities increased overall by \$208.4 million (5.6%) relating to increases in business taxes of \$216.4 million and real estate taxes of \$31.3 million. There was a decrease in investment income of \$21.2 million (6.5%). The increases in tax revenues were primarily attributable to overall improvements in the economy and successful tax audits resulting in increased business tax revenue. The decrease in investment income is due to decreased market gains in the current year.

Program revenues increased by \$147.6 million (7.5%) from the prior year due to an increase in charges for services of \$137.6 million (32.6%) resulting from increases in licenses, fees, permits and fines and rentals and sales from the Department of Natural Resources and Environmental Control and the Department of Agriculture. Also, operating grants increased by \$10.0 million (0.6%) compared to the prior fiscal year, since Health and Social Services received additional funding of \$103.8 million (9.9%) due largely to increased Medicaid funds and Education received \$65.5 million (20.5%) less in operating grants due mainly to the end of ARRA funding.

**Revenues by Source – Governmental Activities**

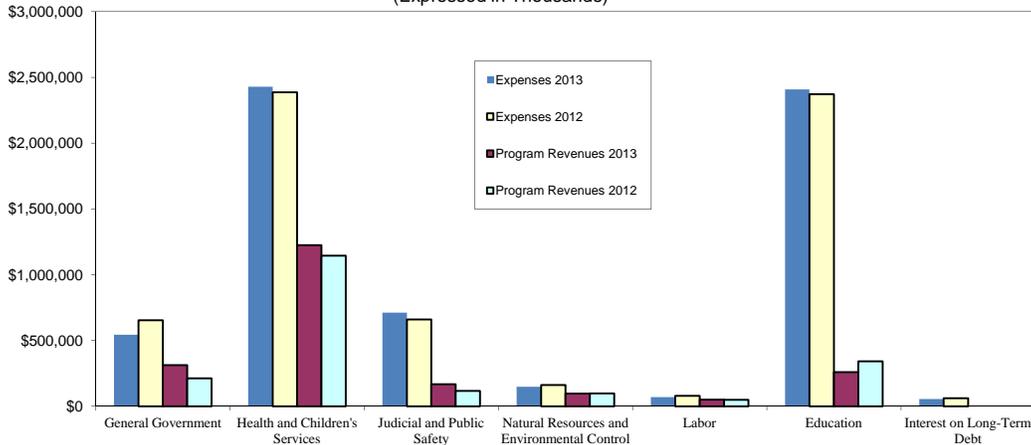


Expenses for governmental activities decreased during fiscal year 2013 by \$10.6 million (0.2%). The decrease in governmental activities is due in part to the decreased spending of \$110.4 million (16.9%) for the general government due to organizations identifying alternative funding sources for expenditures. This is offset by increased spending of \$42.1 million (1.8%) at Health and Children’s Services as a result of a general increase in the

population served and rising health care costs and in educational expenses of \$36.5 million (1.5%) due to the continued increase in student population resulting in additional personnel and other operating costs.

**Expenses and Program Revenues- Governmental Activities**

(Expressed in Thousands)



**Business-type Activities**

The net position for business-type activities increased by \$143.1 million (413.6%) in fiscal year 2013. This increase is comprised of a \$130.3 million (273.2%) increase in net position for DelDOT plus a \$12.8 (197.7%) million increase in the Unemployment Insurance Trust Fund.

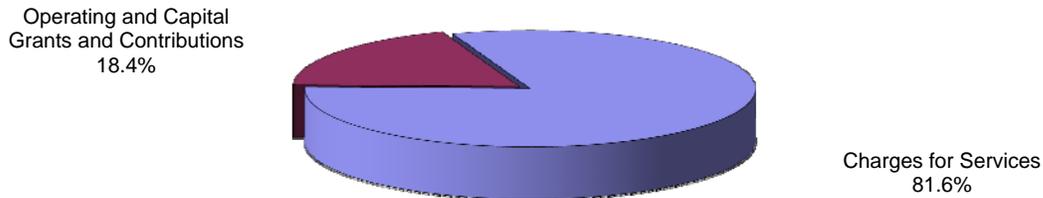
The increase of \$12.8 million in Delaware Unemployment Insurance Trust Fund net position is due to a decreased demand in benefits paid by the Trust Fund. The operating revenues (charges for services and operating grants) and operating expenses decreased by \$51.3 million (22.2%) and \$78.3 million (31.9%), respectively due to decreases in the benefits paid with improvements in the economy and less individuals unemployed and collecting benefits. Change in net position increased from a decrease of \$13.1 million in 2012 to the increase of \$12.8 million in 2013.

DelDOT’s net position at June 30, 2013 was \$130.3 million higher than at June 30, 2012. Change in net position increased from \$47.7 million in 2012 to \$130.3 million in 2013. DelDOT’s total operating revenues increased by \$13.3 million (2.9%) while operating expenses decreased by \$58.6 million (9.8%). The change is primarily attributable to an increase in toll revenues and an increase in motor vehicle and related revenues as a result of increased auto sales. The decrease in operating expenditures is primarily due to decreased capital preservation. In addition, capital contributions increased by \$12.0 million (6.0%) due to increased federal capital grants.

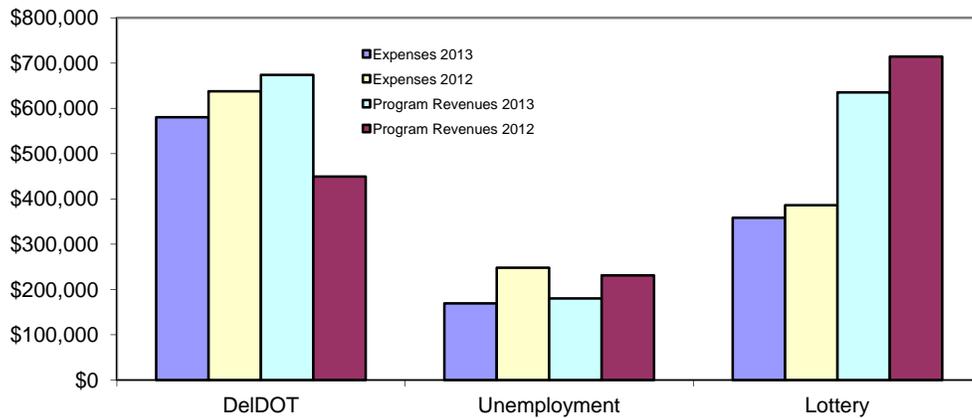
There was no change in the Lottery’s net assets. By law, the Lottery’s net assets cannot exceed \$1.0 million. Revenue for the Lottery decreased by \$79.0 million (11.1%) over last year mainly due to increased competition from casinos operating in Maryland and

Pennsylvania. The Lottery transferred \$276.8 million in gaming revenues to the State, a decrease from fiscal year 2012 of \$51.3 million (15.6%). The total costs of games and prizes decreased by \$27.8 million (7.4%) over the previous year due to the decrease in video lottery activity.

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



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



**Financial Analysis of the State’s Funds**

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

**Governmental Funds**

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

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. This is further described in note 1 and note 16 of the basic financial statements.

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1,902.9 million, an increase of \$74.1 million over the prior year fund balance as restated.

Of this amount, \$7.7 million is nonspendable (.4%), either due to its form or legal constraints, \$569.7 million (29.9%) is restricted for specific programs by external constraints and \$209.5 million (11.0%) is committed for specific purposes pursuant to constraints imposed by a formal action of the Delaware Legislature. An additional \$91.6 million (4.8%) has been assigned to specific purposes by management. The remaining \$1,024.4 million (53.9%) of fund balance is unassigned.

#### *General Fund*

The General Fund accounts for the operation and administration of the State. Total general fund balance increased by \$52.1 million for the fiscal year.

Total General Fund revenues increased by \$258.4 million (6.7%) due to several factors. The main increases were in personal taxes, which increased by \$35.0 million and business taxes, which increased by \$239.6 million. This was partially due to increased effort with enforcement efforts and an increase in business profits. These increases were offset by a decrease in investment income of \$20.6 million due to decreased market gains.

Total General Fund expenditures increased by \$96.0 million (2.3%). This was primarily due to increases in Health and Children's Services of \$12.3 million, Department of Natural Resources and Environmental Control of \$27.6 million, Public Safety of \$58.1 million, Education of \$125.3 million and debt services costs of \$21.2 million offset by a decrease of expenditures in the General Government of \$150.9 million due to organizations identifying alternative funding sources for expenditures. The increase in expenditures for Health and Children's Services, Public Safety, Education, and Natural Resources and Environmental Control, were attributable to an increase in services and for Health and Children's Services a decrease in federal coverage for the Medicaid program.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,025.3 million, while total fund balance reached \$1,448.5 million.

#### *Federal Funds*

Federal Funds represent pass through grants used for designated purposes. These funds report federal grant revenues and the related expenditures to support the State's grant programs. Total federal fund expenditures increased by \$19.3 million. Expenditures increased for Health and Children's Service by \$82.2 million due largely to increased Medicaid expenditures and

decreased for General Government and Education by \$14.3 million and \$40.3 million, respectively. The General Government decrease is due to decreased funding for agricultural and energy related programs and the Education decrease is due to decreased funding for Title I and Special Education programs.

#### *Local School District Funds*

These funds are used to account for activities relating to the State's local school districts, which are funded by locally raised real estate taxes and other revenues. The fund balance decreased by \$12.1 million to \$294.3 million due to an increase of expenditures to serve the increasing population.

#### *Capital Project Funds*

Capital Project Funds are used to account for the construction and acquisition of capital assets of the primary government. Capital outlay expenditures totaled \$226.1 million in fiscal year 2013, an increase of \$38.4 million.

#### *Proprietary Funds*

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

Total Proprietary Fund net position increased in fiscal year 2013 by \$143.1 million as a result of operations. Page 11 discusses the changes in net position of the business-type activities.

### **General Fund Budgetary Highlights**

The Budgetary General Fund is the chief operating fund of the State. At the end of the fiscal year, total fund balance increased by \$71.2 million.

Revenues were \$370.5 million (11.0%) more than the previous fiscal year. This was primarily due to increases in the corporate income tax of \$68.8 million (57.7%), abandoned property of \$252.7 million (84.1%), corporate and partnership fees of \$20.3 million (8.1%) and realty transfer tax of \$10.7 million (33.7%). The \$252.7 million increase in abandoned property was the result of increased enforcement efforts and an audit of transfer agents to ensure inactive accounts are timely reported to the State. Offsetting these revenue increases were decreases in gross receipts tax of \$10.8 million (4.7%) bank franchise tax of \$8.4 million (7.7%), and insurance tax of \$8.0 million (14.2%).

Expenditures were \$66.3 million (1.8%) more than the previous fiscal year. Salaries and wages increased by \$8.2 million (0.6%) and pension costs increased by \$19.1 million (7.5%). Grants-in-Aid increased by \$8.7 million (2.4%), contractual services increased by \$28.9 million (6.3%) and capital outlays increased by \$3.3 million (20.0%).

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

Where actual expenditures were within the final budget in departments, the significant budget variance was \$25.4 million in the Executive Department for funds budgeted, but not spent on ongoing capital improvement projects, technology projects, and contingency items. Business taxes were \$35.9 million less than budgeted due in large part to refunds that were in excess of budgeted amounts. Other revenues, which are mainly licenses and fees, were \$34.6 million more than budgeted as the budgeted refunds for these revenues were less than expected.

Funded projects, which are not completed by year-end, may carry over unspent funds into fiscal year 2014. Unspent funds are reflected in the final budget which may cause variances from original budget.

## **Capital Assets and Debt Administration**

### **Capital Assets**

The State's investment in capital assets for its governmental and business-type activities, as of June 30, 2013, amounted to \$7,703.4 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles and equipment, easements, roads, highways, and bridges. The total decrease in capital assets for governmental activities was \$82.6 million (2.3%) and the increase for business-type activities was \$120.3 million (3.0%).

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

- The decrease in governmental activities is due to the implementation of GASB 61 which decreased easements reported by a newly identified discretely presented component unit that was previously blended, offset by increases for the continued completion of school renovations,
- The increase in business-type activities is due to increased spending at DelDOT for the Turnpike/SR-1 interchange and the US 301 projects.

As allowed by GASB, the State has adopted an alternative process for recording expense related to selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include 4,378 center line miles of roads and 1,601 bridges that the State is responsible to maintain.

DelDOT performs condition assessments of eligible infrastructure assets at least every three years. Currently, road condition assessments are conducted every two years. Historically, road condition assessments were conducted every year. The Department's assessment plan will

ensure that all infrastructure assets are assessed and evaluated within the three-year period, as required. Due to timing of these conditions assessments, information for the fiscal year ended June 30, 2013 is not available for all assessments.

It is the State's policy to maintain at least 85% of its highways at a fair or better condition level and 75% of its bridge systems at a good or better condition level. No more than 10% of bridges and 15% of roads should be in substandard condition.

Of the State's 1,601 bridges that were rated in fiscal year 2013, 71.9% received a good or better Bridge Condition Rating (BCR) rating, 20.9% were rated fair, and 7.2% received a substandard rating. Of the 7,614,980 square feet of bridge deck that was rated, 91.4% or 6,956,457 square feet received an Overall Pavement Condition (OPC) condition rating of good or better, 8.5% received a fair rating, and 0.1% received a substandard deck rating. In 2011, 4,378 center line miles were rated; 95.8% received a fair or better OPC rating and 4.2% received a poor rating.

The fiscal year 2013 estimate to maintain and preserve DelDOT's infrastructure was \$185.4 million, but the actual expenditures were \$233.8 million, which is \$48.4 million over the estimate. The estimated expenditures represent annual budget or bond bill authorizations and the actual expenditures represent the current year spending, which includes cumulative authorizations.

Additional information on the State's capital assets can be found in Note 1 on pages 46 - 47, Note 12 on pages 86 - 88 and starting on page 120 in the Required Supplementary Information.

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

**State of Delaware Capital Assets as of June 30, 2013**  
**Net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 459,587	\$ 447,812	\$ 283,876	\$ 276,761	\$ 743,463	\$ 724,573
Land Improvements	153,346	155,604	-	-	153,346	155,604
Buildings	2,422,593	2,416,856	75,271	73,724	2,497,864	2,490,580
Easements	79,750	291,105	-	-	79,750	291,105
Equipment, Vehicles and Computer Software	73,869	74,743	122,577	117,533	196,446	192,276
Infrastructure	-	-	3,670,250	3,564,347	3,670,250	3,564,347
Construction-In-Progress	359,186	244,783	3,140	2,487	362,326	247,270
<b>Total</b>	<b>\$ 3,548,331</b>	<b>\$ 3,630,903</b>	<b>\$ 4,155,114</b>	<b>\$ 4,034,852</b>	<b>\$ 7,703,445</b>	<b>\$ 7,665,755</b>

### Long-Term Debt

The State uses general obligation debt to finance capital projects. At the end of the current fiscal year, the State had total general obligation bond debt outstanding of \$1,755.2 million backed by the full faith and credit of the State. The State's debt burden reflects its centralized role in

financing school construction projects. As of June 30, 2013, \$545.7 million, or 31.1%, of the State's outstanding debt was issued on behalf of local school districts. Local school districts transferred \$64.3 million of property tax revenue to the State to cover related debt service during fiscal year 2013.

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

- A 5% test restricts new debt authorization to 5% of budgetary general fund revenue as projected by DEFAC in June for the next fiscal year. Should actual revenue collections increase during the year, no additional authorizations are made. For fiscal year 2013, debt issuance was limited to \$187.0 million.
- A 15% test restricts debt issuance if the annual payments on all outstanding debt exceed 15% of estimated budgetary general fund and Transportation Trust Fund Revenue for the next fiscal year. Currently, these annual payments represent approximately 8% of estimated general fund and Transportation Trust Fund revenues.
- Finally, a cash balance test restricts debt issuance if the debt service payment in any year exceeds the estimated cumulative cash balance for the following fiscal year. For fiscal year 2013, the projected cash balance exceeded debt service.

Due to the State's statutory debt limits and its fiscal management, three principal rating agencies, Moody's Investor's Service, Fitch Ratings and Standard & Poor's, reaffirmed their triple-A ratings on the State's general obligation bonds during fiscal year 2013. On February 28, 2013, the State issued \$336.3 million of its general obligation bonds maturing between February 1, 2014 and February 1, 2033. Of the \$336.3 million issued as Series 2013, \$111.3 million was issued to refund higher priced bonds resulting in a net present value savings of \$14.4 million, or 11.7% of the principal refunded.

In addition, the Sustainable Energy Utility, Inc. had \$56.2 million of Revenue Bonds, Series 2011 outstanding as of June 30, 2013. These bonds were used to support general government initiatives and have been used to finance construction on energy efficient upgrades to facilities in the State. As such, that debt is reflected in the primary government statements as governmental activities. The bonds are secured by appropriations of the state agencies that are participating in the SEU program.

Debt issued by the Delaware Transportation Authority does not constitute a debt of the State or a pledge of its general taxing power or of its full faith and credit. Rather, the outstanding revenue bonds are obligations of the Authority payable solely from and secured by a pledge and assignment of certain tolls and revenues such as motor fuel tax revenues, motor vehicle document fees and motor vehicle registrations. The Delaware Transportation Authority has revenue bonds outstanding of \$923.8 million to support its ongoing capital transportation program and \$99.7 million in Grant Anticipation Vehicle Bonds (GARVEEs), to finance a portion of the costs of completing the final design and right-of-way acquisition for a new U.S. 301.

Additional information on the State of Delaware's long-term debt can be found in Notes 5, 6 and 7 on pages 69 - 83 of this report.

### **Financial Management**

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

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

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

DEFAC met on June 17, 2013 to prepare the final revenue and expenditure estimates upon which the fiscal year 2014 operating and capital budgets would be based. The most recent employment data for the State of Delaware has indicated improvement in the labor market; therefore, the FY 2014 forecast anticipates small growth. There is an assumption in the forecast that the scheduled expiration of tax cuts in 2014 will occur.

The fiscal year 2014 operating and capital budgets meet budgetary spending limitations imposed by law. The fiscal year 2014 operating budget is \$3,718.2 million, 5.0% more than fiscal year 2013. The fiscal year 2014 operating budget included \$60.9 million in supplemental appropriations (historically in the form of cash allocated to the capital budget), a decrease of 53.7% over the fiscal year 2013 budget.

### **Requests for Information**

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

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

**STATE OF DELAWARE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**  
(Expressed in Thousands)

	<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and Cash Equivalents (Note 2)	\$ 42,200	\$ 101,122	\$ 143,322	\$ 52,741
Cash and Pooled Investments (Note 2)	1,798,727	6,353	1,805,080	71,115
Receivables, Net (Note 3)	642,990	98,408	741,398	333,448
Interfund Balances (Note 4)	(2,201)	2,201	-	-
Deferred Bond Issuance Costs	5,796	2,381	8,177	9,544
Inventories	7,681	18,425	26,106	867
Prepaid Items	-	4,356	4,356	5,067
Escrow Insurance Deposits	-	182	182	-
Investments	158,909	78,455	237,364	724,065
Other Assets	-	2,447	2,447	1,019
Restricted Assets:				
Cash and Pooled Investments (Note 2)	408,694	-	408,694	51,130
Deposit on Hold with Trustee (Note 6)	28,397	-	28,397	-
Restricted Investments	-	177,705	177,705	-
Other Restricted Assets	-	-	-	6,465
Capital Assets: (Note 12)				
Non-Depreciable Assets	898,523	3,957,266	4,855,789	286,225
Depreciable Capital Assets, Net	2,649,808	197,848	2,847,656	526,930
<b>Total Capital Assets, Net</b>	<u>3,548,331</u>	<u>4,155,114</u>	<u>7,703,445</u>	<u>813,155</u>
<b>Total Assets</b>	<u>6,639,524</u>	<u>4,647,149</u>	<u>11,286,673</u>	<u>2,068,616</u>
	-			
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Derivative Instrument - Interest Rate Swap	-	-	-	1,206
<b>Total Deferred Outflow of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,206</u>
<b>LIABILITIES</b>				
Accounts Payable	519,586	54,276	573,862	12,243
Accrued Liabilities	81,912	41,280	123,192	21,702
Accrued Interest Payable	30,299	25,220	55,519	-
Unearned Revenues	1,024	-	1,024	3,458
Escrow Deposits	-	6,122	6,122	-
Advances From Federal Government	20,062	72,132	92,194	-
Due Within One Year (Note 10)	253,234	93,220	346,454	23,932
Due In More Than One Year (Note 10)	4,039,786	1,171,349	5,211,135	897,404
<b>Total Liabilities</b>	<u>4,945,903</u>	<u>1,463,599</u>	<u>6,409,502</u>	<u>958,739</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Derivative Instrument - Interest Rate Swap	-	-	-	1,823
<b>Total Deferred Inflow of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,823</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,701,366	3,142,841	4,844,207	592,612
Restricted For:				
Debt Service	-	163,539	163,539	-
Federal and State Regulations	408,694	-	408,694	313,237
Bond Covenants	-	-	-	53,788
Other Purposes	-	-	-	14,131
Unrestricted (Deficit)	(416,439)	(122,830)	(539,269)	135,492
<b>Total Net Position</b>	<u>\$ 1,693,621</u>	<u>\$ 3,183,550</u>	<u>\$ 4,877,171</u>	<u>\$ 1,109,260</u>

**STATE OF DELAWARE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
(Expressed in Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position			Discretely Presented Component Units
	Expenses	Grants and Contributions			Primary Government		Total	
		Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities		
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General Governmental Services	\$ 543,931	\$ 287,709	\$ 25,141	\$ -	\$ (231,081)	\$ -	\$ (231,081)	\$ -
Health and Children Services	2,428,629	73,522	1,150,434	-	(1,204,673)	-	(1,204,673)	-
Judicial and Public Safety	711,361	126,052	42,198	-	(543,111)	-	(543,111)	-
Natural Resources and Environmental Control	147,733	59,262	36,994	-	(51,477)	-	(51,477)	-
Labor	69,226	7,103	43,247	-	(18,876)	-	(18,876)	-
Education	2,408,647	5,565	253,940	-	(2,149,142)	-	(2,149,142)	-
Interest on Long-term Debt	54,969	-	-	-	(54,969)	-	(54,969)	-
<b>Total Governmental Activities</b>	<b>6,364,496</b>	<b>559,213</b>	<b>1,551,954</b>	<b>-</b>	<b>(4,253,329)</b>	<b>-</b>	<b>(4,253,329)</b>	<b>-</b>
<b>Business-type Activities:</b>								
Lottery	358,467	635,264	-	-	-	276,797	276,797	-
DelDot	580,392	462,609	-	211,245	-	93,462	93,462	-
Unemployment	169,508	107,646	72,517	-	-	10,655	10,655	-
<b>Total Business-type Activities</b>	<b>1,108,367</b>	<b>1,205,519</b>	<b>72,517</b>	<b>211,245</b>	<b>-</b>	<b>380,914</b>	<b>380,914</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 7,472,863</b>	<b>\$ 1,764,732</b>	<b>\$ 1,624,471</b>	<b>\$ 211,245</b>	<b>\$ (4,253,329)</b>	<b>\$ 380,914</b>	<b>\$ (3,872,415)</b>	<b>\$ -</b>
<b>Component Units:</b>								
Delaware State Housing Authority	\$ 105,677	\$ 49,745	\$ 79,963	\$ 878	-	-	-	24,909
Diamond State Port Corporation	37,764	36,750	-	12,089	-	-	-	11,075
Riverfront Development Corporation	10,046	1,668	200	6,124	-	-	-	(2,054)
Delaware State University	123,295	55,802	31,445	7,340	-	-	-	(28,708)
Delaware Charter Schools	117,904	13,216	4,712	3,086	-	-	-	(96,890)
Delaware Agricultural Lands Preservation Foundation	966	-	5,075	3,264	-	-	-	7,373
<b>Total Component Units</b>	<b>\$ 395,652</b>	<b>\$ 157,181</b>	<b>\$ 121,395</b>	<b>\$ 32,781</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(84,295)</b>
<b>General Revenues:</b>								
Taxes:								
Personal Income					1,130,501	-	1,130,501	-
Business					2,051,071	-	2,051,071	-
Real Estate					504,620	-	504,620	-
Other					217,880	-	217,880	-
Unrestricted Payments from Primary Government					-	-	-	141,700
Investment Income (Loss)					11,636	(608)	11,028	(33,750)
Gain on Disposal of Assets					-	1,018	1,018	(1,060)
Miscellaneous					25,244	-	25,244	4,750
Transfers In (Out)					238,244	(238,244)	-	-
<b>Total General Revenues</b>					<b>4,179,196</b>	<b>(237,834)</b>	<b>3,941,362</b>	<b>111,640</b>
Changes in Net Position					(74,133)	143,080	68,947	27,345
<b>Net Position - Beginning As Restated (Note 1)</b>					<b>1,767,754</b>	<b>3,040,470</b>	<b>4,808,224</b>	<b>1,081,915</b>
<b>Net Position - Ending</b>					<b>\$ 1,693,621</b>	<b>\$ 3,183,550</b>	<b>\$ 4,877,171</b>	<b>\$ 1,109,260</b>

**STATE OF DELAWARE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013  
(Expressed in Thousands)**

	<u>General</u>	<u>Federal</u>	<u>Local School Districts</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 27,089	\$ 2,745	\$ 12,366	\$ -	\$ 42,200
Cash and Pooled Investments	1,729,807	6,621	297,924	173,069	2,207,421
Deposit on Hold with Trustee	28,397	-	-	-	28,397
Investments	158,340	-	569	-	158,909
Accounts Receivable, Net	73,891	11,655	171	-	85,717
Taxes Receivable, Net	91,211	-	34,859	-	126,070
Intergovernmental Receivables, Net	-	120,628	-	-	120,628
Loans and Notes Receivable, Net	49,004	261,571	-	-	310,575
Due from Other Funds	20,922	16,833	-	-	37,755
Inventories	7,681	-	-	-	7,681
<b>Total Assets</b>	<u>2,186,342</u>	<u>420,053</u>	<u>345,889</u>	<u>173,069</u>	<u>3,125,353</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	380,929	108,344	18,226	12,087	519,586
Accrued Liabilities	81,912	-	-	-	81,912
Claims and Judgments	1,304	-	-	-	1,304
Escheat Liability	95,000	-	-	-	95,000
Due to Other Funds	19,034	20,922	-	-	39,956
Unearned Revenues	159,626	291,701	33,387	-	484,714
<b>Total Liabilities</b>	<u>737,805</u>	<u>420,967</u>	<u>51,613</u>	<u>12,087</u>	<u>1,222,472</u>
<b>Fund Balances</b>					
Nonspendable	7,681	-	-	-	7,681
Restricted	114,418	-	294,276	160,982	569,676
Committed	209,557	-	-	-	209,557
Assigned	91,597	-	-	-	91,597
Unassigned (Deficit)	1,025,284	(914)	-	-	1,024,370
<b>Total Fund Balances</b>	<u>1,448,537</u>	<u>(914)</u>	<u>294,276</u>	<u>160,982</u>	<u>1,902,881</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,186,342</u>	<u>\$ 420,053</u>	<u>\$ 345,889</u>	<u>\$ 173,069</u>	<u>\$ 3,125,353</u>

**STATE OF DELAWARE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2013**  
(Expressed in Thousands)

**Total Fund Balances - Governmental Funds** \$ 1,902,881

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

Net capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	459,587	
Land Improvements	153,346	
Buildings	2,422,593	
Easements	79,750	
Equipment, Vehicles and Software	73,869	
Construction-In Progress	359,186	
		3,548,331

Certain revenues are earned, but are not available to pay for the current period's expenditures and are reported as unearned in the funds balance sheet. 463,628

Certain liabilities net of related assets are not due and payable in the current period and are not reported in the fund balance sheet. These liabilities consist of:

Interest Payable	(30,299)	
Claims and Judgments (Current and Long-term)	(167,214)	
Compensated Absences (Current and Long-term)	(172,747)	
Other Post Employment Benefits	(1,682,008)	
Pollution Remediation Obligations (Current and Long-term)	(27,558)	
Notes Payable	(28,550)	
Net Pension Obligation	(119,088)	
General Obligation Long-term Debt and Related Accounts	(1,991,484)	
Other Long-term Obligations	(2,271)	
		(4,221,219)

**Total Net Position of Governmental Activities** \$ 1,693,621

**STATE OF DELAWARE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES (DEFICITS)**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
(Expressed in Thousands)

	<u>General</u>	<u>Federal</u>	<u>Local School District Fund</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Personal Taxes	\$ 1,130,501	\$ -	\$ -	\$ -	\$ 1,130,501
Business Taxes	2,051,071	-	-	-	2,051,071
Other Tax Revenue	217,880	-	504,620	-	722,500
Licenses, Fees, Permits and Fines	335,566	-	502	-	336,068
Rentals and Sales	125,033	205	10,292	-	135,530
Grants	36,882	1,490,891	2,148	-	1,529,921
Interest and Other Investment Income	9,425	22	2,190	-	11,637
Other	186,877	5,770	25,529	-	218,176
<b>Total Revenues</b>	<u>4,093,235</u>	<u>1,496,888</u>	<u>545,281</u>	<u>-</u>	<u>6,135,404</u>
<b>Expenditures</b>					
Current:					
General Government	447,339	12,126	-	-	459,465
Health and Children's Services	1,325,368	1,127,398	-	-	2,452,766
Judicial and Public Safety	620,644	43,217	-	-	663,861
Natural Resources and Environmental Control	137,122	35,399	-	-	172,521
Labor	29,988	38,566	-	-	68,554
Education	1,451,323	233,886	473,936	-	2,159,145
Unrestricted Payments to Component Unit - Education	109,003	-	32,697	-	141,700
Capital Outlay	-	-	-	226,123	226,123
Debt service:					
Principal	155,096	-	-	-	155,096
Interest and Other Charges	77,136	-	-	-	77,136
Costs of Issuance of Debt	1,118	-	-	-	1,118
<b>Total Expenditures</b>	<u>4,354,137</u>	<u>1,490,592</u>	<u>506,633</u>	<u>226,123</u>	<u>6,577,485</u>
<b>Excess (Deficiency) of of Revenues Over (Under) Expenditures</b>	<u>(260,902)</u>	<u>6,296</u>	<u>38,648</u>	<u>(226,123)</u>	<u>(442,081)</u>
<b>Other Sources (Uses) of Financial Resources</b>					
Transfers In	520,883	16,833	51,553	-	589,269
Transfers Out	(75,734)	(39,673)	(102,322)	(133,296)	(351,025)
Issuance of General Obligation Bonds	-	-	-	336,330	336,330
Issuance of Advanced Refundings	(132,178)	-	-	-	(132,178)
Premiums on Bond Sales	-	-	-	44,635	44,635
Other Financing Sources	-	-	-	29,134	29,134
<b>Total Other Sources (Uses) of Financial Resources</b>	<u>312,971</u>	<u>(22,840)</u>	<u>(50,769)</u>	<u>276,803</u>	<u>516,165</u>
<b>Net Change in Fund Balances</b>	<u>52,069</u>	<u>(16,544)</u>	<u>(12,121)</u>	<u>50,680</u>	<u>74,084</u>
<b>Fund Balances - Beginning as Restated (Note 1)</b>	<u>1,396,468</u>	<u>15,630</u>	<u>306,397</u>	<u>110,302</u>	<u>1,828,797</u>
<b>Fund Balances (Deficits) - Ending</b>	<u>\$ 1,448,537</u>	<u>\$ (914)</u>	<u>\$ 294,276</u>	<u>\$ 160,982</u>	<u>\$ 1,902,881</u>

See Accompanying Notes to Basic Financial Statements

**STATE OF DELAWARE**  
**RECONCILIATION OF THE NET CHANGES IN FUND BALANCES -**  
**TOTAL GOVERNMENT FUNDS TO CHANGE IN NET POSITION**  
**OF GOVERNMENTAL ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
(Expressed in Thousands)

**Net Changes in Fund Balances** \$ 74,084

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlays	242,499	
Depreciation Expense	(111,701)	
		130,798

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 26,301

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

Debt Service Principal Repayments	155,096	
Advanced Refunding Payments	132,178	
New Debt Issued (Face Value)	(336,330)	
Premium Received	(44,635)	
Issuance costs	1,118	
Amortization of Premium/Issuance Costs	15,383	
		(77,190)

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

Accrued Interest Expense		2,943
Claims and Judgments		(8,795)
Compensated Absences		(5,868)
Other Post Employment Benefits		(185,495)
Pollution Remediation Obligation		2,228
Pension Obligation		(1,091)
Notes Payable		(29,134)
Other Liabilities		(2,914)

**Change in Net Position in the Statement of Activities** **\$ (74,133)**

**STATE OF DELAWARE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2013**  
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DelDOT</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 22,877	\$ 1,743	\$ 76,502	\$ 101,122
Cash and Pooled Investments	-	1,756	4,597	6,353
Accounts Receivable, Net	17,810	11,070	17,449	46,329
Taxes Receivable, Net	24,484	-	-	24,484
Intergovernmental Receivables, Net	1	-	27,058	27,059
Interest Receivable	-	-	536	536
Inventories	-	-	18,425	18,425
Prepaid Items	-	-	4,356	4,356
Escrow Insurance Deposits	-	-	182	182
Due from Other Funds	1,524	677	-	2,201
Bond Issuance Costs	-	-	2,381	2,381
Investments:				
Unrestricted	-	-	78,455	78,455
Restricted	-	209	177,496	177,705
Other Assets	-	2,447	-	2,447
Capital Assets:				
Capital Assets, Non-depreciable	-	-	3,957,266	3,957,266
Capital Assets, Depreciable, Net	-	-	197,848	197,848
<b>Total Capital Assets, Net</b>	<u>-</u>	<u>-</u>	<u>4,155,114</u>	<u>4,155,114</u>
<b>Total Assets</b>	<u>66,696</u>	<u>17,902</u>	<u>4,562,551</u>	<u>4,647,149</u>
<b>LIABILITIES</b>				
Accounts Payable	-	7,042	47,234	54,276
Accrued Liabilities	30,564	4,714	6,002	41,280
Escrow Deposits	-	-	6,122	6,122
Interest Payable	1,524	-	23,696	25,220
Advances from Federal Government	71,539	-	593	72,132
Due Within One Year (Note 10)	-	-	93,220	93,220
Due in More Than Within One Year (Note 10)	-	5,146	1,166,203	1,171,349
<b>Total Liabilities</b>	<u>103,627</u>	<u>16,902</u>	<u>1,343,070</u>	<u>1,463,599</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	-	-	3,142,841	3,142,841
Restricted for:				
Debt Service	-	-	163,539	163,539
Unrestricted (deficit)	(36,931)	1,000	(86,899)	(122,830)
<b>Total Net Position</b>	<u>\$ (36,931)</u>	<u>\$ 1,000</u>	<u>\$ 3,219,481</u>	<u>\$ 3,183,550</u>

**STATE OF DELAWARE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DelDOT</u>	<u>Total</u>
<b>Operating Revenues:</b>				
Unemployment Taxes-State Funded	\$ 107,646	\$ -	\$ -	\$ 107,646
Gaming Revenue	-	635,264	-	635,264
Pledged Revenues:				
Turnpike Revenue	-	-	120,089	120,089
Motor Vehicle and Related Revenue	-	-	265,609	265,609
Turnpike Revenue	-	-	46,224	46,224
Passenger Fares	-	-	14,589	14,589
Miscellaneous	-	-	16,098	16,098
	<u>107,646</u>	<u>635,264</u>	<u>462,609</u>	<u>1,205,519</u>
Total Operating Revenues				
<b>Operating Expenses:</b>				
Unemployment Benefits - State Funded	106,213	-	-	106,213
Unemployment Benefits - Federal Funded	61,194	-	-	61,194
Cost of Sales	-	246,843	-	246,843
Prizes	-	99,264	-	99,264
Transportation	-	-	499,386	499,386
Depreciation	-	-	25,332	25,332
General and Administrative	-	11,360	16,450	27,810
	<u>167,407</u>	<u>357,467</u>	<u>541,168</u>	<u>1,066,042</u>
Total Operating Expenses				
Operating Income (Loss)	<u>(59,761)</u>	<u>277,797</u>	<u>(78,559)</u>	<u>139,477</u>
<b>Nonoperating Revenues (Expenses):</b>				
Investment Loss	-	-	(608)	(608)
Interest Expense	(2,101)	-	(39,224)	(41,325)
Unemployment Taxes-Federal Funded	65,194	-	-	65,194
Other Revenue	7,323	-	-	7,323
Contributions to Thoroughbred Program	-	(1,000)	-	(1,000)
Gain on Disposal of Assets	-	-	1,018	1,018
	<u>70,416</u>	<u>(1,000)</u>	<u>(38,814)</u>	<u>30,602</u>
Total Nonoperating Revenues (Expenses)				
Income (Loss) Before Transfers and Capital Contributions	10,655	276,797	(117,373)	170,079
Capital Contributions	-	-	211,245	211,245
Transfers In	2,089	-	43,257	45,346
Transfers Out	<u>-</u>	<u>(276,797)</u>	<u>(6,793)</u>	<u>(283,590)</u>
Increase in Net Position	12,744	-	130,336	143,080
<b>Net Position - Beginning of Year</b>	<u>(49,675)</u>	<u>1,000</u>	<u>3,089,145</u>	<u>3,040,470</u>
<b>Net Position - End of Year</b>	<u>\$ (36,931)</u>	<u>\$ 1,000</u>	<u>\$ 3,219,481</u>	<u>\$ 3,183,550</u>

**STATE OF DELAWARE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DeIDOT</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>				
Receipts from Employers	\$ 101,878	\$ -	\$ -	\$ 101,878
Payments for Insurance Claims	(169,035)	-	(3,848)	(172,883)
Receipts from Customers and Users	-	634,702	459,188	1,093,890
Other Operating Receipts	-	-	2,435	2,435
Payments to Suppliers for Goods and Services	-	(37,798)	(375,216)	(413,014)
Payments to Employees for Services	-	(5,723)	(119,724)	(125,447)
Payments for Prizes	-	(99,020)	-	(99,020)
Payment for Commissions	-	(213,495)	-	(213,495)
Net Cash Provided (Used) by Operating Activities	<u>(67,157)</u>	<u>278,666</u>	<u>(37,165)</u>	<u>174,344</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Advances from Federal Government	2,449	-	-	2,449
Receipts from Federal Government	65,103	-	-	65,103
Interest paid on Advances	(2,266)	-	-	(2,266)
Transfers In	2,255	-	43,257	45,512
Transfers Out	-	(282,389)	(6,793)	(289,182)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>67,541</u>	<u>(282,389)</u>	<u>36,464</u>	<u>(178,384)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital Grants	-	-	194,853	194,853
Purchases of Capital Assets	-	-	(146,610)	(146,610)
Principal Paid on Capital Debt	-	-	(83,425)	(83,425)
Interest Paid on Capital Debt	-	-	(48,115)	(48,115)
Proceeds from Sale of Land and Equipment	-	-	2,036	2,036
Bond issuance Costs	-	-	(8)	(8)
Federal Reimbursement of Debt Service	-	-	10,880	10,880
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(70,389)</u>	<u>(70,389)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest and Investment Revenues	-	-	2,392	2,392
Repayment on Loan Receivable	-	-	853	853
Escrow Deposits Received	-	-	135	135
Purchase of Investments	-	-	(369,265)	(369,265)
Proceeds from Sales and Maturities of Investments	-	271	465,570	465,841
Net Cash Provided by Investing Activities	<u>-</u>	<u>271</u>	<u>99,685</u>	<u>99,956</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Pooled Investments	384	(3,452)	28,595	25,527
<b>Cash, Cash Equivalents and Pooled Investments- Beginning of Year</b>	<u>22,493</u>	<u>6,951</u>	<u>52,504</u>	<u>81,948</u>
<b>Cash, Cash Equivalents and Pooled Investments - End of Year</b>	<u>22,877</u>	<u>3,499</u>	<u>81,099</u>	<u>107,475</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	(59,761)	277,797	(78,559)	139,477
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	-	25,332	25,332
Decrease (Increase) in Assets:				
Receivables, Net	(5,770)	(562)	(930)	(7,262)
Inventories	-	-	103	103
Prepaid Items	-	-	(550)	(550)
Increase (Decrease) in Liabilities:				
Accounts and Other Payables	-	-	451	451
Accrued Liabilities	(1,628)	(9)	(1,390)	(3,027)
Accrued Expenses	-	243	1,458	1,701
Accrued Payroll and Related Expenses	-	1,197	(3,161)	(1,964)
Post-Employment Benefits	-	-	24,607	24,607
Due To/From Government	2	-	(4,526)	(4,524)
Net Cash Provided (Used) by Operating Activities	<u>\$ (67,157)</u>	<u>\$ 278,666</u>	<u>\$ (37,165)</u>	<u>\$ 174,344</u>
<b>Schedule of Noncash Noncapital Financing Activities</b>				
Forgiveness of Advances from Federal Government	<u>\$ 7,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,323</u>

**STATE OF DELAWARE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2013**  
(Expressed in Thousands)

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>Investment Trust</u>	<u>Agency</u>
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 432,315	\$ 3,899	\$ 2,521	\$ 28,694
Cash and Pooled Investments	687	35,095	-	25,002
Receivables:				
Accrued Interest	15,090	-	74	-
Investment Sales Pending	17,193	-	91	-
Employer Contributions	9,438	6,576	-	-
Member Contributions	2,655	74	-	-
Other Receivables	-	-	-	46,172
Investments, at Fair Value:				
Domestic Fixed Income	266,599	76,172	6,065	-
Domestic Equities	1,871,050	75,610	14,543	-
Pooled Equity and Fixed Income	2,860,837	-	15,101	-
Alternative Investments	1,520,018	-	8,065	-
Short Term Investments	-	-	-	2,772
Foreign Fixed Income	145,425	-	770	-
Foreign Equities	953,246	35,831	7,246	-
	<u>8,094,553</u>	<u>233,257</u>	<u>54,476</u>	<u>102,640</u>
<b>Total Assets</b>				
<b>Liabilities:</b>				
Accounts Payable	-	-	-	102,640
Investment Purchase Payable	27,908	-	148	-
Benefits/Claims Payable	1,429	11,556	-	-
Accrued Investment Expense	4,921	6	26	-
Accrued Administrative Expenses	497	5	-	-
	<u>34,755</u>	<u>11,567</u>	<u>174</u>	<u>102,640</u>
<b>Total Liabilities</b>				
<b>Net Position:</b>				
Assets Held in Trust for Benefits and Pool Participants	<u>\$ 8,059,798</u>	<u>\$ 221,690</u>	<u>\$ 54,302</u>	<u>\$ -</u>

**STATE OF DELAWARE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
(Expressed in Thousands)

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>Investment Trust</u>
<b>Additions:</b>			
Contributions:			
Employer Contributions	\$ 236,140	\$ 193,089	\$ -
Transfer of Contributions from Post-Retirement Increase Fund	26,585	-	-
Transfer of Assets from Outside the System	3,018	14,897	661
Member Contributions	59,798	7,390	-
Other	9	-	-
Total Contributions	<u>325,550</u>	<u>215,376</u>	<u>661</u>
Investments:			
Investment Earnings	140,245	4,647	1,035
Net Increase in Fair Value of Investments	680,885	11,760	4,339
Total Investment Earnings	821,130	16,407	5,374
Less Investment Manager/Advisor/Custody Fees	(21,008)	(74)	(116)
Less Investment Administrative Expenses	(697)	-	-
Net Investment Earnings	<u>799,425</u>	<u>16,333</u>	<u>5,258</u>
Total Additions	<u>1,124,975</u>	<u>231,709</u>	<u>5,919</u>
<b>Deductions:</b>			
Transfer of Assets from Post-Retirement Increase Fund	26,585	-	-
Transfer of Assets from Outside the System	1,954	-	630
Pension/Claim Payments	519,075	173,034	-
Refunds of Contributions to Members	4,028	-	-
Group Life Payments	5,361	-	-
Administrative Expenses	5,930	72	1
Total Deductions	<u>562,933</u>	<u>173,106</u>	<u>631</u>
<b>Change in Net Position</b>	<u>562,042</u>	<u>58,603</u>	<u>5,288</u>
<b>Net Position - Beginning of Year</b>	<u>7,497,756</u>	<u>163,087</u>	<u>49,014</u>
<b>Net Position - End of Year</b>	<u>\$ 8,059,798</u>	<u>\$ 221,690</u>	<u>\$ 54,302</u>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2013**  
(Expressed in Thousands)

	Delaware State Housing Authority	Diamond State Port Corporation	Riverfront Development Corporation	Delaware State University	Delaware Charter Schools	Delaware Agricultural Land Preservation Foundation	Total
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 43,870	\$ 5,582	\$ 1,191	\$ 2,098	\$ -	\$ -	\$ 52,741
Cash and Pooled Investments	10,736	-	28	16,526	35,868	7,957	71,115
Accounts and Other Receivables, Net	51,217	2,923	64	15,338	2,828	-	72,370
Loans and Notes Receivable, Net	258,048	-	2,978	-	-	52	261,078
Inventories	-	867	-	-	-	-	867
Prepaid Items	3,530	1,237	138	-	162	-	5,067
Deferred Bond Issuance Costs	7,081	-	-	1,726	737	-	9,544
Investments	700,970	-	-	23,095	-	-	724,065
Other Assets	3	-	879	47	90	-	1,019
Restricted Assets:							
Cash and Cash Equivalents	965	19,890	2,000	22,404	5,871	-	51,130
Other Restricted Assets	-	-	-	6,445	20	-	6,465
Capital Assets:							
Capital Assets - Non-Depreciable	4,346	26,733	13,664	4,532	23,581	213,369	286,225
Capital Assets - Depreciable, Net	14,139	140,205	99,118	210,733	62,735	-	526,930
<b>Total Capital Assets, Net</b>	<b>18,485</b>	<b>166,938</b>	<b>112,782</b>	<b>215,265</b>	<b>86,316</b>	<b>213,369</b>	<b>813,155</b>
<b>Total Assets</b>	<b>1,094,905</b>	<b>197,437</b>	<b>120,060</b>	<b>302,944</b>	<b>131,892</b>	<b>221,378</b>	<b>2,068,616</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Derivative Instrument - Interest Rate Swap	-	-	-	-	1,206	-	1,206
<b>Total Deferred Outflow of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,206</b>	<b>-</b>	<b>1,206</b>
<b>LIABILITIES</b>							
Accounts Payable	1,057	149	892	6,047	4,072	26	12,243
Accrued Liabilities	18	7,617	100	4,876	9,085	6	21,702
Unearned Revenue	-	39	58	3,280	81	-	3,458
Due Within One Year (Note 10)	14,540	1,324	1,320	4,186	2,555	7	23,932
Due in More Than Within One Year (Note 10)	660,621	25,383	13,214	114,395	83,791	-	897,404
<b>Total Liabilities</b>	<b>676,236</b>	<b>34,512</b>	<b>15,584</b>	<b>132,784</b>	<b>99,584</b>	<b>39</b>	<b>958,739</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Derivative Instrument - Interest Rate Swap	-	-	-	-	1,823	-	1,823
<b>Total Deferred Inflow of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,823</b>	<b>-</b>	<b>1,823</b>
<b>Net Position</b>							
Net Investment in Capital Assets	18,484	140,231	100,248	114,776	5,504	213,369	592,612
Restricted for:							
Federal and State Regulations	304,832	-	-	435	-	7,970	313,237
Bond Covenants	53,788	-	-	-	-	-	53,788
Other Purposes	-	-	-	14,131	-	-	14,131
Unrestricted	41,565	22,694	4,228	40,818	26,187	-	135,492
<b>Total Net Position</b>	<b>\$ 418,669</b>	<b>\$ 162,925</b>	<b>\$ 104,476</b>	<b>\$170,160</b>	<b>\$ 31,691</b>	<b>\$ 221,339</b>	<b>\$ 1,109,260</b>

See Accompanying Notes to Basic Financial Statements

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(Expressed in Thousands)

	Net (Expenses) Revenues and Changes in Net Position										
	Program Income				Delaware State Housing Authority	Diamond State Port Corporation	Riverfront Development Corporation	Delaware State University	Delaware Charter Schools	Delaware Agricultural Lands Preservation Foundation	Total
	Expenses	Charges for Services	Grants and Contributions								
<b>Components Units</b>											
Delaware State Housing Authority	\$ 105,677	\$ 49,745	\$ 79,963	\$ 878	\$ 24,909	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,909
Diamond State Port Corporation	37,764	36,750	-	12,089	-	11,075	-	-	-	-	11,075
Riverfront Business Improvement District	10,046	1,668	200	6,124	-	-	(2,054)	-	-	-	(2,054)
Delaware State University	123,295	55,802	31,445	7,340	-	-	(28,708)	-	-	-	(28,708)
Delaware Charter Schools	117,904	13,216	4,712	3,086	-	-	-	(96,890)	-	-	(96,890)
Delaware Agricultural Lands Preservation Foundation	966	-	5,075	3,264	-	-	-	-	-	7,373	7,373
	<u>\$ 395,652</u>	<u>\$ 157,181</u>	<u>\$ 121,395</u>	<u>\$ 32,781</u>	<u>24,909</u>	<u>11,075</u>	<u>(2,054)</u>	<u>(28,708)</u>	<u>(96,890)</u>	<u>7,373</u>	<u>(84,295)</u>
<b>General Revenues</b>											
Unrestricted Payments from Primary Government					-	-	-	33,943	107,757	-	141,700
Investment Income (Loss)					(31,161)	(1,132)	147	(1,762)	157	1	(33,750)
Gain on Disposal of Assets					-	-	(1,060)	-	-	-	(1,060)
Miscellaneous					-	-	-	185	4,494	71	4,750
Total General Revenues					(31,161)	(1,132)	(913)	32,366	112,408	72	111,640
Change in Net Position					(6,252)	9,943	(2,967)	3,658	15,518	7,445	27,345
<b>Net Position - Beginning of Year as Restated (Note 1)</b>					<u>424,921</u>	<u>152,982</u>	<u>107,443</u>	<u>166,502</u>	<u>16,173</u>	<u>213,894</u>	<u>1,081,915</u>
<b>Net Position - Ending of Year</b>					<u>\$ 418,669</u>	<u>\$ 162,925</u>	<u>\$ 104,476</u>	<u>\$ 170,160</u>	<u>\$ 31,691</u>	<u>\$ 221,339</u>	<u>\$ 1,109,260</u>

See Accompanying Notes to Basic Financial Statements

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Reporting Entity**

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

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

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

The decision to include and how to report a component unit in the State's reporting entity is based on several criteria, including legal standing, debt responsibility, fiscal dependency, and financial accountability. The State is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide

specific financial benefits to, or impose specific financial burdens on, the State. The State may also be financially accountable if an organization is fiscally dependent on the State and there is a potential for the organization to provide specific benefits to or impose specific financial burdens on the State, regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

### **Blended Component Units**

The Delaware Public Employees' Retirement System (DPERS) is a public employee retirement system, which covers substantially all State employees. The DPERS is a legally separate entity, which includes its blended component unit, the First State Independence Fund I, LLC, a hedge fund-of-funds which DPERS is considered to be financially accountable. DPERS' Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex-officio members. It provides services and benefits almost exclusively to the primary government, and it is considered a blended fiduciary funds component unit and is shown in the financial statements as part of the primary government as a pension trust fund. The financial report of DPERS for the fiscal year ended June 30, 2013 may be obtained in writing to the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

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

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

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

government.

### **Discretely Presented Component Units**

The following component units are entities that are legally separate from the State, but are financially accountable to the State for reporting purposes or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading. The component units' column of the basic financial statements includes the financial data of these entities. Each discretely presented component unit has a June 30, 2013 fiscal year-end.

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

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

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

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

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

#### *Riverfront Development Corporation (RDC)*

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

*Delaware State University (DSU or the University)*

Delaware State University is a public institution of higher education. Funding is primarily through State appropriations. State appropriations, without restrictions as to use by the University, are reported in general revenue. Additional funding is derived from tuition, federal grants, private donations and grants. The Board of Trustees is comprised of fifteen members, eight appointed by the Governor of Delaware and seven elected by the Trustees. The President of the University and the Governor of the State of Delaware serve as ex-officio members of the Board. Delaware State University financial data includes its two component units, the Delaware State University Student Housing Foundation and the Delaware State University Foundation, Inc. The State annually appropriates funding for the University, which totaled more than \$33 million in fiscal year ending June 30, 2013, which is twenty eight percent of the University's total revenues.

*Delaware Charter Schools*

The State's 22 Charter Schools are public schools funded primarily through State appropriations. Additional funding is derived from federal grants passed through from the primary government, private donations and funds received from local school districts on a tax portion per child basis. State funding for the Charter Schools totaled \$107.8 million for fiscal year ending June 30, 2013 which represents over eighty percent of the Charter Schools' total revenues. Each Charter School is a separate legal entity managed by their own separate board of directors and operate independently under a charter granted by the State Department of Education with the approval of the State Board of Education. Charters are granted for an initial period of three years and renewable every five years thereafter. Charter Schools issue their own debt but are dependent on the State for their primary funding. Financial information for Delaware Charter Schools is presented in the aggregate as they are individually immaterial to the State's basic financial statements.

*Delaware Agricultural Lands Preservation Foundation (DALPF)*

The Delaware Agricultural Lands Preservation Foundation was established to provide comprehensive agricultural lands preservation programs to serve the long-term needs of the agriculture community and the citizens of Delaware. State appropriations fund DALPF for their specific programs. DALPF is comprised of twelve trustees and the Governor of the State of Delaware appoints ten of them. DALPF shall continue until its existence is terminated by law, whereby all of its rights, properties and liabilities shall pass to and be assumed by the State.

**Related Organizations**

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

The Delaware Solid Waste Authority (DSWA) is a legally separate entity and the primary government appoints all seven members of its governing board. The primary government's accountability for DSWA does not extend beyond making the appointments. The DSWA is

responsible for implementing solid waste disposal, recycling, and resource recovery systems, facilities and services for the State of Delaware. The financial activities of DSWA are not included in the State's financial statements.

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

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

### **Jointly Governed Organization**

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

### **Other Organization**

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

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

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

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

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

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

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

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

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

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

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

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

### **Governmental Funds**

The State reports the following major governmental funds:

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

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

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

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

### **Proprietary Funds**

Proprietary funds are used to account for those activities which are financed and operated in a manner similar to private business enterprises. The costs of providing services to the public

on a continuing basis are financed by or recovered primarily through user charges.

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

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

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

The State reports the following major proprietary funds:

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

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

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

### **Fiduciary Funds**

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

The State reports the following fiduciary funds:

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

*Pension Trust Funds* – The Delaware Public Employees' Retirement System (DPERS) is a public employee retirement system, which covers substantially all State employees. It provides services and benefits almost exclusively to the primary government and it is considered a fiduciary fund and is shown in the financial statements as part of the primary government as a pension trust fund. Pension trust funds account for transactions, assets, liabilities and net position available for plan benefits (Note 15). For pension trust funds, employee contributions are recognized as revenue in the period in which the employee services are performed. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

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

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

### **New Accounting Pronouncements**

During fiscal year ending June 30, 2013, the state adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and amendment GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity and to better meet user needs and to address reporting entity issues that have arisen since the issuance of Statements No. 14 and No. 34.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. This Statement also clarifies the reporting of equity

interests in legally separate organizations and amends certain note disclosure requirements. The adoption of Statement No. 61 in 2013 resulted in the State decreasing net position of the governmental activities as of June 30, 2012 in the amount of \$213.9 million for the change of DAPLF from blended with the governmental activities to a discretely presented component unit and a related \$525 thousand decrease in the General Fund balance as of June 30, 2012 on the Governmental Funds Balance Sheet as follows:

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

	Governmental Activities	Business-Type Activities	Total	Discretely Presented Component Units
Net Position as previously reported at June 30, 2012	\$ 1,981,648	\$ 3,040,470	\$ 5,022,118	\$ 828,792
Apply GASB 61:				
DAPLF	(213,894)	-	(213,894)	213,894
	1,767,754	3,040,470	4,808,224	1,042,686
Other:				
DSHA (Note 21)	-	-	-	58,931
Other	-	-	-	(19,702)
Net Position as restated at July 1, 2012	<u>\$ 1,767,754</u>	<u>\$ 3,040,470</u>	<u>\$ 4,808,224</u>	<u>\$ 1,081,915</u>

**Governmental Funds Balance Sheet**  
(Expressed in Thousands)

	General	Federal	Local School District	Capital Projects	Total
Net Position as previously reported at June 30, 2012	\$ 1,396,993	\$ 15,630	\$ 306,397	\$ 110,302	\$ 1,829,322
Restatement for GASB 61 Adjustment	(525)	-	-	-	(525)
Net Position as restated at July 1, 2012	<u>\$ 1,396,468</u>	<u>\$ 15,630</u>	<u>\$ 306,397</u>	<u>\$ 110,302</u>	<u>\$ 1,828,797</u>

During fiscal year ending June 30, 2013 the State adopted GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. GASB Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. Statement No. 63 amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure

as net position, rather than net assets. The adoption of Statement No. 63 resulted only in the State renaming net assets to net position.

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

In 2012, the GASB issued No. 65 *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. Statement No. 65 amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in GASB Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The State is currently evaluating the future impact of this statement.

In 2012, the GASB issued No. 66 *Technical Corrections—2012— an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The provisions of this Statement are effective for periods beginning after December 15, 2012. The State is currently evaluating the future impact of this statement.

In June of 2012, the GASB issued No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional

transparency. This Statement will replace the requirements of Statements No. 25 *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50 *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement and Statement No. 68 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The provisions of this Statement are effective for fiscal years beginning after June 15, 2013. The State is currently evaluating the future impact of this statement.

In June of 2012, the GASB issued No. 68 *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement — determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan. This Statement is effective for fiscal years beginning after June 15, 2014. This will result in the liability being included on the statement of net position.

In 2013, the GASB issued No. 69 *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. The State is currently evaluating the future impact of this statement.

In 2013, the GASB issued No. 70 *Accounting and Reporting for Non-exchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit organization, a private entity, or individual without directly

receiving equal or approximately equal value in exchange (a non-exchange transaction). As a part of this non-exchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity or individual that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a non-exchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive non-exchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a non-exchange financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a non-exchange financial guarantee may be applied prospectively. The State is currently evaluating the future impact of this statement.

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

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

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

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

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

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

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

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

### **Receivables and Payables**

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

### **Inventories and Prepaid Items**

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

### **Restricted Assets**

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

The State has the following restricted assets:

- The Delaware Transportation Authority restricts revenue bond proceeds that are accounted for in the Transportation Fund.
- The governmental activities have funds that are required to be restricted as disclosed in Note 16.

The discretely presented component units have the following restricted assets:

- Diamond State Port Corporation has restricted investments for capital project outlays.
- Delaware State University has restricted assets for capital project outlays, grants, and college endowment funds.
- Charter schools have restricted assets to cover debt service payments, capital improvements and donor imposed restrictions.
- Delaware State Housing Authority has restricted assets used for the specific purpose of housing development fund activities per enabling legislation.

**Capital Assets**

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant, equipment, and software of the primary government and component units is depreciated using the straight line method over the following estimated useful lives:

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

The State has elected to use the modified approach to account for certain infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the State, 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. Roads and bridges maintained by the Department of Transportation are accounted for using the modified approach.

### **Advances from Federal Government**

During the fiscal year ended June 30, 2013, the amount of unemployment insurance taxes collected by the Division of Unemployment Insurance from Delaware employers was not sufficient to cover the amount of benefits paid to Delaware residents. As a result, the unemployment fund received advances from the federal government to be used for benefit payments. Pursuant to Subchapter XII – *Advances to State Unemployment Funds*, 42 U.S.C. §1321, advances are made to the unemployment fund once all funds in the trust have been extinguished, and amounts borrowed must be no more than the aggregate amount necessary to provide benefit payments in any three-month period, as certified by the Federal Secretary of Labor. These advances must be repaid when funds become available in the Unemployment Fund. Interest accrues daily, and the interest rate varies, based upon the outstanding balance of the loan. Interest is due annually on September 30 and is to be paid using appropriations from the State General Fund. Total accrued interest was \$1.5 million as of June 30, 2013 and a corresponding receivable due from the State General Fund has been accrued accordingly. The outstanding advance balance totaled \$71.5 million as of June 30, 2013.

For the year ended June 30, 2013, \$20.1 million was received in advance largely for Health and Human Services and Education programs and is recorded in the Federal Fund.

### **Compensated Absences**

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

### **Long-Term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

### **Fund Equity**

In governmental fund types, fund equity is called “fund balance.” Fund balances are reported as nonspendable, restricted, committed, assigned, or unassigned as described in note 16.

The State Constitution provides that certain excess unencumbered budgetary general funds at the end of a fiscal year must be placed in a reserve account (the Budgetary Reserve Account). This account, designed to mitigate the operational impact of any future unanticipated deficits may not exceed 5% of the estimated general fund revenue for the ensuing fiscal year. Total funding of the budgetary reserve account was \$198.9 million at June 30, 2013.

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

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

### **(d) Grants**

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables when entitlement occurs. All other federal reimbursement type grants are recorded as accounts receivable when the related expenditures or expenses are recognized. Related revenue is recorded subject to availability in the governmental funds. Amounts not collected within 60 days of fiscal year-end are recorded as deferred revenue in the governmental funds.

### **(e) Litigation Revenue**

In 1997, several states began litigation against defendant tobacco product manufacturers to recover certain amounts the states expended to provide health care to the users of tobacco products. In 1998, a settlement was reached which provided that the states cease litigation against the manufacturers. As part of the Master Settlement Agreement, certain manufacturers agreed to remit periodic payments to the states until 2025. The State’s share of the estimated \$200 billion settlement amounted to \$774.5 million. Amounts to be remitted

are calculated based on a variety of specific settlement provisions. Future tobacco product sales are one key factor used in determining periodic payment amounts. A receivable of \$13.5 million has been recorded pursuant to the settlement. The Master Settlement agreement receipts of \$26.3 million are recorded in the general fund as part of other revenue and as miscellaneous general revenue on the government-wide statement of activities. Expenditures of monies received under the Master Settlement Agreement are authorized by legislation and are dedicated to health care and related programs.

#### **(f) Management Estimates**

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

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

#### **Cash Management Policy and Investment Guidelines**

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

As mandated by State statutes, the State's funds shall be invested pursuant to the prudent person standard as defined in the Policy. The prudent person standard allows the Board to establish investment policies based on investment criteria that it defines, and it allows the Board to delegate investment authority to investment professionals. This standard of care not only permits, but also encourages diversifying investments across various asset classes.

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

- Cash Accounts. Cash accounts divide the State's available cash into three parts:

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

The Policy specifies the types of investments these managers can make; the maximum percentage of assets that may be invested in particular instruments; the minimum credit quality of these investments; and the maximum length of time the assets can be invested. The Policy provides, among other things, that no more than 10% of the entire portfolio may be invested in obligations of any one issuer other than the U.S. Government. The following investments are permissible for all funds under the review of the Board, subject to percentage limitations of the account:

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

- Mortgage-backed and asset-backed securities
- Municipal obligations

Additional permissible investments for special-purpose accounts only:

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

The primary government's accounts are categorized as "authority accounts". At June 30, 2013, investments of the primary government were primarily in commercial paper, corporate obligations, government agency bonds and notes, and municipal obligations. All of these meet the objectives defined by the Policy. The State's Cash Management Policy Board *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* is available by request through the Office of the State Treasurer.

## **Risks**

The following deposits and investments disclosure of the primary government excludes the OPEB Trust and DPERS, including the Investment Trust, which are described on pages 57 - 61.

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

#### *Deposits*

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

All State deposits are required by law to be collateralized by direct obligations of, or obligations, which are guaranteed by, the United States of America, or other suitable obligations as determined by the Board, unless the Board shall find such collateralization not in the best interest of the State. The Board has determined that certificates of deposit and time deposits must be collateralized, unless the bank issuing the certificate has assets of not less than \$5 billion and is rated not lower than "B" by Fitch, Inc. Bank Watch. The Board has also determined that State demand deposits need not be collateralized, provided that any bank that holds these funds has had for the last two years a return on average assets of 0.5% or greater and an average equity-capital ratio of at least 1:20. If the bank does not meet the above criteria, collateral must consist of one or more of the following:

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

At June 30, 2013, the carrying amount of the primary government's deposits was \$517.5 million

and the bank balance was \$571.0 million. Of the \$571.0 million bank balance, \$131.0 million was fully insured; \$22.8 million represents unemployment insurance taxes collected from Delaware employers that are held in escrow by the U.S. Treasury; and the remaining \$417.2 million was subject to custodial credit risk because they were uninsured and uncollateralized. Included in the primary government's deposits are agency funds. The carrying amount of the agency fund's deposits was \$28.7 million and the bank balance was \$31.1 million. Of the \$31.1 million bank balance, \$21.1 million was fully insured and the remaining \$10.0 million was subject to custodial credit risk because the deposits were not covered by depository insurance or the deposits were uncollateralized, collateralized with securities held by the pledging financial institutions, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name.

Of the primary government's bank balance of \$571.0 million, \$386.3 million is part of the Treasurer's cash pool and the remaining balance represents outside bank accounts of the primary government.

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

### Investments

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

At June 30, 2013, the primary government's investments were \$2,311.1 million. Of the primary government's investments, \$412.0 million was fully insured and collateralized. Included in the primary government's investments of \$2,311.1 million are agency funds. The amount of the agency funds' investments was \$28.0 million.

The following table provides information on \$1,899.1 million of the primary government's investments that are exposed to custodial credit risk; \$1.6 million of this amount represents the agency funds' investments:

<b>Investment Type</b>	<b>Fair Value (Expressed in Thousands)</b>
Certificates of Deposit	\$ 64,289
Commercial Paper	113,424
Corporate Obligations	372,385
U.S. Government Obligations	1,115,219
Municipal Obligations	12,319
Other Obligations	221,479
	<u>\$ 1,899,115</u>

**Interest Rate Risk**

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

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

The following table presents the fair value and effective duration of the primary government and agency fund investments by investment type at June 30, 2013:

<b>Investment Type</b>	<b>Treasurer's Pool</b>	<b>Outside Treasurer's Pool</b>	<b>Total Investments</b> (Expressed in Thousands)	<b>Effective Duration (In Years)</b>
Corporate Obligations	\$ 372,385	\$ -	\$ 372,385	1.61
Municipal Obligations	12,319	-	12,319	5.58
U.S. Government Obligations	1,114,561	172,945	1,287,506	1.96
Other Obligations	216,385	159,723	376,108	2.07
Commercial Paper	113,324	83,791	197,115	0.32
Certificates of Deposit	64,288	1,382	65,670	0.44
	<u>\$ 1,893,262</u>	<u>\$ 417,841</u>	<u>\$ 2,311,103</u>	

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

- Cash Account Investment. The maximum maturity for any investment at the time of purchase for the cash account is one year.
- Liquidity Accounts. The maximum maturity for any investment at the time of purchase for the liquidity accounts is two years.
- Reserve Cash (Intermediate) Account. The maximum maturity for any investment at the time of purchase is 10 years. The maximum average maturity of the portfolio is seven years.
- Endowment Accounts. The maximum maturity for any investment at the time of purchase is 10 years. The maximum average maturity of the portfolio is seven years. The Board shall consider tailoring maturity restrictions to meet specific purposes for endowment accounts to be established in the future.
- Authority Operating, Bond and Debt Service Reserve Fund Accounts. Maturity

Restrictions: The maximum maturity for any investment at the time of purchase is 10 years, except when prudent to match a specific investment instrument with a known specific future liability, in which case the maturity limitation shall match the maturity of the corresponding liability.

As of June 30, 2013, the primary government and agency funds had the following debt investments and maturities:

	<b>Investment Maturity</b> (Expressed in Thousands)				
	<b>Fair Value</b>	<b>Investment Maturities</b>			
		<b>Less Than 1</b>	<b>1 to 5</b>	<b>6 to 10</b>	<b>More than 10</b>
<b><u>Long Term Investments</u></b>					
Corporate Obligations					
Corporate Bonds	\$ 332,389	\$ 150,327	\$ 177,460	\$ 4,602	\$ -
Asset-Backed Securities	39,996	3,881	36,115	-	-
Municipal Obligations	12,319	401	11,303	-	615
U.S. Government Obligations					
U.S. Treasury Bonds, Notes	499,630	658	488,559	10,413	-
U.S. Agency Bonds, Notes	253,901	-	185,944	44,249	23,708
Non US Gov't Obligations	25,651	2,752	20,085	2,814	-
Other Obligations					
Private Placements	215,340	81,771	133,415	154	-
Pooled Investments	160,768	160,768	-	-	-
<b><u>Short Term Investments</u></b>					
Commercial Paper	197,115	196,621	494	-	-
Certificate of Deposit	65,670	65,670	-	-	-
U.S. Government Obligations					
U.S. Treasury Bonds, Notes	325,072	290,281	9,932	24,859	-
U.S. Agency Bonds, Notes	183,252	135,415	22,029	23,950	1,858
<b>Total Investments</b>	<b>\$ 2,311,103</b>	<b>\$ 1,088,545</b>	<b>\$ 1,085,336</b>	<b>\$ 111,041</b>	<b>\$ 26,181</b>

### ***Credit Risk***

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

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

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

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

The following table presents the State's investments which were rated by S & P as of June 30, 2013 the ratings are presented using S & P's rating scale:

Investment Type	Credit Risk - Quality Ratings (Expressed in Thousands)					
	TOTAL	AAA	AA	A	A-1	NR
<b>Long Term Investments</b>						
Corporate Obligations						
Corporate Bonds	\$ 332,389	\$ 24,033	\$ 215,623	\$ 92,733	\$ -	\$ -
Asset-Backed Securities	39,996	23,357	-	-	-	16,639
Municipal Obligations	12,319	-	11,392	753	-	174
U.S. Government Obligations						
U.S. Treasury Bonds, Notes	499,630	-	499,630	-	-	-
U.S. Agency Bonds, Notes	253,901	-	253,901	-	-	-
Other Obligations	25,651	2,752	15,788	5,746	-	1,365
Private Placements	215,340	29,470	112,477	4,514	-	68,879
Pooled Investments	160,768	-	-	-	-	160,768
<b>Short Term Investments</b>						
Certificate of Deposit	65,670	-	4,339	30,277	-	31,054
Commercial Paper	197,115	-	-	-	185,157	11,958
U.S. Government Obligations						
U.S. Treasury Bonds, Notes	325,072	-	325,072	-	-	-
U.S. Agency Bonds, Notes	183,252	-	183,252	-	-	-
<b>Total Investments</b>	<b>\$ 2,311,103</b>	<b>\$ 79,612</b>	<b>\$ 1,621,474</b>	<b>\$ 134,023</b>	<b>\$ 185,157</b>	<b>\$ 290,837</b>

NR = Non-Rated Pooled accounts

### Concentration of Credit Risk

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

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

- A. U.S. Government - no restrictions.
- B. Government agency - 50% total; 20% in any one agency.
- C. Certificates of deposits, time deposits and bankers acceptances - 50% total; 5% in any one issuer.
  1. Domestic - No additional restrictions.
  2. Non-domestic - 25%, 5% in any one issuer.

3. Delaware domiciled – Not more than the lesser of \$10 million or 25% of an issuer’s total equity capital may be invested in any one issuer. (Investments due to mature in one business day may be excluded from the computation of this percentage.)
- D. Corporate debt - 50% total; 25% in any one industry; 5% in any one issuer, 5% of any issuer's total outstanding securities.
  1. Domestic - No additional restrictions.
  2. Non-Domestic - 25%; 5% in any one issuer.
- E. Repurchase agreements - 50% total.
- F. Reverse repurchase agreements - 25% total.
- G. Money market funds - 25% total; 10% in any one fund except for the Cash Account, which may invest 100% of the Account in the Delaware Local Government Investment Pool (DELGIP) Fund. The Investment Guidelines for the DELGIP Fund are defined in Appendix B of the Policy.
- H. Canadian treasuries - 25% total; 10% in any one agency.
- I. Canadian agency securities - 25% total; 10% in any one agency.
- J. Mortgage-backed and asset-backed securities – 10% total (when combined with asset-backed securities and trust certificates if applicable).
- K. Municipal obligations - 5% in any one issuer.
- L. Guaranteed investment contracts - Permitted where it is prudent to match a specific investment instrument with a known specific future liability, subject to credit quality guidelines for commercial paper and corporate bonds and debentures and with adequate exit provisions in the event of the future downgrade of the issuer.
- M. Asset-backed securities and trust certificates – 10% total (when combined with mortgage-backed and asset-backed securities if applicable).

At June 30, 2013, the State’s investments have met the requirement of all the State’s laws and policies, when applicable. There were no obligations that represented 5% or more of the primary government’s investments, except for U.S. government securities, pooled and mutual funds.

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

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

The Policy only permits investments denominated in U.S. dollars; therefore, the State’s

investments are not exposed to foreign currency risk.

### **Commitments**

At June 30, 2013, the State did not enter into any commitment agreements with any investment managers for future funding of various asset classes.

### **OPEB Trust Fund (OPEB Trust)**

#### **Investment Policy**

The State Board of Pension Trustees is responsible for the management and investment of the funds in the OPEB Trust. The Board authorized its Investment Committee to select the investment managers of the OPEB Trust following the established investment guidelines for the Delaware Public Employees' Retirement System (DPERS) until a separate investment policy is adopted for the OPEB Trust. The System follows the prudent person standard, which requires fiduciaries to discharge their duties solely in the interests of participants and their beneficiaries with such care, skill, prudence, and diligence as a person acting in like circumstances would exercise in the conduct of an enterprise with similar character and with similar aims. The OPEB Trust investment objectives and policies currently include indexed exposure to approximate the System's policy benchmark. The Investment Committee regularly reviews the OPEB investment performance, and considers investment vehicles which strike a balance between risk and return while being mindful of the government's time horizon for the OPEB investments. Of the OPEB Trust's investment balance of \$187.6 million, all is invested in three mutual funds and are not in individual investments registered in the Trust's name. For the fixed income type of mutual fund, the investments in maturities is in government agencies and hold a maturity of six to ten years at a fair market value of \$76.2 million with a AA credit rating. The foreign equities type of mutual fund represents \$35.8 million of balance of the trust. These are denominated in US Dollars and are invested in no individual country but an international region. The other \$75.6 million is in an equity index fund.

### **Delaware Public Employees' Retirement System (DPERS or System)**

#### **Investment Policy**

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

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

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

For the fiscal year ended June 30, 2013, management of the System has operated in accordance with these policies, in all material respects.

### Securities Lending

The System entered into a contract with its custodian to allow participation in its securities lending program. The objective of securities lending is to earn income through a conservatively operated and well-controlled program. The System elected not to participate in the program during fiscal years 2013 and 2012, but may elect to participate at some time in the future.

### Investments

The following is a listing of fixed income investments and cash equivalents and related maturity schedule which shows the System's exposure to interest rate risk as of June 30, 2013. It is the System's policy to classify corporate convertible bonds as equity securities because those securities generally convert to preferred equity interests upon maturity. Corporate convertible bonds in the amount of \$671.6 million have been included in the chart below because they have maturity dates and are exposed to interest rate risk.

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

Investment Type/Sector	Fair Value	Less than 1	1 - 6	6 - 10	10 +
Asset Backed Securities	\$ 375	\$ -	\$ 26	\$ 349	\$ -
Cash Equivalents	340,320	340,320	-	-	-
Commercial Mortgage-Backed	1,466	-	-	-	1,466
Corporate Bonds	306,795	10,764	100,413	65,292	130,326
Corporate Convertible Bonds	671,596	22,814	485,465	66,226	97,091
Government Agencies	21,535	5,438	16,097	-	-
Government Bonds	68,104	-	41,453	3,111	23,540
Municipal/Provincial Bonds	15,935	-	11,481	-	4,454
Pooled Investments	1,338,938	-	369,015	969,923	-
Total	\$ 2,765,064	\$ 379,336	\$ 1,023,950	\$ 1,104,901	\$ 256,877

### Interest Rate Risk

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

## Credit Risk

The System's general investment policy is to apply the prudent-person rule to all risks incurred by the fund: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The System has no investment policy that would further limit its investment choices related to credit risk. As of June 30, 2013, the System's fixed income investments and cash equivalents had the following credit risk characteristics as indicated in the following schedule (expressed in thousands):

Moody's Ratings or Comparable	Percent of Total Fund	Market Value
AAA to A	17.9%	\$ 1,450,682
BBB to B	10.5%	850,709
CCC to C	0.5%	37,726
Agency of the Federal Government	0.1%	6,014
Not Rated	5.2%	419,933
Total	34.2%	\$ 2,765,064

## Custodial Credit Risk

For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party. At June 30, 2013, the \$435.3 million carrying amount of the System's cash and cash equivalents was comprised of \$417.1 million of short-term investments and \$18.2 million in deposits. Of the \$18.2 million in deposits, \$17.5 million was subject to custodial credit risk because it was uninsured and uncollateralized. The remaining \$687 thousand was held as pooled deposits by the State Treasurer's Office.

## Investment Concentration Risk

As of June 30, 2013, the System held no concentration of investments in an individual issuer in excess of 5% of the fair value of the System's net assets.

## Management Fees

The System paid \$27.4 million in management fees to the venture alternative investment funds and partnerships for the fiscal year ended June 30, 2013. These fees are netted against investment income. Management fees charged at the underlying fund level for the investments held by the First State Independence Fund I, LLC ranged from 1% to 2% of net assets, plus a performance fee of 20% on positive investment earnings, which were netted against earnings.

## Investment Commitments

The System has commitments to invest up to an additional \$779.2 million in venture capital limited partnerships in varying amounts as of June 30, 2013, to be drawn down, as called upon at any time during the term of each partnership, which is usually a ten-year period. Generally, these

commitments are self-funding, in that the capital calls are met using cash flows generated by the existing venture capital/limited partnerships as managers in this asset class realize the proceeds of their investments.

## Foreign Investments

Foreign investments include equity securities, bonds, cash, and cash equivalents. The following is a listing of the System's foreign assets as of June 30, 2013. The listing includes \$6.5 million of investments of domestic issuers which have been classified as domestic, but are denominated in a foreign currency.

Currency	Investment Types (Expressed in Thousands)			
	Fair Value in U.S. Dollars	Equities	Fixed Income	Cash and Cash Equivalents
Australian Dollar	\$ 35,151	\$ 21,626	\$ 13,373	\$ 152
Brazilian Real	16,408	9,870	6,538	-
British Pound Sterling	75,748	74,198	886	664
Canadian Dollar	41,854	20,510	21,066	278
Danish Krone	9,975	9,975	-	-
Euro	273,543	235,207	22,247	16,089
Hong Kong Dollar	71,867	71,816	-	51
Indonesian Rupiah	19,421	11,936	7,485	-
Japanese Yen	99,730	99,516	-	214
Mexican Peso	3,746	-	3,746	-
New Zealand Dollar	18,118	-	18,118	-
Norwegian Krone	15,111	1,365	13,746	-
Philippine Peso	17,839	17,839	-	-
Singapore Dollar	21,070	17,105	3,964	1
South African Rand	3,479	3,479	-	-
South Korean Won	5,891	5,891	-	-
Swedish Krona	23,504	23,504	-	-
Swiss Franc	39,762	39,717	-	45
Thai Baht	10,248	10,248	-	-
Turkish Lira	10,963	10,951	-	12
Malaysian Ringgit	7,710	7,710	-	-
Nigerian Naira	2,419	2,419	-	-
United Arab Emirates Dirham	1,751	1,751	-	-
<b>Total Foreign Currencies</b>	<b>\$ 825,308</b>	<b>\$ 696,633</b>	<b>\$ 111,169</b>	<b>\$ 17,506</b>
Foreign Issued Investments Denominated in U.S. Dollars	303,220	261,672	41,548	-
Pooled International Investments Denominated in U.S. Dollars	251,426	251,426	-	-
<b>Total</b>	<b>\$ 1,379,954</b>	<b>\$ 1,209,731</b>	<b>\$ 152,717</b>	<b>\$ 17,506</b>

## Derivatives

Derivatives are instruments (securities or contracts) whose value is dependent on such things as stock or bond prices, interest rate levels, or currency exchange rates. In June 1994, the Board adopted a formal written policy on the use of derivatives which is reviewed periodically and policy, as amended, was incorporated in the formalized investment policy adopted by the Board. This was during fiscal year 2007 and reviewed during fiscal year 2008. Some selected managers are permitted to use derivatives. In every case, the types of derivatives used and limits on their use are stated in the manager's contract and are monitored on an ongoing basis. Derivatives serve a variety of useful purposes for the System, including the reduction of foreign exchange risk, the minimization of transaction costs and as a means of implementing value added strategies to enhance returns. If the use of derivatives in a portfolio strategy results in some leverage, that leverage is never permitted to expose the Fund to a loss greater than the amount committed to that strategy.

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

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

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

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

The Investment Committee monitors the System’s derivative holdings on a regular basis to ensure that the derivatives used by managers of the System will not have a material adverse impact on its financial condition. Total derivative instruments at June 30, 2013 were not material to the system.

### **Risk and Uncertainty**

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

### **Discretely Presented Component Units**

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

At June 30, 2013, the carrying value and the bank balances of the DSPC’s deposits were \$5.6 million and \$5.7 million, respectively. Of the bank balances, \$250 thousand is insured by the Federal Deposit Insurance Corporation (FDIC). The remaining amount is not collateralized by the banks as the banks meet the criteria set by the State under the collateralization requirements.

DSPC's assets restricted for capital improvements were \$19.9 million at June 30, 2013. These assets are invested in a mutual funds account with a Moody's rating of Aaa.

*Delaware State University (DSU)*

At June 30, 2013, the carrying value and bank balances of DSU's deposits were \$18.6 million and \$20.6 million, respectively. An additional \$16.5 million of cash and cash equivalents related to unexpended State appropriations are held by the Office of the State Treasurer. There was no portion of the University's investment portfolio, excluding U. S. Government guaranteed obligations, which exceed 5% of the portfolio and there was no portion of the University portfolio that was invested in below investment grade securities. The University's \$8.0 million in fixed income investments was not rated as of June 30, 2013 using the Standard and Poor's rating scale. DSU's investments at quoted market value were \$16.9 million at June 30, 2013. In addition, DSU's two discretely presented component units' investments at quoted market value were \$18.5 million at June 30, 2013.

*Delaware State Housing Authority (DSHA)*

As of June 30, 2013, the carrying value and the bank balances of DSHA's deposits were \$44.8 million and \$46.1 million, respectively, all of which are insured by the FDIC.

*Investment Policies*

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

DSHA is allowed to invest in certain qualified investments as defined by amended Subchapter II, Section 4013, Chapter 40, Title 31, of the Delaware Code and DSHA's formal investment policy. Subject to certain limitations, such as the credit ratings on bonds and the capitalization level of depositories, "qualified investments" include:

- a. Obligations of or explicitly guaranteed by the U.S. or Delaware state governments.
- b. Obligations of U.S. government-sponsored enterprises and U.S. government agencies and instrumentalities.
- c. Obligations of depositories and other financial institutions.
- d. Bankers' acceptances.
- e. Commercial paper.
- f. Money market mutual funds.
- g. Corporate debt obligations.
- h. The State of Delaware investment pool with the State Treasurer's Office.
- i. Other investment arrangements made pursuant to an investment agreement authorized by a resolution of DSHA.

Certain federal funds administered by DSHA are subject to additional limitations within the

qualified investments listed above.

For those investments in the State of Delaware Investment Pool, the fair value of the pool shares is the same as the carrying value of the pool shares. The State of Delaware Cash Management Policy Board provides oversight for this pool.

Securitized mortgage loans consist of Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), and Federal Home Loan Mortgage Corporation (FHLMC) mortgage backed securities, which were pooled and securitized by a contract servicer utilizing Single Family Mortgage Program loans purchased by DSHA.

### Investments

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

Investment Type	Investment Maturities (in Years) (Expressed in Thousands)					
	Fair Value	Book Value				
		Less than 1	1 - 5	5 - 10	10 - 20	20 - 30
U.S. Treasury Notes	\$ 11,627	\$ 3,350	\$ 8,125	\$ -	\$ 208	\$ -
US Treasury Strips	548	360	8	-	259	-
U.S. Treasury Bonds	26	-	-	-	19	-
U.S. Agencies	20,278	6,510	13,275	-	-	378
Commercial Paper	5,398	5,410	-	-	-	-
Corporate Notes	14,776	1,000	13,750	-	-	-
Investment Agreements	630	-	-	-	266	364
Money Market Savings Accounts	15,564	15,564	-	-	-	-
Bank Money Market Accounts	25,168	25,168	-	-	-	-
State of Delaware Investment Pool	10,736	10,736	-	-	-	-
Total Investments:	104,751	68,098	35,158	-	752	742
Securitized Mortgage Loans	606,955	-	-	-	-	578,910
Total Investments & Securitized Mortgage Loans	\$ 711,706	\$ 68,098	\$ 35,158	\$ -	\$ 752	\$ 579,652

### Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the DSHA's investment policy places limits on maturities for the various funds as follows:

- a. Single Family Program Funds: Investment contracts for bond program funds should have a maturity that matches the final bond maturity to minimize reinvestment risk. Individual investments of bond program funds should match anticipated cash requirements or

provide sufficient liquidity to allow funds to be accessed to meet bond resolution requirements without incurring material principal losses.

- b. Federal Program Funds: HUD funds held by DSHA should have a maximum maturity of one year. HUD-related funds held by DSHA (escrows, replacement reserves, residual receipts) shall have a maximum maturity of three years.
- c. General Fund: The Operating Reserve Account, which is managed externally, should have a maximum maturity at the time of purchase of ten years. However, specific investments may be transferred into the account from time to time that may have a longer maturity. DSHA may further reduce the maximum maturity of the operating reserve investments from time to time.
- d. Other DSHA funds should be invested with a maturity that matches, or is prior to, the anticipated time at which the funds will be needed.
- e. DSHA investments (other than deposit accounts, money market fund shares, or deposits with the State Treasurer's Office) should have a fixed maturity date by which principal and accrued interest will be fully repaid. DSHA is not permitted to enter into investments that have an expected maturity date that can be extended, depending upon market conditions.

*Credit Risk*

DSHA's general investment policy is to make investments with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived. DSHA's investment policy limits its investment choices as mentioned above under Investments. For DSHA's Single and Multi-Family Programs, the investment rating must be equal or exceed the bond rating. DSHA's Operating Reserve Account has a specific credit quality requirement. Corporate debt obligations and shares of money market mutual funds shall have a long-term rating of AA and/or AA, respectively by Standard & Poor's (S&P) and Moody's at the time of purchase. As of June 30, 2013, DSHA's investments were rated as follows:

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

Investment Type								U.S. Government
	AAA	AA+	AA	AA-	A1+	A1	A2	Guaranteed
U.S. Treasury Notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,627
U.S. Treasury Strips	-	-	-	-	-	-	-	548
U.S. Treasury Bonds	-	-	-	-	-	-	-	26
U.S. Agencies	-	20,303	-	-	-	-	-	-
Corporate Notes	764	965	6,159	6,888	-	-	-	-
Commercial Paper	-	-	-	-	1,748	1,745	1,905	-
Securitized Mortgage Loans	-	-	-	-	-	-	-	606,955
<b>Total</b>	<b>\$ 764</b>	<b>\$ 21,268</b>	<b>\$ 6,159</b>	<b>\$ 6,888</b>	<b>\$ 1,748</b>	<b>\$ 1,745</b>	<b>\$ 1,905</b>	<b>\$ 619,156</b>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, DSHA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of DSHA's \$104.8 million investment balance, \$600 thousand represents deposits held by various Guaranteed Investment Contract (GIC) providers under investment agreements. These accounts are uninsured and uncollateralized. The funds are specifically identified for DSHA, but the custodial credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the GIC provider whose rating must equal or exceed that of the bond rating. The bank and savings money markets must be collateralized at 102% or greater by securities pledged and identified as held in DSHA's name. Although the State Investment Pool is not collateralized, the State's Cash Management Policy Board requires that investments in the pool meet certain ratings, investment types and maturity criteria. DSHA's investment policy does not limit the amount of securities that can be held by the counterparties.

**NOTE 3 RECEIVABLES**

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

Taxes receivable represent the amount of personal, business, and other taxes determined to be measurable at June 30, 2013. Uncollectibility for taxes receivable primarily results from identified assessment problems, inability to locate taxpayers, and accounts of decedents.

The State levies taxes on real property through its school districts. Each of the three counties of the State establishes the assessed values of real estate and bills and collects its own property taxes. Local school property taxes are levied by local school districts based on the assessed value of real estate, as determined by county taxation formulas. Taxes are levied on July 1 and are

payable on or before September 30. Taxes paid after the payable date are assessed a 6% penalty for nonpayment and 1% interest per month thereafter. Taxes are billed and collected by the counties with funds remitted to the local school district to be used for the local share of school operating costs and debt service on general obligation bonds issued for capital improvements. Receivables as of year-end for the State's individual funds, including the applicable allowances for uncollectible accounts, are as follows:

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

	<b>General Fund</b>	<b>Federal Funds</b>	<b>Local School District Funds</b>	<b>Total Receivables</b>
Receivables:				
Taxes	\$ 213,726	\$ -	\$ 34,859	\$ 248,585
Accounts	350,796	106,228	345	457,369
Loans and Notes	50,423	261,836	-	312,259
Intergovernmental - Federal Grants	-	120,628	-	120,628
Total Receivables	614,945	488,692	35,204	1,138,841
Allowance for Doubtful Accounts	(400,839)	(94,838)	(174)	(495,851)
Total Receivables, Net	\$ 214,106	\$ 393,854	\$ 35,030	\$ 642,990
Amounts not Scheduled for Collection During the Subsequent Year	\$ 103,810	\$ 246,571	\$ 22,471	\$ 372,852

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

	<b>Unemployment</b>	<b>Lottery</b>	<b>DeIDOT</b>	<b>Total Receivables</b>
Receivables:				
Taxes	\$ 49,444	\$ -	\$ -	\$ 49,444
Interest	-	-	536	536
Accounts	32,684	11,804	17,449	61,937
Intergovernmental	1	-	27,058	27,059
Total Receivables	82,129	11,804	45,043	138,976
Allowance for Doubtful Accounts	(39,834)	(734)	-	(40,568)
Total Receivables, Net	\$ 42,295	\$ 11,070	\$ 45,043	\$ 98,408
Amounts not Scheduled for Collection During the Subsequent Year	\$ -	\$ -	\$ -	\$ -

**Unearned Revenues**

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Amounts considered unearned federal grant drawdowns are reported as unearned revenue.

The various components of unearned revenue and advances reported at year-end in the governmental funds are as follows:

<b>Unearned Revenues</b>	
(Expressed in Thousands)	
<b>Unavailable</b>	
Taxes Receivable	\$ 84,409
Loans and Notes Receivables	308,793
Intergovernmental	24,711
Accounts Receivables	45,715
<b>Subtotal Unavailable</b>	<u>463,628</u>
 <b>Advances</b>	
Advance Park Reservation Fees	1,024
Federal Grant Advance Drawdowns	20,062
<b>Subtotal Advances</b>	<u>21,086</u>
<b>Total Unearned Revenue</b>	<u><u>\$ 484,714</u></u>

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

Total receivables as of June 30, 2013 are as follows:

(Expressed in Thousands)	
Receivables:	
Mortgage Loans	\$ 258,946
Accrued Interest	50,391
Other Receivables	726
Grants Receivable	281
Total Receivables	<u>310,344</u>
Allowance for Doubtful Accounts	(1,077)
Total Receivables, Net	<u><u>\$ 309,267</u></u>
Amounts not Scheduled for Collection During the Subsequent Year	<u><u>\$ 265,107</u></u>

Mortgage loans receivable which total \$258.9 million consist of single family and multi-family loans and are collateralized by first, second or third mortgages on the properties and in limited instances are guaranteed by corporate sponsors. Interest rates on the loans vary from 2.99% to 12.43% and loan maturities are between one and forty years depending on the type of mortgage loan issued.

**NOTE 4 INTERFUND BALANCES AND TRANSFERS**

**(a) Due To/From to Other Funds**

Receivables reported as “due from other funds” and the related payables reported as “due to other funds” represent amounts owed to State organizations by other organizations within the State primary government. Amounts receivable from or payable to other levels of government are reported as intergovernmental receivables or payables and are expected to be repaid within one year from the date of these financial statements. The composition of due from/due to balances at June 30, 2013, expressed in thousands, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General	Federal	\$ 20,922
Federal	General	16,833
Primary Government		
Unemployment	General	1,524
Lottery	General	677

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

The amount due to the Lottery Fund (reported as an internal balance on the statement of net position), represents overpayments of profits required by law to be transferred to the General Fund.

The amount due to the Unemployment Fund is from interest that the General Fund owes the Unemployment Fund due to an overpayment of a temporary borrowing.

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

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

Capital Projects to the General Fund to cover expenses paid by the General Fund.

A schedule of transfers in and transfers out for the year ended June 30, 2013 is presented below (expressed in thousands):

	Transfers In							Total
	General	Federal	Local School District	Capital Projects	Unemployment	Lottery	DeIDOT	
<b>Transfers Out</b>								
General	\$ -	\$16,833	\$13,555	\$ -	\$ 2,089	\$ -	\$43,257	\$ 75,734
Federal	1,675	-	37,998	-	-	-	-	39,673
Local School	102,322	-	-	-	-	-	-	102,322
Capital Projects	133,296	-	-	-	-	-	-	133,296
Unemployment	-	-	-	-	-	-	-	-
Lottery	276,797	-	-	-	-	-	-	276,797
DeIDOT	6,793	-	-	-	-	-	-	6,793
<b>Total</b>	<b>\$ 520,883</b>	<b>\$16,833</b>	<b>\$51,553</b>	<b>\$ -</b>	<b>\$ 2,089</b>	<b>\$ -</b>	<b>\$43,257</b>	<b>\$ 634,615</b>

## NOTE 5 GENERAL OBLIGATION BONDS

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

The State Constitution provides that the State may issue general obligation bonds for specific purposes in amounts approved by the General Assembly. The enabling acts pursuant to which the bonds are issued provide that all bonds issued shall be direct obligations of the State; that is, the bonds are secured by the pledge of the full faith and credit of the State. General obligation bonds are redeemed over a period not to exceed 20 years, generally from available resources in the general fund. Accordingly, the State has generally issued 20-year serial bonds with equal amounts of principal maturing each year. Bonds outstanding have call provisions providing for early redemption at the option of the State, generally beginning 8 or 10 years following the date of issue in the inverse order of maturity, in whole or in part, at redemption prices not to exceed 100% of par value.

On February 28, 2013, the State issued \$336.3 million of its general obligation bonds maturing between February 1, 2024 and February 1, 2033. Of the \$336.3 million issued, Series A Bonds, at \$111.3 million, were issued to refund higher priced bonds resulting in a net present value savings of \$14.4 million, or 11.7% of the principal refunded. Series B Bonds, at \$225.0 million, were issued as new money. The bonds of both series bore coupons of 2% and 5% and yield between .16% and 2.93%.

The refunding Series 2013 resulted in an economic gain of \$13.3 million and a debt service cash savings over the next nine years of \$14.4 million.

Bonds issued and outstanding totaled \$1,755.0 million at June 30, 2013. Of this amount, \$545.7 million is supported by property taxes collected by the local school districts. During fiscal year 2013, the local school district funds transferred \$64.3 million of property tax revenue to the State to meet the required debt service on their share of the debt.

The State is authorized to issue an additional \$162.5 million of general obligation bonds at June 30, 2013. Interest rates and maturities of the outstanding general obligation bonds are detailed as follows:

<b>General Obligation Bonds</b>				
(Expressed in Thousands)				
<b>Sale #</b>	<b>Description</b>	<b>Interest Rates</b>	<b>Maturity Date (Fiscal Year)</b>	<b>Balance Outstanding at June 30, 2013</b>
220	GO 2013B	2.000% - 5.000%	2033	\$ 225,000
219	GO 2013A3	2.000% - 5.000%	2025	35,940
218	GO 2013A2	4.000% - 5.000%	2024	40,210
217	GO 2013A1	2.000% - 5.000%	2026	35,180
216	GO 2011A2	2.000%-5.000%	2031	162,675
215	GO 2011A1	2.000%-5.000%	2031	85,380
214	GO 2010D	4.550%	2029	59,580
213	GO 2010C	3.100%-4.600%	2030	115,775
212	GO 2010B2	5.00%	2023	89,250
211	GO 2010B1	2.000%-4.000%	2024	25,000
210	GO 2010A2	2.000%-3.000%	2018	22,315
209	GO 2010A1	1.500%-5.000%	2024	102,340
208	GO 2009D	3.700%-5.300%	2029	179,315
207	GO 2009C2	2.000%-3.000%	2024	37,205
206	GO 2009C1	3.000%-5.000%	2027	247,710
205	GO 2009B	4.750%-5.000%	2026	73,750
204	GO 2009A2	4.750%-5.000%	2017	5,275
203	GO 2009A1	4.750%-5.000%	2029	59,125
202	GO 2008B	4.750%-5.000%	2016	38,145
201	GO 2008A	3.000%-5.000%	2016	3,510
200	GO 2007A	4.000%-5.000%	2027	27,850
199	GO 2006C	0%	2022	1,433
198	GO 2006B	4.000%-5.500%	2026	22,395
197	GO 2006A	3.75%-4.500%	2026	4,845
196	GO 2005D	3.50%-5.0%	2025	8,600
195	GO 2005C	5%	2016	45,335
192	QZAB 2004B	0%	2020	224
190	QZAB 2003D	0%	2018	908
186	QZAB 2002B	0%	2016	760
Total, Gross				1,755,030
Plus: Unamortized Bond Premium				186,080
Total General Obligation Bonds				<u>\$ 1,941,110</u>

The following table sets forth the future debt service requirements on outstanding general obligation bonds at June 30, 2013:

**Total General Obligation Bonds**  
(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 154,695	\$ 74,945	\$ 229,640
2015	152,540	69,110	221,650
2016	146,530	62,145	208,675
2017	141,355	55,320	196,675
2018	129,135	48,565	177,700
2019-2023	479,475	173,972	653,447
2024-2028	358,630	79,674	438,304
2029-2033	192,670	15,429	208,099
Total	<u>\$ 1,755,030</u>	<u>\$ 579,160</u>	<u>\$ 2,334,190</u>

Changes in general obligation bonded debt during the year ended June 30, 2013 are summarized in Note 10.

In prior years, the State has defeased certain general obligation bonds by creating separate irrevocable trust funds. New debt has been issued or cash appropriated and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt. Accordingly, the debt has been considered defeased and has been removed as a liability from the government-wide financial statements. At June 30, 2013, a total of \$355.6 million of defeased bonds were outstanding.

## NOTE 6 REVENUE BONDS

### Revenue Bonds

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

### Primary Government

In August, 2011, pursuant to the Delaware Energy Act, 29 Del. C. §8059, the Sustainable Energy Utility, Inc. (the "SEU"), a Delaware nonprofit corporation created by and for the benefit of the State issued \$67.4 million of its Sustainable Energy Utility, Inc. Energy Efficiency Revenue Bonds, Series 2011 (the "SEU Bonds"). Interest rates on bonds outstanding range from 2.0% to 5.0%. Of the total amount, \$56.2 million of the SEU Bonds were issued to finance energy conservation measures for multiple State agencies and the remaining amount of \$11.2 million was issued on behalf of Delaware State University. Under separate Installment Payment

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

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

The final maturity of the SEU bonds is September 15, 2034. As of June 30, 2013, \$28.4 million of the SEU Bonds issued to finance projects at State agencies was unspent and held by Citibank, the bond underwriter.

### Sustainable Energy Utility Revenue Bonds

(Expressed in Thousands)

Fiscal Year	Principal	Interest	Total
2014	\$ 1,635	\$ 2,549	\$ 4,184
2015	1,610	2,509	4,119
2016	3,045	2,439	5,484
2017	2,915	2,324	5,239
2018	3,055	2,179	5,234
2019-2023	10,155	9,401	19,556
2024-2028	12,730	6,705	19,435
2029-2033	15,870	3,310	19,180
2034-2035	5,155	255	5,410
Total	<u>\$ 56,170</u>	<u>\$ 31,671</u>	<u>\$ 87,841</u>

### DelDOT Fund

#### *Delaware Transportation Authority (Authority)*

The Authority is subject to oversight by the DelDOT and is included in the DelDOT Fund. The Authority assists in the implementation of the State's plans and policies regarding the coordination and development of a comprehensive, balanced transportation system for the State. It has the power to develop a unified system of air, water, vehicular and specialized transportation in the State. The Authority includes the Transportation Trust Fund and the Delaware Transit Corporation. The Secretary of the Department of Transportation, with consent of the Governor, appoints the Authority's Director.

To assist the Authority in financing a unified transportation system, the State created a

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

The Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and is therefore not reported as a liability. At June 30, 2013, the amount of defeased debt outstanding amounted to \$195.2 million.

The Authority has a total of \$235.6 million in authorized but unissued revenue bonds at June 30, 2013. Bonds outstanding at June 30, 2013 amounted to \$1,007.1 million and are presented as follows:

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

Description	Interest Rates	Maturity Date (Fiscal Year)	Balance Outstanding At June 30, 2013
Transportation System Senior Revenue Bonds - Series			
2003	5.00%	2023	\$ 35,315
2004	4.0% - 5.0%	2024	58,385
2005	4.25% - 5.0%	2025	58,480
2006	3.5% - 5.0%	2026	101,610
2007	4.0% - 5.0%	2021	61,805
2008	4.0% - 5.0%	2028	66,135
2008	4.0% - 5.0%	2029	106,200
2009	5.00%	2029	100,125
2010	4.0% - 5.0%	2019	40,745
2010	3.95% - 5.80%	2030	72,120
2012	3.0% - 5.0%	2024	222,870
Transportation System Grant Anticipation Bonds			
2010 Series	3.00% - 5.00%	2025	99,715
Total, Gross			1,023,505
Less: Deferred Amount on Refunding			(16,374)
Total, Net			1,007,131
Less: Current Portion of Debt Outstanding			(72,544)
Long-term Portion of Debt Outstanding			\$ 934,587

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 75,205	\$ 47,162	\$ 122,367
2015	77,655	43,465	121,120
2016	75,350	39,754	115,104
2017	72,840	36,243	109,083
2018	72,105	32,799	104,904
2019-2023	363,055	110,948	474,003
2024-2028	228,925	37,588	266,513
2029-2033	58,370	3,647	62,017
Total	<u>\$ 1,023,505</u>	<u>\$ 351,606</u>	<u>\$ 1,375,111</u>

The transportation system revenue bonds have fixed interest rates and are limited obligations of the Authority secured only by the pledged revenues of the trust funds. Summary financial information as of and for the year ended June 30, 2013 for the trust funds, which is the segment of DelDOT that supports the revenue bonds, is presented below and on the following page:

**Condensed Statement of Net Position**  
(Expressed in Thousands)

Assets:	
Current Assets	\$ 232,884
Capital Assets	1,327,286
Other Assets	85,195
Total Assets	<u>\$ 1,645,365</u>
Liabilities:	
Current Liabilities	139,277
Noncurrent Liabilities	978,804
Total Liabilities	<u>1,118,081</u>
Net Position:	
Net Investment in Capital Assets	315,013
Unrestricted	52,109
Restricted	160,162
Total Net Position	<u>527,284</u>
Total Liabilities and Net Position	<u>\$ 1,645,365</u>

**Condensed Statement of Revenues,  
Expense and Changes in Net Position**

(Expressed in Thousands)

Operating Revenues (Pledged Against Bonds)	\$ 385,698
Other Operating Revenues	55,366
Depreciation Expense	(192)
Other Operating Expenses	(343,981)
Operating Income	<u>96,891</u>
Nonoperating Revenues (Expenses):	
Investment Income (Pledging Against Bonds)	2,220
Other Investment Income (Loss)	8,841
Interest Expense	(39,224)
Transfer from State General Fund	43,257
Change in Net Position	<u>111,985</u>
Beginning Net Position	415,299
Ending Net Position	<u><u>\$ 527,284</u></u>

**Condensed Statement of Cash Flows**

(Expressed in Thousands)

Net Cash Provided by (Used In):	
Operating Activities	\$ 95,211
Noncapital Financing Activities	43,257
Capital and Related Financing Activities	(213,445)
Investing Activities	<u>99,600</u>
Net Increase	24,623
Beginning Cash and Cash Equivalents	<u>24,530</u>
Ending Cash and Cash Equivalents	<u><u>\$ 49,153</u></u>

The State has pledged turnpike, motor fuel tax, and motor vehicle fee revenues to the Trust Fund in order to provide additional means to finance the maintenance and development of the State's highway transportation system, as well as security for the repayment of the outstanding revenue bonds of the Authority. Proceeds from the revenue bonds were used to finance infrastructure maintenance, preservation, and construction related projects. The revenue bonds are payable solely from these pledged revenue streams and are not backed by the faith and credit of the State or any such political subdivision. Annual principal and interest payments on the revenue bonds are expected to require less than 35% of pledged revenues. The total principal and interest remaining to be paid on the revenue bonds as of June 30, 2013 was \$1.4 million. Principal and interest paid on the revenue bonds for the year ended June 30, 2013 was \$131.3 million. Total pledged revenues for the year ended June 30, 2013 was \$387.9 million.

**Discretely Presented Component Units**

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

*Delaware State Housing Authority (DSHA)*

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

DSHA has issued revenue bonds to provide financing for mortgage, construction, and other loans to not-for-profit and limited for profit housing sponsors; to make loans to mortgage lenders, requiring the proceeds thereof to be used for making new qualified residential mortgage loans; and to purchase qualified mortgage loans from mortgage lenders. The bonds are direct obligations of DSHA and are secured by the mortgage loans made or purchased under the applicable resolutions; the revenues, prepayments and foreclosure proceeds received are related to the mortgage loans, and certain funds and accounts established pursuant to the applicable bond resolutions. All bonds are callable subject to certain restrictions. Interest rates on bonds outstanding range from 0.95% to 7.75% with maturities of such bonds up through January 1, 2049.

On February 28, 2013, the Authority issued \$58.2 million of Single Family Revenue Bonds (SFMRB) 2013-1 pursuant to the New Issue Bond Program (NIBP) established jointly by Fannie Mae, Freddie Mac, the Federal Housing Finance Agency, and the U. S. Department of Treasury (US Treasury) under which the US Treasury provided funding for bond issuance. The proceeds from the sale were used to refund bonds held within the SFMRB 2011-1(NIBP) bond issue. Also, the remaining SFMRB 2011-1 (NIBP) bonds were transferred into the SFMRB 2013-1 (NIBP) bond issue along with the associated Mortgage Backed Securities of that issue.

On June 26, 2013, the Authority issued \$49.9 million of Single Family Mortgage Revenue Bonds 2013 Series A. The proceeds from the sale were used to provide low rate mortgages to first-time homebuyers.

Outstanding bonds at June 30, 2013 amounted to \$639.3 million. Future debt service requirements for DSHA's bonds are shown on the following table:

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 14,142	\$ 25,473	\$ 39,615
2015	13,220	24,966	38,186
2016	13,610	24,452	38,062
2017	14,045	23,912	37,957
2018	14,520	23,319	37,839
2019-2023	80,205	106,015	186,220
2024-2028	97,692	84,884	182,576
2029-2033	92,186	62,751	154,937
2034-2038	118,734	40,337	159,071
2039-2043	156,935	18,974	175,909
2044-2048	14,830	2,331	17,161
2049	9,163	23	9,186
Total	<u>\$ 639,282</u>	<u>\$ 437,437</u>	<u>\$ 1,076,719</u>

Delaware State University (DSU or the University)

Revenue bonds payable at June 30, 2013 are as follows:

<b>Revenue Bonds Payable</b>	
(Expressed in Thousands)	
Revenue Bonds	\$ 3,126
Revenue Refunding Bonds	47,844
Energy Efficiency Revenue Bonds	12,089
Revenue Refunding Bonds Series 2012	32,739
Student Housing Foundation Bonds	<u>15,281</u>
Total Revenue Bonds Outstanding as of June 30, 2013	<u><u>\$ 111,079</u></u>

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

The Bond Trust Indenture requires the University to maintain a debt service reserve fund equal to the maximum annual debt service on all bonds outstanding under the Indenture. The University meets this requirement by providing for the deposit through a surety bond in the Debt Reserve Fund. This bond was obtained from MBIA Insurance Corporation in the amount of \$1.5 million and expires on October 1, 2017. The University has pledged all operating and non-operating revenues, except State appropriations and restricted gifts, grants and bequests, for each academic year during which any of the bonds remain outstanding.

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

On December 20, 2007 the University issued revenue refunding bonds in the amount of \$47.6 million (par value) through the DEDA. The bonds are interest only through October 1, 2018; due on October 1, 2036; and are secured by un-appropriated gross revenues of the University. The 2007 bonds were being issued as “Additional Bonds” under the Indenture, secured equally and ratable with all other Bonds issued and outstanding under the Indenture and any Alternative Indebtedness as provided in the Indenture and in the Loan Agreement. The 2007 Bonds are insured by MBIA Insurance Corporation. The University has pledged all operating and non-operating revenues, except State appropriations and restricted gifts, grants and bequests, for each academic year during which any of the bonds remain outstanding. The bonds were secured for the construction of a new student union, a swimming pool and a student wellness/recreation center. As of June 30, 2013, \$47.8 million including \$265 thousand of unamortized bond premium remained outstanding on the 2007 revenue bonds.

The University entered into a Guaranteed Energy Savings Agreement with Johnson Controls, Inc. in the amount of \$11.3 million. In connection with this agreement and to fund energy efficiency projects, energy efficiency revenue bonds were issued through the SEU on August 1, 2011. The bonds are due September 15, 2032 and are limited obligations of the University, payable only from amounts appropriated by the State that are eligible for payment of the Installment Payments pursuant to the Energy Performance Contracting Act. The 2011 bonds are equally and ratably secured by the trust estate, and failure of the State to appropriate each year sufficient available funds will cause insufficient funds to be deposited into the bond fund to pay all principal and interest on the bonds when due. Johnson Controls, Inc. guaranteed that the savings achieved will be sufficient to cover the financing cost associated with the bond, upon completion of the energy upgrades to various buildings and systems throughout the University. In the event that the savings are not realized, Johnson Controls, Inc. will be responsible for the amount of that deficiency. As of June 30, 2013, \$12.1 million including \$823 thousand of unamortized bond premium remained outstanding on the 2011 energy efficiency bonds.

On March 1, 2012 the University issued revenue refunding bonds in the amount of \$32.1 million (par value) through the DEDA. The bonds are due October 1, 2036 and are secured by a pledge of certain un-appropriated revenues of the University. The 2012 bonds were issued as "Additional Bonds" under the Indenture, secured equally and ratably with all other Bonds issued and outstanding under the Indenture and any Alternative Indebtedness as provided in the Indenture and in the Loan Agreement. The University has pledged all operating and non-operating revenues, except State appropriations and restricted gifts, grants and bequests, for each academic year during which any of the bonds remain outstanding. The proceeds of the 2012 bonds were used to finance: (1) the refunding of certain maturities of The Delaware Economic Development Authority Revenue Refunding Bonds (Delaware State University Project) Series 1999; (2) the purchase of the University Village, a four building, 628 bed student housing facility and dining hall located on the campus of the University, the construction of which was financed by the Kent County, Delaware Variable Rate Demand Student Housing Revenue Bonds (Delaware State University Student Housing Foundation Project) Series 2004B; (3) the funding of any required reserve funds relating to the 2012 Bonds; and (4) the costs of issuance and any credit enhancement of the 2012 Bonds. As of June 30, 2013, \$32.7 million including \$1.8 million of unamortized bond premium remained outstanding on the 2012 revenue bonds.

Remaining maturities and interest due relating to the university's revenue bonds at June 30, 2013, follows:

<b>Delaware State University Revenue Bonds</b>			
(Expressed in Thousands)			
<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 1,640	\$ 4,101	\$ 5,741
2015	2,030	4,054	6,084
2016	2,100	3,981	6,081
2017	2,230	3,886	6,116
2018	2,370	3,778	6,148
2019 - 2023	14,505	17,361	31,866
2024 - 2028	17,955	13,925	31,880
2029 - 2033	22,480	9,528	32,008
2034 - 2038	20,980	4,184	25,164
2039 - 2042	6,650	452	7,102
Total	\$ 92,940	\$ 65,250	\$ 158,190
Plus Unamortized Bond Premiums and Discount	2,858		
Total Revenue Bonds Payable	\$ 95,798		

The Delaware State University Housing Foundation (Housing Foundation), a component unit of DSU refinanced its Series 2000A and 2002A Bonds (the Prior Bonds) with a loan payable in an aggregate amount of \$18.4 million funded with proceeds from the issuance of student housing revenue bonds, Series 2004A (Delaware State University Student Housing Foundation Project). Pursuant to the trust indenture dated January 1, 2004, the proceeds from the sale of the Series 2004A Bonds are restricted to refunding the Prior Bonds, to fund a debt service reserve fund for the Series 2004A Bonds, to fund an operating reserve fund for the Series 2004A Bonds, and to pay a portion of the costs of issuance of the Series 2004A Bonds. In February 2004, the Housing Foundation defeased the tax-exempt series 2000A and the tax exempt series 2002A term bonds at face value. The liability of the Housing Foundation under the loan agreements is limited to the value of the building and improvements, pledged revenues and amounts deposited with the trustee. The first monthly interest payment on the Series 2004A Bonds began on July 1, 2004. Total accrued interest as of June 30, 2013 was \$381 thousand.

Maturities of long-term debt at June 30, 2013 are as follows:

**Delaware State University Housing Foundation Revenue Bonds**  
(Expressed in Thousands)

Fiscal Year	Interest Rates	Principal Amount	Interest Amount	Balance Outstanding At June 30, 2013
2014	3.70%	\$ 420	\$ 753	\$ 1,173
2015	4.00%	435	736	1,171
2016	4.00%	455	717	1,172
2017	4.20%	475	698	1,173
2018	4.30%	495	676	1,171
2019 - 2023	4.40-5.0%	2,840	2,999	5,839
2024 - 2028	5.00%	3,615	2,197	5,812
2029 - 2033	5.0-5.125%	4,610	1,171	5,781
2034 - 2042	5.125%	2,195	114	2,309
Total, Gross		15,540	\$ 10,061	\$ 25,601
Less: Unamortized Bond Discount		(259)		
Total Bonds Payable		\$ 15,281		

## NOTE 7 LOANS AND NOTES PAYABLE

### Primary Government

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

In May, 2011 the State entered into a Master Lease/Purchase Agreement with Banc of America Public Capital Corporation (BOA) for a two year period on behalf of all its State Agencies to acquire equipment including all installation costs with a maximum aggregate amount of principal components for this equipment not to exceed \$50 million. Each individual equipment lease will establish the duration of the lease agreement with the interest rate determined using a percentage of a like term U.S. Treasury as quoted by the Federal Reserve.

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

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ (542)	\$ 542	\$ -
2015	(144)	555	411
2016	329	556	885
2017	406	546	952
2018	454	534	988
2019-2023	3,070	2,434	5,504
2024-2028	4,697	1,886	6,583
2029-2033	6,797	1,071	7,868
2034-2035	3,433	127	3,560
Total	<u>\$ 18,500</u>	<u>\$ 8,251</u>	<u>\$ 26,751</u>

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

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 970	\$ 199	\$ 1,169
2015	989	179	1,168
2016	1009	159	1,168
2017	1030	138	1,168
2018	1051	117	1,168
2019-2023	5,001	257	5,258
Total	<u>\$ 10,050</u>	<u>\$ 1,049</u>	<u>\$ 11,099</u>

**Discretely Presented Component Units***Diamond State Port Corporation (DSPC)*

Loan and notes payable of the DSPC at June 30, 2013 are shown below:

**Diamond State Port Corporation**  
**Loans and Notes Payable**  
 (Expressed in Thousands)

Transportation Trust Fund Loan	\$ 18,579
City of Wilmington Port Debt Service Notes	5,348
Delaware River and Bay Authority	<u>2,780</u>
Total	<u><u>\$ 26,707</u></u>

*Transportation Trust Fund Loan*

In November 2001, DSPC entered into a loan agreement with DelDOT. DSPC borrowed \$27.5 million. The funds were used to repay the balances in full of the original Delaware River and Bay Authority Note and the Wilmington Trust Company Note, and, at a discount, the City of Wilmington Deferred Payment Note. The interest rate was 3.99% during 2013. The loan matures March 2029.

Interest expense charged to operations in 2013 was \$800 thousand.

The future maturities of principal and interest payments on the Transportation Trust Fund Loan are as follows:

**Transportation Trust Fund Loan**  
 (Expressed in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 888	\$ 740	\$ 1,628
2015	923	704	1,627
2016	960	667	1,627
2017	999	629	1,628
2018	1039	589	1,628
2019-2023	5,855	2,284	8,139
2024-2028	7,127	1,012	8,139
2029	<u>788</u>	<u>26</u>	<u>814</u>
Total	<u><u>\$ 18,579</u></u>	<u><u>\$ 6,651</u></u>	<u><u>\$ 25,230</u></u>

*City of Wilmington Note*

In 1995, in consideration of the acquisition of the Port of Wilmington assets from the City of Wilmington (the City), Delaware, DSPC issued to the City two separate notes consisting of a Port Deferred Payment Note in the amount of \$39.9 million and Port Debt Service Notes with an original face amount of \$51.1 million. These notes are secured by a first lien on substantially all of the DSPC's assets. These notes obligate DSPC to pay the City amounts that generally represent the outstanding principal balance of certain DSPC-related City general obligation bonds. The interest rates on the City bonds range from 3.2% to 6.4%.

Principal and interest payments made on the note during 2013 were \$600 thousand and \$300 thousand, respectively.

The future maturities of principal and interest payments on the Port Debt Service Notes are as follows:

**Port Debt Service Note**  
(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 256	\$ 200	\$ 456
2015	701	233	934
2016	742	195	937
2017	683	157	840
2018	253	136	389
2019-2023	2,592	353	2,945
Subtotal	5,227	1,274	6,501
Deferred Gain on Refunding	121	-	121
Total	<u>\$ 5,348</u>	<u>\$ 1,274</u>	<u>\$ 6,622</u>

*Delaware River and Bay Authority (DRBA) Obligation*

On March 1, 2005, DSPC entered into an agreement with the DRBA whereby the DSPC agreed to lease to the DRBA land and a warehouse, located at the Port, for twenty years. The rent for the entire twenty-year term of the lease was \$4.0 million, to be paid in advance. Simultaneously, DSPC and the DRBA entered into an operating agreement in which DSPC agreed to make guaranteed payments to the DRBA, at the beginning of each month, starting with the date upon which substantial completion has occurred, for a period of twenty years, totaling \$4.0 million plus interest, which ranges from 1.5% to 5.32%.

This transaction is accounted for as a loan from DRBA secured by revenue from warehouse operations. DSPC began making guaranteed payments on July 1, 2007.

Interest expense incurred on this obligation was less than a million during 2013.

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

**Delaware River and Bay Authority Obligation**  
(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 181	\$ 81	\$ 262
2015	186	75	261
2016	192	70	262
2017	197	64	261
2018	158	104	262
2019-2023	926	381	1,307
2024-2027	940	105	1,045
Total	<u>\$ 2,780</u>	<u>\$ 880</u>	<u>\$ 3,660</u>

### NOTE 8 LEASE COMMITMENTS

The State has entered into various property and equipment operating leases (terms in excess of one year) with aggregate future rentals approximating \$172.6 million, of which \$147.3 million relates to property leases and \$25.3 million relates to equipment leases. Operating leases contain various renewal options. Any escalation clauses, sublease rentals and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures of the related fund when paid. Lease payments for fiscal year 2013 were approximately \$33.1 million, of which \$24.3 million was for office space and \$8.8 million, was for equipment. The equipment leases held by the State consists mainly of computers, data processing equipment and fleet vehicles.

Significant annual equipment rentals include \$4.0 million for fleet vehicles and data processing equipment for the Office of Management and Budget, \$2.7 million for helicopters and computer hardware for Safety and Homeland Security, and \$1.7 million for data processing equipment for the Department of Education. Significant annual real estate rentals include \$6.1 million for leases for Health and Social Services facilities, \$2.2 million for the Department of Services for Children, Youth and Their Families, \$2.9 million for office space for the Department of Correction, and \$3.1 million for the Department of Labor.

Future minimum lease commitments for operating leases as of June 30, 2013 are shown in the following table:

**Lease Commitments**  
(Expressed in Thousands)

Fiscal Year	Operating Leases
2014	\$ 28,659
2015	27,027
2016	23,297
2017	21,399
2018	19,227
2019-2023	44,171
2024-2028	7,747
2029-2033	1,067
Total	\$ 172,594

**NOTE 9 OTHER LONG-TERM OBLIGATIONS**

Compensated absences payable are reported in the government-wide financial statements and in the proprietary fund financial statements. They represent benefits accrued to State employees for vacation earned as of year-end and sick leave estimated to be paid out at retirement for services rendered as of June 30, 2013. Employees earn from 1.25 to 1.75 days of vacation leave per month depending on years of service. Employees or their estates are paid for unused vacation upon termination of employment. Employees earn 1.25 days of sick leave per month. The State's obligation for sick leave credit is a maximum of 45 workdays. \$172.7 million has been accrued for the Governmental Activities and \$14.2 million in the Business-type Activities for the total compensated absences liability. The current portion of the long-term obligation for compensated absences is \$13.6 million in the Governmental Activities and \$ 5.0 Million in the Business-type Activities. Approximately \$147.4 million (85.4%) of the long-term obligation for compensated absences will be liquidated by the General Fund. Of the remainder, approximately \$10 million (5.8%) and \$15.3 million (8.8%) will be paid with Federal Funds and Local School District Funds, respectively.

The State has recorded \$95.0 million relating to the accrual of the obligation for escheated (abandoned) property of which \$19.0 million was recorded as the current portion.

The State has incurred obligations relating to scholarship and physician loan repayment programs, resulting in an additional long-term obligation of \$3.6 million, of which \$1.3 million was recorded as the current portion.

**NOTE 10 CHANGES IN LONG-TERM OBLIGATIONS**

The following table provides a summary of changes in long-term obligations of the primary government for the year ended June 30, 2013:

<b>Changes in Long-Term Obligations</b> <b>Primary Government</b> (Expressed in Millions)					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Net Pension Obligation (Note 15)	\$ 118.0	\$ 11.5	\$ (10.4)	\$ 119.1	\$ -
Other Postemployment Benefits (Note 14)	1,496.5	440.4	(254.9)	1,682.0	-
Compensated Absences	166.9	18.6	(12.8)	172.7	13.6
Claims and Judgments (Notes 13 and 19)	158.4	46.1	(37.3)	167.2	37.4
Escheat Payable	95.0	13.2	(13.2)	95.0	19.0
Notes Payable (Note 7)	-	29.1	(0.6)	28.5	1.0
Pollution Remediation Obligations (Note 19)	29.8	1.6	(3.8)	27.6	9.2
<b>Bonds Payable:</b>					
General Obligation Bonds (Note 5)	1,696.4	336.3	(277.7)	1,755.0	154.7
Bond Issue Premium, Net of Accumulated Amortization	156.8	44.6	(15.4)	186.0	15.4
Revenue Bonds (Note 6)	56.2	-	-	56.2	1.6
Physician and Scholarship Programs	5.2	1.4	(3.0)	3.6	1.3
	<u>3,979.2</u>	<u>942.8</u>	<u>(629.1)</u>	<u>4,292.9</u>	<u>253.2</u>
<b>Governmental Activities Long-term Liabilities</b>					
	<u>\$ 3,979.2</u>	<u>\$ 942.8</u>	<u>\$ (629.1)</u>	<u>\$ 4,292.9</u>	<u>\$ 253.2</u>
<b>Business-type Activities:</b>					
Other Postemployment Benefits (Note 14)	\$ 145.9	\$ 40.1	\$ (15.1)	\$ 170.9	\$ -
Compensated Absences	16.8	0.2	(2.8)	14.2	5.0
Claims and Judgments (Notes 13 and 19)	3.0	-	(3.0)	-	-
Pollution Remediation Obligations (Note 19)	5.4	-	(1.4)	4.0	1.3
<b>Liabilities Payable from Restricted Assets</b>					
	11.7	4.6	(3.9)	12.4	2.5
<b>Bonds Payable:</b>					
General Obligation Bonds	0.4	-	(0.2)	0.2	0.1
Revenue Bonds	1,087.7	-	(80.6)	1,007.1	72.5
Bond Issue Premium, Net of Accumulated Amortization	68.5	-	(12.8)	55.7	11.8
	<u>1,339.4</u>	<u>44.9</u>	<u>(119.8)</u>	<u>1,264.5</u>	<u>93.2</u>
<b>Business-type Activities Long-term Liabilities</b>					
	<u>\$ 1,339.4</u>	<u>\$ 44.9</u>	<u>\$ (119.8)</u>	<u>\$ 1,264.5</u>	<u>\$ 93.2</u>

**NOTE 11 NO COMMITMENT DEBT (NOT INCLUDED IN FINANCIAL STATEMENTS)**

The State, by action of the General Assembly, created various authorities for the express purpose of providing private entities with an available low cost source of capital financing for construction of facilities deemed to be in the public interest. The bonds of the authorities represent limited obligations payable solely from payments made by the borrowing entities. The majority of the bonds are secured by the property financed. Upon repayment of a bond, ownership of acquired property transfers to the entity served by the bond issuance. The State has no obligation for this debt. Accordingly, these bonds are not reflected in the accompanying

financial statements. These bonds are issued through the Delaware Economic Development Authority and the Delaware Health Facilities Authority. The principal amount of bonds outstanding at June 30, 2013 for these entities amounted to \$687.2 million and \$670.2 million, respectively.

## NOTE 12 CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2013 were as follows:

Governmental Activities	Capital Assets (Expressed in Thousands)			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets, Not Being Depreciated				
Land	\$ 447,812	\$ 11,927	\$ (152)	\$ 459,587
Easements	77,736	2,014	-	79,750
Construction-In-Progress	244,783	203,284	(88,881)	359,186
Total Capital Assets, Not Being Depreciated	770,331	217,225	(89,033)	898,523
Capital Assets, Being Depreciated				
Vehicles	79,703	6,811	(4,788)	81,726
Buildings	3,514,526	85,140	(834)	3,598,832
Equipment	96,245	6,758	(3,505)	99,498
Land Improvements	217,523	8,948	(141)	226,330
Computer Software	58,171	7,547	-	65,718
Total Capital Assets Being Depreciated	3,966,168	115,204	(9,268)	4,072,104
Less Accumulated Depreciation For:				
Vehicles	(62,899)	(5,108)	4,788	(63,219)
Buildings	(1,097,670)	(78,849)	280	(1,176,239)
Equipment	(71,777)	(4,362)	3,199	(72,940)
Land Improvements	(61,919)	(11,169)	104	(72,984)
Computer Software	(24,701)	(12,213)	-	(36,914)
Total Accumulated Depreciation	(1,318,966)	(111,701)	8,371	(1,422,296)
Total Capital Assets, Being Depreciated, Net	2,647,202	3,503	(897)	2,649,808
Governmental Activities Capital Assets, Net	\$ 3,417,533	\$ 220,728	\$ (89,930)	\$ 3,548,331

**Capital Assets**

(Expressed in Thousands)

<b>Business-type Activities</b>	<b>Beginning</b>			<b>Ending</b>
<b>Lottery</b>	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
Capital Assets, Being Depreciated				
Computer Equipment & Software	\$ 1,395	\$ -	\$ -	\$ 1,395
Total Capital Assets Being Depreciated	1,395	-	-	1,395
Less Accumulated Depreciation	(1,395)	-	-	(1,395)
Total Capital Assets, Being Depreciated, Net	\$ -	\$ -	\$ -	\$ -

**Capital Assets**

(Expressed in Thousands)

<b>Business-type Activities</b>	<b>Beginning</b>			<b>Ending</b>
<b>DeIDOT</b>	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
Capital Assets, Not Being Depreciated				
Land	\$ 276,761	\$ 7,115	\$ -	\$ 283,876
Infrastructure	3,564,347	105,903	-	3,670,250
Construction In Progress	2,487	653	-	3,139
Total Capital Assets, Not Being Depreciated	3,843,595	113,671	-	3,957,266
Capital Assets, Being Depreciated				
Buildings & Improvements	104,837	4,801	-	109,638
Furniture & Equipment	254,506	28,137	(13,743)	268,900
Total Capital Assets, Being Depreciated	359,343	32,938	(13,743)	378,538
Less Accumulated Depreciation For:				
Buildings & Improvements	(31,112)	(3,255)	-	(34,367)
Furniture & Equipment	(136,973)	(22,077)	12,727	(146,323)
Total Accumulated Depreciation	(168,085)	(25,332)	12,727	(180,690)
Total Capital Assets, Being Depreciated, Net	191,258	7,606	(1,016)	197,848
Total Capital Assets	\$ 4,034,853	\$ 121,277	\$ (1,016)	\$ 4,155,114
Business-type Activities Capital Assets, Net	\$ 4,034,853	\$ 121,277	\$ (1,016)	\$ 4,155,114

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

<b>Depreciation Expense</b> (Expressed in Thousands)	
Governmental Activities:	
General Government	\$ 25,527
Health and Children's Services	6,239
Judicial and Public Safety	14,630
Natural Resources and Environmental Control	4,352
Labor	99
Education	60,854
	<hr/>
Total Depreciation Expense - Governmental Activities	<u>\$ 111,701</u>
Business-type Activities:	
DeIDOT	\$ 25,332
	<hr/>
Total Depreciation Expense - Business-type Activities	<u>\$ 25,332</u>

### **NOTE 13 RISK MANAGEMENT**

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

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

The management of the State estimates that the amount of actual or potential claims against the State at June 30, 2013, for workers' compensation, automobile accident and health-care claim liabilities is \$207.8 million. The claim liabilities relating to health-care totaling \$41.9 million have been recorded as accrued liabilities in governmental activities. The liability for workers' compensation and automobile accident liabilities totaling \$165.9 million has been recorded in governmental activities as claims and judgments. The current portion of these claims totals \$37.4 million. Other claim liabilities relating to police professional malpractice and property and casualty were not recorded at June 30, 2013 as the total of these liabilities were not material to the financial statements. Changes in the balances of claim liabilities during fiscal years 2013 and 2012 were as follows:

**Changes in Claim Liabilities**

(Expressed in Thousands)

Fiscal Year	Beginning Balance July 1	Current Year Claims and Changes in Estimates	Actual Claim Payments	Ending Balance June 30
2012	\$ 176,929	\$ 639,514	\$ (617,548)	\$ 198,895
2013	\$ 198,895	\$ 640,376	\$ (631,434)	\$ 207,837

**DelDOT**

The Delaware Transit Corporation (DTC) maintains coverage on auto insurance through both the retention of risk and the purchase of commercial insurance. The DTC has recorded \$9.8 million of claim liabilities as Insurance Loss Reserve. Of this amount, \$2.5 million has been recorded as current.

**NOTE 14 OTHER POST-EMPLOYMENT BENEFITS (OPEB)***Plan Description*

On July 1, 2007, the Delaware OPEB Trust Fund (OPEB Trust) was established pursuant to Section 115 of the Internal Revenue Code and separate from the DPERs. The OPEB Trust is administered by the DPERs Board of Directors. Policy for and management of the OPEB benefits provided to retirees are the responsibility of the State. No stand-alone financial report is issued for the OPEB Trust.

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

Membership of the plan consisted of the following at June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	19,863
Terminated Plan Members Entitled to But Not Yet Receiving the Benefits	2,575
Active Eligible Plan Members	36,316
Total	58,754

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

Eligibility:

State Employees:

Early Retirement:

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

Normal Retirement:

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

Benefits:

During the fiscal year ended June 30, 2013, the State provided health insurance options through several providers.

Spouse and Survivor Coverage:

Both are available under any of the plan options with similar retiree contributions.

Employee Contributions:

If hired prior to July 1, 1991, no contributions are required. If hired on or after July 1, 1991 (except disability pension), contributions depend on years of service.

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

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

*Funding Policy*

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

*Contributions*

The contribution rates for the employer and retiree are established annually by the budgeting process of the State. Those rates include an employer contribution based on projected pay-as-you-go financing requirements as a percent of covered payroll, with an additional amount to prefund benefits, which is not actuarially determined. For fiscal year 2013, the State contribution in relation to the annual required contribution (ARC) totaled \$193.1 million.

Retiree contribution rates are affected by the retiree date of hire, with eligible retirees hired after June 30, 1991 paying a proportionately higher rate if their years of service total less than 20. Retiree contributions for health coverage totaled \$7.4 million.

*Annual OPEB Cost and Net OPEB Obligation*

The State's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount which is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. Amounts "required" but not actually set aside to pay for these benefits are accumulated as part of the net OPEB obligations. The following table shows the components of the State's annual OPEB obligation for fiscal year 2013 and 2012, the amount actually contributed to the plan, and the State's net OPEB obligation (dollar amounts in millions):

	<b>Total</b>	<b>Governmental Activities</b>	<b>Business-Type Activities *</b>
Net OPEB Obligation at June 30, 2011	\$ 1,317.1	\$ 1,204.1	\$ 113.0
Annual Required Contribution	563.8	515.0	48.8
Adjustment to Annual Required Contribution	(51.2)	(46.7)	(4.5)
Subtotal	1,829.7	1,672.4	157.3
Employer Contributions	(187.3)	(175.9)	(11.4)
Net OPEB Obligation at June 30, 2012	<u>\$ 1,642.4</u>	<u>\$ 1,496.5</u>	<u>\$ 145.9</u>
	<b>Total</b>	<b>Governmental Activities</b>	<b>Business-Type Activities *</b>
Net OPEB Obligation at June 30, 2012	\$ 1,642.4	\$ 1,496.5	\$ 145.9
Annual Required Contribution	483.8	440.4	43.4
Adjustment to Annual Required Contribution	(64.1)	(58.0)	(6.1)
Subtotal	2,062.1	1,878.9	183.2
Employer Contributions	(209.2)	(196.9)	(12.3)
Net OPEB Obligation at June 30, 2013	<u>\$ 1,852.9</u>	<u>\$ 1,682.0</u>	<u>\$ 170.9</u>

\* This column includes DTC's OPEB activity.

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years 2013, 2012, and 2011 are as follows (dollar amounts in millions):

<b>Fiscal Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2013	\$ 397.8	52%	\$ 1,777.5
2012	490.5	38%	1,581.5
2011	488.1	37%	1,272.0

#### *Funded Status and Funding Progress*

As of June 30, 2013, the plan was 3.7% funded. The actuarial accrued liability for benefits was \$5,988.0 million, and the actuarial value of assets was \$222.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,766.0 million for the primary government. The covered payroll (annual payroll of active employees covered by the plan) was \$1,944.0 million, and the ratio of the UAAL to the covered payroll was 297%.

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

#### *Actuarial Methods and Assumptions*

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

In the June 30, 2013, actuarial valuation, the entry age normal actuarial cost method was used. Investments are valued at market fair value. The actuarial assumptions included a 4.25% investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the State's own investments calculated based on the funded level of the plan at the valuation date, and an initial medical inflation rate of 4.25% with an ultimate rate of 4.25%. The UAAL is being amortized as a level percentage of projected payroll on a level percent open basis over 30 years using a 3.25% rate of salary increase.

#### **Delaware Transit Corporation (DTC)**

In June 2010, the Delaware Transit Corporation OPEB Trust Fund (the DTC OPEB Trust) was established pursuant to Section 115 of the Internal Revenue Code. The DTC OPEB Trust is

administered by DTC. Policy for and management of the OPEB benefits provided to retirees are the responsibility of DTC. No stand-alone financial report is issued for the DTC OPEB Trust.

#### *Plan Description*

DTC provides continuation of medical insurance coverage to employees that retire. Based on collective bargaining agreements, any full-time employee is eligible to participate in the plan if the employee retires after meeting the eligibility requirements, which are: 1) age 65 with 5 years of service or after working for 25 years for contract employees or 2) age 55 with 10 years of service or age 62 with five years of service for noncontract employees. Disabled employees must reach eligibility. Surviving spouses of participants are allowed access to the plan and receive the same subsidy as retirees.

DTC subsidizes the medical premium. The subsidized percentage is 90% of published rates for retirees less than age 65 and 100% for retiree's age 65 or greater. DTC subsidizes 100% of the dental and vision coverage for noncontract employees. Contract employees are allowed to access to dental and vision coverage, but must pay the full premium. Life insurance is provided to retirees. Retirees under age 70 receive \$6,000 in coverage. Once the participant reaches age 70, the coverage drops to \$5,000. DTC must contribute \$0.23 per month per \$1,000 of coverage for each employee.

The numbers of participants are 799 active employees and 158 retirees as of June 30, 2013, the effective date of the other post-employment benefit (OPEB) actuarial valuation report.

#### *Funding Policy*

DTC funds the DTC OPEB Trust on a pay-as-you-go basis with additional funding on an ad hoc basis. Funds are recorded in the DTC OPEB Trust for the payment of retiree healthcare claims and administrative and investment expenses. Administrative costs are financed through investment earnings. Employer contributions and retiree contributions for healthcare are recorded in the DTC OPEB Trust. The funds available are invested under DTC's management, which acts as the Trustee and is responsible for the financial management of the DTC OPEB Trust. The cash basis costs associated with these benefits was \$1.2 million for the fiscal year ended June 30, 2013.

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

DTC's annual OPEB cost (expense) is calculated based upon the annual required contribution (ARC) of the employer, an amount which is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of DTC's OPEB cost for the year, the amount actually contributed to the plan, and changes to DTC's net OPEB obligation (expressed in thousands):

Annual Required Contribution	\$ 16,072
Interest on Net OPEB Obligation	2,434
Adjustment to Annual Required Contribution	<u>(2,835)</u>
Annual OPEB Cost (Expense)	15,671
Contributions Made	<u>(1,194)</u>
Increase in Net OPEB Obligation	14,477
Net OPEB Obligation - Beginning of Year	<u>61,021</u>
Net OPEB Obligation - End of Year	<u><u>\$ 75,498</u></u>

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

<b>Fiscal Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2013	\$ 15,671	7.62%	\$ 75,498
2012	17,074	6.84%	61,021
2011	15,772	6.61%	45,115

#### *Funded Status and Funding Progress*

As of July 1, 2012, the most recent actuarial valuation date, the Plan was 1.4% funded. The actuarial accrued liability was \$121.6 million and the actuarial value of the assets was \$1.7 million, resulting in an unfunded actuarial accrued liability of \$119.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$34.5 million and the ratio of the UAAL to the covered payroll was 347.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

#### *Actuarial Methods and Assumptions*

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

In the July 1, 2012 actuarial valuation, the projected unit credit method was used with linear proration to assumed benefit commencement. The actuarial assumptions included a 4.0% investment rate of return, 3.0% payroll growth rate, a 2.5% inflation rate, and a healthcare cost trend rate of 8.0% initially, incrementally down to 5.9% after 10 years. The ultimate healthcare cost trend rate

will remain constant at 4.2% after 2098. The unfunded liability is being amortized as a level percentage of payrolls over a 30-year closed amortization period.

## **NOTE 15 PENSIONS**

### **Pension Plans**

The State Board of Pension Trustees (Board) administers the following plans/funds (the Plans) of the Delaware Public Employees' Retirement System (DPERS) as described below:

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

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

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

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

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

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

## Non-DPERS Fund Descriptions and Contributions

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

During 1990, the State passed legislation which established a mechanism for funding post-retirement increases granted by employers who participate in the County & Municipal Police and Firefighters' Pension Plans. This mechanism allows the State to appropriate funds separate to a cost of living adjustment fund (COLA Fund) managed by the Board. The funds are generated by a 0.25% tax on the value of insurance premiums written within the State. The proceeds of the tax are transferred to the State and local governments on a per member basis. In 1994, the New State Police Plan began receiving funding for post-retirement increases from the Post-Retirement Increase Fund. Since that time, funds calculated for the State Police membership were re-directed into the COLA Fund. In accordance with Section 708 (c), Title 18 of the Delaware Code, when a participating employer grants a post-retirement increase for a plan outside of the DPERS County & Municipal Plans, funds are transferred from the COLA Fund to the employer. The participating employer must provide funds to match the State's contribution. Allocated funds that are unused will be reverted to the State General Fund.

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

The State passed legislation which established a mechanism for funding ad hoc post-retirement increases granted by the General Assembly to members retired under the State Employees' Plan, the New State Police Plan, and the Judiciary Plans (Closed and Revised) beginning in fiscal year 1994. The mechanism allows the State to appropriate actuarially determined employer contributions to a separate PRI fund managed by the Board. The actuary uses the current actuarial assumptions, methods, and population data to calculate the estimated additional liability resulting from the potential benefit increases. When the Legislature grants an ad hoc post-retirement adjustment, funds are transferred from this PRI fund on a monthly basis based on a five-year actuarial funding schedule to the appropriate pension plan from which the additional benefits are disbursed. For the fiscal year ended June 30, 2013, \$26.6 million was transferred to the appropriate plans in DPERS.

As of June 30, 2013 recently granted post-retirement increases have outstanding liabilities totaling \$106.1 million, which will be funded by the State and transferred to the appropriate plans over the next four fiscal years as follows:

<u>Fiscal Year</u>	<u>Expressed in Thousands</u>
2014	\$ 27,536
2015	28,521
2016	29,542
2017	20,536
Total	<u>\$ 106,135</u>

The Board adopts actuarially determined funding for the Post-Retirement Increase Fund. Funding for fiscal year 2013 was 1.49% of covered payroll. Funding for fiscal year 2014 will be 1.51%.

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

In June 1996, the State established DELRIP in the custody of the Board to allow local governments the option to pool their pension assets with the System for investment purposes. The DELRIP is an external investment pool that allows local governments within the State to potentially maximize their rate of return and reduce administrative expenses related to the investment of funds. Participation in the pool is voluntary. There were three participating entities in DELRIP as of June 30, 2013, which comprise the pool in its entirety: Sussex County and the Towns of Elsmere and Newport.

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

**Plan Membership, Benefit and Contribution Provisions**

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

**State Employees' Pension Plan**Plan Description and Eligibility:

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

There are two tiers within this plan:

- 1) Employees hired prior to January 1, 2012
- 2) Employees hired on or after January 1, 2012

Service Benefits: Final average monthly compensation multiplied by 2.0% and multiplied by years of credited service prior to January 1, 1997, plus final average compensation multiplied by 1.85% and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For this plan, final average monthly compensation is the monthly average of the highest three years of compensation.

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

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

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

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

Contributions:

- Employer - Determined by Board of Pension Trustees.
- Pre -2012 date of hire Member - 3% of earnings in excess of \$6,000.
- Post-2011 date of hire Member- 5% of earnings in excess of \$6,000.

Burial Benefit: \$7,000 per member.

***Special Fund***

Plan Description and Eligibility:

The Special Fund provides certain benefits granted to individuals through legislation passed by the General Assembly.

Service Benefits: Defined by special legislation.

Vesting: Defined by special legislation.

Retirement: Defined by special legislation.

Disability Benefits: Defined by special legislation.

Survivor Benefits: Same as State Employees' Plan.

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

Burial Benefit: \$7,000 per member.

***New State Police Pension Plan***

Plan Description and Eligibility:

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

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

Vesting: 10 years of credited service at age 62.

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

Disability Benefits: Duty – *Total Disability* - 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents. *Partial Disability* - calculated the same as Service Benefits, subject to minimum 50% of final average compensation.

Non-Duty – same as Service Benefits.

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

Contributions:

- Employer - Determined by Board of Pension Trustees.
- Member - 7% of compensation.

Burial Benefit: \$7,000 per member.

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

Plan Description and Eligibility:

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

The Revised Judiciary Pension Plan is a single-employer defined benefit plan that covers members of State Judiciary appointed on or after July 1, 1980 or members appointed before July 1, 1980 who accept the provisions of this Plan. Assets of one plan can be used to satisfy the liabilities of the other plan.

Service Benefits:

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

Vesting: 12 years of credited service.

Retirement:

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

Disability Benefits: Same as Service Benefits.

Survivor Benefits:

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

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

Contributions:

- Employer - Determined by Board of Pension Trustees.
- Member:

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

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

Burial Benefit: Not applicable.

**County & Municipal Police and Firefighters' Pension Plans**

Plan Description and Eligibility:

County & Municipal Police and Firefighters' Pension Plans, both FICA and Non-FICA, are cost-sharing multiple-employer defined benefit plans that cover police officers and firefighters employed by a county or municipality of the State which has become part of the Plan.

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

Vesting: 5 years of credited service.

Retirement: Age 62 with 5 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service.

Disability Benefits:

- Duty - *Total Disability* - 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents;  
*Partial Disability* - calculated the same as Service Benefits, subject to minimum 50% of final average compensation.
- Non-Duty - Same as Service Benefits.

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

Contributions:

- Employer - Determined by Board of Pension Trustees.
- Member - 7% of compensation.

Burial Benefit: Not applicable.

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

Plan Description and Eligibility:

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

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

Vesting: 5 years of credited service.

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

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

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

Contributions:

- Employer - Determined by Board of Pension Trustees.
- Member - 3% of earnings in excess of \$6,000.

Burial Benefit: Not applicable.

### ***Delaware Volunteer Firemen's Fund***

Plan Description and Eligibility:

The Delaware Volunteer Firemen's Fund is a cost-sharing length of service award plan that covers all actively participating volunteers of fire departments, ladies auxiliaries, or ambulance organizations within the State.

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

Vesting: 10 years of credited service.

Retirement: Age 60 with 10 years credited service.

Disability Benefits: Not applicable.

Survivor Benefits: Not applicable.

Contributions:

- Employer - Determined by Board of Pension Trustees.

- Member - \$60 per member per calendar year.

Burial Benefit: Not applicable.

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

Plan Description and Eligibility:

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

Service Benefits: 1.75% of final average monthly compensation multiplied by the years of credited service (not to exceed 30 years). For this plan, final average monthly compensation is the monthly average of the highest consecutive five years of compensation within the last ten years of employment.

Vesting: 5 years of credited service.

Retirement: Age 65 with 5 years of credited service, or age (not less than 55 years) plus credited service equals 90.

Disability Benefits: Same as Service Benefits. Employee must have 15 years of credited service.

Survivor Benefits: If employee is receiving a pension, the eligible survivor receives 50% of pension; if employee is active with at least 15 years of credited service, then eligible survivor receives 50% of pension the employee would have received at age 65.

Contributions:

- Employer - Determined by Board of Pension Trustees.
- Member - 2% of compensation.

Burial Benefit: Not applicable.

***Closed State Police Pension Plan***

Plan Description and Eligibility:

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

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

receives 50% of pension.

Contributions:

- Employer - Funded on a pay-as-you-go basis.

Burial Benefit: \$7,000 per member.

**Historical Trend Information**

Historical trend information for the current year and the preceding five years is designed to provide information about progress made by the individual plans in accumulating sufficient assets to pay benefits when due is presented in the separately issued financial report of the DPERS.

The DPERS issues a publicly available financial report that includes financial statements and required supplementary information for each of the individual plans and funds identified above. The financial report may be obtained by writing to the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

**Schedule of Annual Pension Cost, Actuarial Methods and Assumptions  
(Expressed in Thousands)**

<b>Plan</b>	<b>State Employees'</b>	<b>Special</b>	<b>Closed State Police</b>	<b>New State Police</b>	<b>Judiciary</b>
Annual Pension Cost	160,651	N/A	25,696	9,292	2,762
Actuarial Valuation Date	6/30/2013	6/30/2013	6/30/2013	6/30/2013	6/30/2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Closed for Plan Bases & Open for Aggregate Gain/Loss	Level Dollar Open	Level Dollar Closed	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	20 years (1)	10 years	24 years	20 years (1)	8.26 years (1)
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:					
Investment Rate of Return	7.5%	7.5%	7.5%	7.5%	7.5%
Projected Salary Increases <sup>1</sup>	3.8% to 11.8%	N/A	4.2% to 4.8%	4.3% to 11.8%	3.8% to 12.5%
Cost-of-Living Adjustments	Ad hoc	Ad hoc	Based on CPI	Ad hoc	Ad hoc

<b>Plan</b>	<b>Diamond State Port Corporation</b>	<b>County &amp; Municipal Police and Firefighters'</b>	<b>County &amp; Municipal Other Employees</b>	<b>Delaware Volunteer Firemen's</b>
Annual Pension Cost	854	8,671	1,604	2,002
Actuarial Valuation Date	6/30/2013	6/30/2013	6/30/2013	6/30/2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Open	Level Percent Open	Level Percent Open	Level Dollar Open
Remaining Amortization Period	15 years	10 years	10 years	15 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:				
Investment Rate of Return	7.5%	7.5%	7.5%	7.5%
Projected Salary Increases <sup>1</sup>	4.3%	4.3% to 11.8%	3.8% to 9.6%	N/A
Cost-of-Living Adjustments	Ad Hoc	Ad Hoc	Ad Hoc	Ad Hoc

<sup>1</sup> Excludes liability and amortization payments due to cost-of-living adjustments. This liability is funded from the Post-Retirement Increase Fund. Each Post-Retirement Increase is funded over 5 years. N/A: Not applicable.

**Three-Year Trend Information**  
(Expressed in Thousands)

	<b>Plan Year Ended</b>	<b>Contribution Made</b>	<b>Annual Pension Cost (APC)</b>	<b>Percent Of APC Contributed</b>	<b>Net Pension Obligation</b>
State Employees'	6/30/2013	\$ 160,651	\$ 160,651	100.00%	\$ -
	6/30/2012	147,464	147,464	100.00%	-
	6/30/2011	128,019	128,019	100.00%	-
County & Municipal Police and Firefighters'	6/30/2013	\$ 8,671	\$ 8,671	100.00%	\$ -
	6/30/2012	9,265	9,265	100.00%	-
	6/30/2011	7,569	7,569	100.00%	-
County & Municipal Other Employees'	6/30/2013	\$ 1,604	\$ 1,604	100.00%	\$ -
	6/30/2012	1,362	1,362	100.00%	-
	6/30/2011	1,186	1,186	100.00%	-
Delaware Volunteer Firemen's	6/30/2013	\$ 1,456	\$ 2,002	72.73%	\$ 4,246
	6/30/2012	1,311	1,896	69.15%	3,833
	6/30/2011	1,220	1,762	69.24%	3,352
Judiciary	6/30/2013	\$ 2,762	\$ 2,762	100.00%	\$ -
	6/30/2012	2,674	2,674	100.00%	-
	6/30/2011	2,557	2,557	100.00%	-
New State Police	6/30/2013	\$ 9,292	\$ 9,292	100.00%	\$ -
	6/30/2012	8,309	8,309	100.00%	-
	6/30/2011	7,810	7,810	100.00%	-
Closed State Police	6/30/2013	\$ 23,064	\$ 25,696	89.76%	\$ 119,088
	6/30/2012	23,064	24,678	93.46%	117,997
	6/30/2011	23,367	26,638	87.72%	117,768
Diamond State Port Corporation	6/30/2013	\$ 854	\$ 854	100.00%	\$ -
	6/30/2012	814	814	100.00%	-
	6/30/2011	704	704	100.00%	-

### NET PENSION OBLIGATION (NPO)

The Annual Pension Cost (APC) and Net Pension Obligation (NPO) for the Closed State Police Pension Plan for the fiscal years ended June 30, 2013, 2012, and 2011 are as follows:

**Net Pension Obligation (NPO)**  
(Expressed in Thousands)

	<b>Fiscal Year Ended June 30, 2013</b>	<b>Fiscal Year Ended June 30, 2012</b>	<b>Fiscal Year Ended June 30, 2011</b>
Annual Required Contribution	\$ 25,696	\$ 24,678	\$ 26,638
Interest on Net Pension Obligation	8,850	8,833	9,246
Adjustment to Annual Required Contribution	(10,391)	(10,218)	(10,318)
Annual Pension Cost	24,155	23,293	25,566
Less Contributions Made	(23,064)	(23,064)	(23,367)
Increase in Net Pension Obligation	1,091	229	2,199
Net Pension Obligation, Beginning of Year	117,997	117,768	115,569
Net Pension Obligation, End of Year	<u>\$ 119,088</u>	<u>\$ 117,997</u>	<u>\$ 117,768</u>

**Delaware Transportation Authority**

Generally, employees of the Expressways Operations/Toll Administration are covered under DPERS. The Delaware Transit Corporation (DTC), a subsidiary public corporation of the Delaware Transportation Authority, contributes to two single-employer defined benefit plans consisting of the Contributory Pension Plan and the Delaware Transit Corporation (DTC) Pension Plan. Each plan provides retirement, disability and death benefits to plan members and beneficiaries. Each plan issues a publicly available financial report that includes financial statements and required supplementary information. Financial data for these plans has not been included in the fiduciary statements due to immateriality.

The trustees of each plan establish and may amend the contribution requirements of plan members and DTC.

The most recent information available for DTC's annual pension cost and related information for each Plan is as follows:

**Schedule of Annual Pension Cost, Actuarial Methods and Assumptions**  
(Expressed in Dollars)

<b>Plan</b>	<b>DTC Pension Plan</b>	<b>Contributory Pension Plan</b>
Contribution Rates:		
Employer	8.70% *	5.00%
Participants	3.00%	5.00%
Annual Pension Cost	\$ 962,682	\$ 788,421
Contributions Made	\$ 963,253	\$ 1,080,068
Actuarial Valuation Date	07/01/12	01/01/13
Actuarial Cost Method	Frozen Initial Liability	Entry Age Normal
Remaining Amortization		
Period	30	15
Asset Valuation Method	Market	Five-Year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.00%
Projected Salary Increases	2.50%	4.00%

Note: Effective July 1, 2012, an amendment was made to the DTC Pension Plan which states that any eligible employee who participates in the Plan shall make after-tax contributions in the amount equal to 3% of their eligible compensation in excess of \$6,000.

\* Actuarially determined

DTC's annual pension cost and net pension obligation to the DTC Pension and Contributory Pension Plan were as follows:

**Schedule of Annual Pension Cost, Actuarial Methods and Assumptions**  
(Expressed in Dollars)

	<b>DTC Pension Plan</b>	<b>Contributory Pension Plan</b>
	<b>6/30/2013</b>	<b>12/31/2012</b>
For the Year Ended		
Annual Required Contribution (ARC)	\$ 962,682	\$ 714,521
Interest on Net Pension Obligation (NPO)	8,163	292,950
Actuarial Adjustment	(8,163)	(219,050)
Annual Pension Cost (APC)	962,682	788,421
Less: Actual Contributions	(963,253)	(1,080,068)
Increase (Decrease) in NPO	(571)	(291,647)
Net Pension Obligation (Asset), Beginning of the Year	109,418	(3,129,291)
Net Pension Obligation (Asset), End of the Year	<u>\$ 108,847</u>	<u>\$ (3,420,938)</u>

**Three-Year Trend Information**  
**Net Pension Obligation (NPO)**  
(Expressed in Dollars)

	<b>Plan Year Ended</b>	<b>Contribution Made</b>	<b>Annual Pension Cost</b>	<b>Percent Of APC Contributed</b>	<b>Net Pension Asset</b>
DTC Pension Plan	6/30/2013	\$ 963,253	\$ 962,682	100.06%	\$ (108,847)
	6/30/2012	996,777	996,827	99.99%	(109,418)
	6/30/2011	1,111,468	1,111,548	99.99%	(109,368)
Contributory Pension	12/31/2012	\$ 1,080,068	\$ 788,421	136.99%	\$ 3,420,938
	12/31/2011	1,073,948	658,363	163.12%	3,129,291
	12/31/2010	1,081,793	535,681	201.95%	2,713,706

### Deferred Compensation Plan

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

**NOTE 16 GOVERNMENTAL FUND BALANCES**

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

- **Nonspendable.** Balances include items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact.
- **Restricted.** Balances have constraints placed upon the use of the resources either by constitutional provisions, enabling legislation, external resource providers such as creditors, grantors, or imposed by law or regulations of other governments.
- **Committed.** Balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the Delaware Legislature, the State's highest level of decision-making authority. This formal action is the passage of law by the legislature, or other parties named by the State's legislature, creating, modifying, or rescinding an appropriation.
- **Assigned.** Balances include amounts that are constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. For the General Fund, amounts constrained for the intent to be used for specific purpose by a governing board or a body or official that has been delegated authority to assign amounts that varies by organization within the state. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.
- **Unassigned.** Balance is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

A summary of governmental fund balances at June 30, 2013, is as follows (expressed in thousands):

	<u>General</u>	<u>Federal</u>	<u>Local School District</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Nonspendable					
Inventories	\$ 7,681	\$ -	\$ -	\$ -	\$ 7,681
Total Nonspendable	<u>7,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,681</u>
Restricted:					
Health and Children's Services	6,939	-	-	-	6,939
Judicial and Public Safety	9,251	-	-	-	9,251
Natural Resources and Environmental Control	81,044	-	-	-	81,044
Agriculture	225	-	-	-	225
Labor	8,719	-	-	-	8,719
Education	3,886	-	294,276	160,982	459,144
Economic Development	536	-	-	-	536
Other	3,818	-	-	-	3,818
Total Restricted	<u>114,418</u>	<u>-</u>	<u>294,276</u>	<u>160,982</u>	<u>569,676</u>
Committed					-
Health and Children's Services	44,756	-	-	-	44,756
Judicial and Public Safety	6,212	-	-	-	6,212
Natural Resources and Environmental Control	31,643	-	-	-	31,643
Agriculture	15,053	-	-	-	15,053
Labor	4,009	-	-	-	4,009
Education	8,680	-	-	-	8,680
Economic Development	82,521	-	-	-	82,521
Other	16,683	-	-	-	16,683
Total Committed	<u>209,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,557</u>
Assigned					
Health and Children's Services	2,768	-	-	-	2,768
Judicial and Public Safety	3,818	-	-	-	3,818
Natural Resources and Environmental Control	5,385	-	-	-	5,385
Agriculture	11,171	-	-	-	11,171
Education	51,851	-	-	-	51,851
Economic Development	122	-	-	-	122
Other	16,482	-	-	-	16,482
Total Assigned	<u>91,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,597</u>
Unassigned (Deficit)	<u>1,025,284</u>	<u>(914)</u>	<u>-</u>	<u>-</u>	<u>1,024,370</u>
Total Fund Balance	<u>\$ 1,448,537</u>	<u>\$ (914)</u>	<u>\$ 294,276</u>	<u>\$ 160,982</u>	<u>\$ 1,902,881</u>

### Fund Balance Restricted by Enabling Legislation

The restricted Fund Balance for the Local School Districts Fund are funds that are used to account for activities relating to Delaware's 19 local school districts, which are funded by locally raised real estate taxes and other revenues. The total amount in the fund was \$294.3 million at June 30, 2013.

**NOTE 17 AFFILIATED ORGANIZATIONS**

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

The amount the Lottery had on deposit with the MUSL, as of June 30, 2013 was \$2.4 million. This amount is also reported as a liability on the Lottery's balance sheet because it represents the amount to be paid to the State upon separation from the MUSL if the MUSL is not required to use a portion of the Lottery's reserves held by the MUSL.

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

**NOTE 18 COMMITMENTS****Primary Government**

The State has entered into various contractual commitments that control for services and for construction of various highway, capital and lottery projects. Commitment of the proprietary fund includes \$253.2 million for DelDOT.

Encumbrances which represent commitment related to unperformed contracts for goods or services are included in restricted, committed, or assigned fund balance, as appropriate. Encumbrances lapse at the end of the applicable appropriation, unless re-appropriated by the Legislature. Encumbrances outstanding against continuing appropriations at the end of fiscal year 2013 are as follows: general fund \$148.9 million, federal funds are \$17.9 million, local school district funds are \$5.7 million and capital project funds are \$30.0 million.

**Discretely Presented Component Units***Diamond State Port Corporation (DSPC)*

DSPC has various contracts for construction and renovation of significant facilities in accordance with the Capital Budget approved by its Board of Directors. As of June 30, 2013, DSPC had \$19.9 million in cash and cash equivalents committed to capital projects.

**NOTE 19 CONTINGENCIES**

Various parties have made claims against the State. For those cases in which it is reasonably possible that a loss will be incurred and in which the amount of the potential judgment can be reasonably estimated, the State estimates the liability to be \$4.8 million. The State recognized \$1.3 million in governmental activities as claims and judgments liabilities for pending litigation settlements estimated to be probable as of June 30, 2013. In the opinion of the Attorney General of the State, however, the remaining cases are either subject to a valid defense or are not expected to result in an impairment of the State's financial position. Management believes the settlement in aggregate of claims outstanding will not result in amounts material to the financial statements of the State.

The State receives significant financial assistance from the federal government in the form of grants and entitlements. The right to these resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the State. The State does not believe that the liabilities that may result from such audits for periods through June 30, 2013 would have a material effect on its financial position or the results of operations.

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

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

At June 30, 2013, the State had a total pollution remediation liability of \$31.6 million, with an estimated potential recovery of \$4.5 million from the U.S. Environmental Protection Agency.

The State Lottery has discharged its primary responsibility for payment of annual installments (generally 14 to 20 years) to winners of jackpots greater than \$150,000 by purchasing annuities from private insurance companies. The Lottery remains liable for future periodic payments of deferred prize obligations (approximately \$200 thousand at June 30, 2013) in the event that the annuity issuers default on their obligations.

In fiscal year 2014 the State of Delaware has processed and paid \$11.1 million of corporate income tax refunds as of November 30, 2013. Currently, there are corporate income tax refunds pending that total \$136.8 million, an amount that is well in excess of the typical balance of refunds pending. The preponderance of the \$136.8 million balance is attributable to fewer than five refund claims. These pending refund claims have been filed by taxpayers, but the validity of each of the claims has not been evaluated or determined as of the date hereof. Historically, the amount of refund claims for corporate income tax the State receives varies significantly from year to year. From fiscal year 2005 through fiscal year 2013, the corporate income tax refunds actually paid have ranged from a low of \$17.8 million to a high of \$52.9 million. The current budget projects total corporate income tax refunds of \$45.6 million for fiscal year 2014 of which \$40.0 million has been accrued for in the fiscal year. However, based on the current figures for this fiscal year, the potential continues to exist that the total corporate income tax refund claims may exceed the amount initially projected for the year. Based upon the claims received to date, the potential corporate income tax refund payments for fiscal year 2014 may now range from approximately \$35.0 million to approximately \$100 million.

## NOTE 20 SUBSEQUENT EVENTS

### Discretely Presented Component Units

#### *Delaware State University (DSU or the University)*

The University entered into a \$12 million, 15-year lease agreement with the owners of a local hotel with an option to buy any time after the second year. The lease on the 153 room facility, located a quarter-mile north of the campus, began on July 28, 2013 and will provide additional residential space for students as existing residential halls on campus are renovated and upgraded.

## NOTE 21 RESTATEMENT

### Discretely Presented Component Units

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

In prior years, securitized mortgage loans were carried at current principal amounts, which did not constitute fair value in accordance with GASB standards. The beginning net position as July 1, 2012 has been restated in the amount of \$58.9 million due to recording these loans at fair value, as follows:

<b>DSHA</b>	
<b>(Expressed in Thousands)</b>	
Net Position as previously reported at June 30, 2012	\$ 365,990
Adjustment to record loans at fair market value	66,827
Adjustment to record premiums and discounts on loans	<u>(7,896)</u>
Net Position as restated at July 1, 2012	<u>\$ 424,921</u>

**State of Delaware  
Comprehensive Annual  
Financial Report**

**Required  
Supplementary  
Information**

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### BUDGETARY REPORTING

#### BUDGETARY BASIS VS. GAAP

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

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

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

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

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

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

### **Statutory/Budgetary Presentation**

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

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriations bill as of June 30, 2013, and do not include encumbrances and multi-year projects budgetary carry-forwards from the prior fiscal year. GAAP requires that the final legal budget be reflected in the “final budget” column; therefore, updated revenue estimates available for appropriations as of the last Delaware Economic and Financial Advisory Council (DEFAC) meeting in June 2013, as well as the amounts shown in the original budget, are reported. The final legal budget also reflects encumbrances and multi-year projects budgetary carry-forwards from the prior fiscal year.

The tables on the following page represent the Budgetary Statements of Revenues, Expenditures and Changes in Fund Balance – General and Special Funds. Also included is a schedule showing the budgetary fund balance designations for the General Fund. Of the \$637.4 million budgetary general fund balance at June 30, 2013, \$198.9 million is reserved for the budgetary reserve account and \$276.4 million is designated as continuing and encumbered appropriations. The \$162.1 million of undesignated fund balance, for the most part, is not available for new spending as these funds have been committed based on State statutes which are subject to review and change by the Legislature.

(Expressed in Millions)

	<b>General Fund</b>				<b>Special Fund</b>			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final			Original	Final		
<b>Revenues</b>								
Personal Income Taxes	\$ 1,086.2	\$ 1,137.2	\$ 1,139.0	\$ 1.8	\$ -	\$ -	\$ -	\$ -
Business Taxes	1,787.6	1,787.1	1,751.2	(35.9)	-	-	-	-
Other Taxes	173.8	167.6	162.1	(5.5)	-	-	-	-
License, Permits, Fines and Fees	342.7	341.2	346.3	5.1	-	-	-	-
Rentals and Sales	-	-	-	-	-	-	-	-
Interest Earnings	8.5	6.3	6.3	-	-	-	-	-
Lottery Sales	248.1	236.8	235.3	(1.5)	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Other Non-tax Revenue	50.2	54.9	89.5	34.6	1,030.4	1,030.4	1,075.5	45.1
<b>Total Revenues</b>	<b>3,697.1</b>	<b>3,731.1</b>	<b>3,729.7</b>	<b>(1.4)</b>	<b>1,030.4</b>	<b>1,030.4</b>	<b>1,075.5</b>	<b>45.1</b>
<b>Expenditures</b>								
Legislative	15.1	14.1	13.3	0.8	-	-	-	-
Judicial	90.3	91.6	91.4	0.2	9.8	9.8	9.1	0.7
Executive	128.2	159.9	134.5	25.4	112.4	112.4	50.0	62.4
Department of Technology & Information	37.3	38.8	41.3	(2.5)	29.6	29.6	29.1	0.5
Other Elective Offices	150.8	172.5	170.9	1.6	100.5	100.5	103.2	(2.7)
Legal	50.4	51.9	52.6	(0.7)	9.8	9.8	6.4	3.4
Department of State	24.2	24.0	23.8	0.2	47.8	47.8	48.7	(0.9)
Department of Finance	17.7	18.5	20.4	(1.9)	99.7	99.7	108.4	(8.7)
Department of Health & Social Services	1,049.0	1,062.4	1,061.9	0.5	106.3	106.3	112.6	(6.3)
Department of Services to Children, Youth and Their Families	133.9	139.4	141.9	(2.5)	19.7	19.7	20.6	(0.9)
Department of Corrections	257.8	264.8	265.0	(0.2)	4.2	4.2	2.9	1.3
Department of Natural Resources and Environmental Control	35.2	44.3	44.6	(0.3)	96.4	96.4	48.8	47.6
Department of Safety & Homeland Security	136.2	144.0	144.3	(0.3)	18.3	18.3	15.1	3.2
Department of Transportation	-	-	-	-	346.4	346.4	349.9	(3.5)
Department of Labor	7.8	7.9	7.9	-	13.7	13.7	12.3	1.4
Department of Agriculture	7.9	7.7	7.6	0.1	8.1	8.1	5.0	3.1
Department of Elections	4.0	3.9	6.5	(2.6)	-	-	-	-
Fire Prevention Commission	5.0	5.3	5.0	0.3	2.6	2.6	1.9	0.7
Delaware National Guard	4.4	4.8	4.8	-	-	-	-	-
Higher Education	215.9	224.6	226.7	(2.1)	-	-	1.0	(1.0)
Department of Education	1,172.5	1,197.8	1,194.1	3.7	5.1	5.1	3.5	1.6
<b>Total Expenditures</b>	<b>\$ 3,543.6</b>	<b>\$ 3,678.2</b>	<b>\$ 3,658.5</b>	<b>\$ 19.7</b>	<b>\$ 1,030.4</b>	<b>\$ 1,030.4</b>	<b>\$ 928.5</b>	<b>\$ 101.9</b>
Excess of Revenues over Expenditures	153.5	52.9	71.2	18.3	-	-	147.0	147.0
<b>Budgetary Fund Balance, Beginning of Year</b>	<b>566.2</b>	<b>566.2</b>	<b>566.2</b>	<b>-</b>	<b>630.7</b>	<b>630.7</b>	<b>630.7</b>	<b>-</b>
<b>Budgetary Fund Balance, End of Year</b>	<b>\$ 719.7</b>	<b>\$ 619.1</b>	<b>\$ 637.4</b>	<b>\$ 18.3</b>	<b>\$ 630.7</b>	<b>\$ 630.7</b>	<b>\$ 777.7</b>	<b>\$ 147.0</b>
<b>Budgetary Fund Balance</b>								
Designated:								
Budget Reserve Account			\$ 198.9					
Continuing and Encumbered Appropriations			276.4					
Undesignated			162.1					
<b>Total</b>			<b>\$ 637.4</b>					

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

### Statutory/Budgetary Reconciliations

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

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

#### Budget vs GAAP Revenue Reconciliation For the Fiscal Year Ended June 30, 2013 (Expressed in Millions)

Total Budget Basis General and Special Fund Revenue for Fiscal Year 2013		\$ 4,805.2
Adjustments:		
The financial reporting revenues do not include revenues that are part of the general budgetary revenues	(613.5)	
Non-budgetary General Revenues Reclassified to General Fund Revenue	637.1	
To Adjust Revenues, Other Financing Sources and Related Receivables and Deferred Revenue	<u>(735.6)</u>	
Total General Fund Revenues for Fiscal Year 2013		\$ 4,093.2
Federal Fund Revenue	1,496.9	
Local School District Fund Revenue	545.3	
Capital Projects Fund Revenue	<u>-</u>	
		<u>2,042.2</u>
Total GAAP Basis Governmental Funds Revenue for Fiscal Year 2013		<u>\$ 6,135.4</u>

**Budget vs GAAP Expenditures Reconciliation**  
**For the Fiscal Year Ended June 30, 2013**  
(Expressed in Millions)

Total Budget Basis General and Special Fund Expenditures for Fiscal Year 2013	\$ 4,587.0
Adjustments:	
The financial reporting expenditures do not include expenditures that are part of the general budgetary revenues	(530.0)
Non-budgetary General Expenditures Reclassified to General Fund Expenditures	656.5
To Adjust Expenditures, Other Financing Uses and Related Accounts Payable, Accrued Liabilities	<u>(359.4)</u>
Total General Fund Expenditures for Fiscal Year 2013	\$ 4,354.1
Federal Fund Expenditures	1,490.6
Local School District Fund Expenditures	506.6
Capital Projects Fund Expenditures	<u>226.1</u>
	<u>2,223.3</u>
Total GAAP Basis Governmental Funds Expenditures for Fiscal Year 2013	<u>\$ 6,577.4</u>

## **Required Supplementary Information**

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

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include 4,378 centerline miles and 1,601 bridges that the State is responsible to maintain.

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

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

It is the State’s policy to maintain at least 85% of its highways at a fair or better condition level and 75% of its bridge systems at a good or better condition level. No more than 10% of bridges and 15% of roads should be in substandard condition. Condition assessments are determined every year for roads and every two years for bridges. Due to the timing of these condition assessments, information for the fiscal year ended June 30, 2013 is not available.

**State of Delaware**  
**Department of Transportation**  
**Supplementary Information For Governments That Use the**  
**Modified Approach for Infrastructure Assets**

Structural Rating Numbers and Percentages for Bridges

Calendar Year Ended December 31

		2013		2012		2010	
BCR Condition	Rating	Number	Percent	Number	Percent	Number	Percent
Good	6-9	1,151	71.9	1,149	72.3	1,137	72.8
Fair	5	334	20.9	322	20.2	313	20
Poor	0-4	116	7.2	120	7.5	112	7.2
Totals		1,601	100	1,591	100	1,562	100

Deck Rating Numbers and Percentages for Bridges

Calendar Year Ended December 31

		2013		2012		2010	
OPC Condition	Rating	Square Feet	Percent	Square Feet	Percent	Square Feet	Percent
Good	6-9	6,956,457	91.4	6,476,158	90.3	6,685,282	91.1
Fair	5	649,176	8.5	687,461	9.6	651,712	8.8
Poor	0-4	9,347	0.1	10,720	0.1	4,994	0.1
Totals		7,614,980	100	7,174,339	100	7,341,988	100

Center-Line Mile Numbers and Percentages for Road Pavement

Calendar Year Ended December 31

		2011		2009		2008	
OPC Condition	Rating	Center-Line Mile	Percent	Center-Line Mile	Percent	Center-Line Mile	Percent
Good	3.0-5.0	3,796	86.7	3,423	78.5	3,007	67.6
Fair	2.5-3.0	400	9.1	575	13.2	1000	22.5
Poor	Below 2.5	182	4.2	362	8.3	440	9.9
Totals		4,378	100	4,360	100	4,447	100

Comparison of Estimated-to-Actual Maintenance/Preservation\*

(Expressed In Thousands)

Fiscal Year ended June 30

	2013	2012	2011
Estimated	\$ 185,399	\$ 243,600	\$ 259,351
Actual	\$ 233,810	\$ 285,923	\$ 248,973

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

## Required Supplementary Information – Pension

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

### Delaware Public Employees' Retirement System (DPERS)

The amount shown below as actuarial accrued liability is a measure of the difference between the actuarial present value of future plan benefits, and the actuarial present value of future normal cost.

**Schedule of Funding Status and Progress**  
(Expressed in Thousands)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) Excess of Assets over Liabilities (2) - (1)		(4) Funded Ratio (1) / (2)	(5) Annual Covered Payroll	(6) UAAL / (Excess) as % of Covered payroll (3) / (5)
				(1)	(2)			
State Employees*	6/30/2013	\$ 7,519,770	\$ 8,257,270	\$ 737,500		91.1%	\$ 1,877,105	39.3%
	6/30/2012	7,270,430	7,949,855	679,425		91.5%	1,881,097	36.1%
	6/30/2011	7,091,821	7,547,951	456,130		94.0%	1,783,603	25.6%
Special	6/30/2013	\$ 329	\$ 224	\$ (105)		146.9%	N/A	N/A
	6/30/2012	366	264	(102)		138.6%	N/A	N/A
	6/30/2011	406	287	(119)		141.5%	N/A	N/A
Closed State Police +	6/30/2013	\$ 2,668	\$ 294,533	\$ 291,865		0.9%	\$ -	N/A
	6/30/2012	2,748	293,808	291,060		0.9%	124	234725.8%
	6/30/2011	2,414	286,010	283,596		0.8%	114	248768.4%
New State Police	6/30/2013	\$ 317,814	\$ 350,885	\$ 33,071		90.6%	\$ 56,289	58.8%
	6/30/2012	292,262	324,898	32,636		90.0%	54,412	60.0%
	6/30/2011	270,625	286,890	16,265		94.3%	50,556	32.2%
Judiciary	6/30/2013	\$ 63,512	\$ 66,567	\$ 3,055		95.4%	\$ 10,416	29.3%
	6/30/2012	59,279	65,946	6,667		89.9%	10,387	64.2%
	6/30/2011	55,784	63,090	7,306		88.4%	9,624	75.9%
Diamond State Port Corporation	6/30/2013	\$ 20,964	\$ 25,136	\$ 4,172		83.4%	\$ 11,381	36.7%
	6/30/2012	18,930	23,039	4,109		82.2%	12,229	33.6%
	6/30/2011	17,198	20,632	3,434		83.4%	11,150	30.8%
County and Municipal Police and Firefighters	6/30/2013	\$ 203,832	\$ 207,740	\$ 3,908		98.1%	68,122	5.7%
	6/30/2012	179,816	186,901	7,085		96.2%	67,091	10.6%
	6/30/2011	157,394	160,150	2,756		98.3%	59,418	4.6%
County and Municipal Other Employees	6/30/2013	\$ 27,492	\$ 29,312	\$ 1,820		93.8%	\$ 26,332	6.9%
	6/30/2012	23,851	25,189	1,338		94.7%	22,435	6.0%
	6/30/2011	20,664	22,859	2,195		90.4%	20,580	10.7%

\* Excludes liability and amortization payments due to cost-of-living adjustments. This liability is funded from the Post-Retirement Increase Fund and is funded over five years

+ The Closed State Police Pension Plan is a pay-as-you-go pension plan.

N/A - Not Applicable

## DelDOT - Delaware Transit Corporation – Pension Data

The most recent information available for Delaware Transit Corporation’s annual pension cost and related information for each plan is as follows (note – the current year information is not available for each plan):

### Schedule of Funding Status and Progress (Expressed in Dollars)

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) (Unfunded AAL (UAAL)) Excess of Assets over AAL (a-b)	(d) Funded Ratio (a / b)	(e) Annual Covered Payroll	(f) (UAAL) Excess as % of Covered Payroll (c / e)
DTC Pension Plan	07/01/2012	\$ 15,941,868	\$ 16,990,051	\$ (1,048,183)	93.83%	\$ 11,041,527	(9.49)%
	07/01/2011	15,121,491	16,236,313	(1,114,822)	93.13%	11,253,210	(9.91)%
	07/01/2010	12,329,167	12,841,594	(512,427)	96.01%	11,464,713	(4.47)%
Contributory Plan	01/1/2013	\$ 32,243,870	\$ 34,423,975	\$ (2,180,105)	93.67%	\$ 24,788,597	(8.79)%
	01/1/2012	30,863,722	32,171,013	(1,307,291)	95.94%	22,985,063	(5.69)%
	01/1/2011	29,920,228	29,601,647	318,581	101.08%	22,847,401	1.39%

## Required Supplementary Information – OPEB Trust

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

### OPEB Trust

The amount shown below as “actuarial accrued liability” is a measure of the difference between the actuarial present value of future plan benefits and the actuarial present value of future normal cost.

#### Schedule of Funding Status and Progress

(Expressed in Millions)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded Actuarial Liabilities (UAAL)	(4) Funded Ratios		(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (3) / (5)
				(1)	(2)		
7/1/2013	\$ 222	\$ 5,988	\$ 5,766	3.70%	\$ 1,944	297%	
7/1/2012	163	5,805	5,642	2.80%	1,885	299%	
7/1/2011	144	6,769	6,625	2.10%	1,787	371%	

Valuation Date	July 1, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.25%
Rate of Salary Increases	3.25% (Plus Merit Scale)
Ultimate Rate of Medical Inflation	4.25%

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligations for the fiscal years as follows:

#### Schedule of Employer Contributions

(Expressed in Millions)

Fiscal Year	Annual Required Contribution	Percentage of Annual OPEB Costs Contributed
2013	\$397.8	52%
2012	490.5	38%
2011	488.1	37%

## Required Supplementary Information – DTC OPEB Trust

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

### Schedule of Funding Status and Progress (Expressed in Dollars)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	Excess (deficit) Of assets Over AAL (1-2)	Funded Ratio (1/2)	(3) Covered Payroll	(4) UAAL Excess (deficit) Excess (deficit) as a percentage of covered payroll ((1-2)/3)
07/1/2012	\$ 1,755,283	\$ 121,627,000	\$ (119,871,717)	1.44%	\$ 34,537,878	(347.07%)
07/1/2011	1,605,000	125,866,000	(124,261,000)	1.28%	31,883,191	(389.74%)
07/1/2010	1,500,000	111,122,000	(109,622,000)	1.35%	31,293,725	(350.30%)

**State of Delaware  
Comprehensive Annual  
Financial Report**

**Supplementary  
Information —  
Combining Statements**

STATE OF DELAWARE  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
JUNE 30, 2013  
(Expressed in Thousands)

	State Employees' Pension Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	Delaware Volunteer Firemen's Fund	Diamond State Port Corporation Plan	County and Municipal Police and Firefighters' Plans	County and Municipal Police and Firefighters' Cola Fund	County and Municipal Other Employees' Plan	DPERS Post Retirement Increase Fund	Closed State Police Plan	Totals
<b>Assets</b>												
Cash, Cash Equivalents and Pooled Investments	\$ 395,319	\$ 16	\$ 16,923	\$ 3,366	\$ 759	\$ 1,113	\$ 10,975	\$ 452	\$ 1,486	\$ 273	\$ 2,320	\$ 433,002
Receivables:												
Accrued Interest	14,070	1	523	108	12	33	295	6	39	3	-	15,090
Investment Sales Pending	15,815	1	675	134	-	44	437	18	59	10	-	17,193
Employer Contributions	6,885	-	395	108	-	61	659	-	197	1,133	-	9,438
Member Contributions	2,250	-	145	10	-	16	192	-	42	-	-	2,655
Total Receivables	39,020	2	1,738	360	12	154	1,583	24	337	1,146	-	44,376
Investments at Fair Value:												
Domestic Fixed Income	245,231	10	10,471	2,082	-	689	6,771	275	912	158	-	266,599
Domestic Equities	1,721,085	70	73,489	14,610	-	4,834	47,521	1,928	6,406	1,107	-	1,871,050
Pooled Equity and Fixed Income	2,618,082	105	111,792	22,224	14,633	7,354	72,287	2,932	9,743	1,685	-	2,860,837
Alternative Investments	1,398,189	57	59,702	11,869	-	3,926	38,605	1,566	5,204	900	-	1,520,018
Foreign Fixed Income	133,768	5	5,712	1,136	-	376	3,694	150	498	86	-	145,425
Foreign Equities	876,844	35	37,441	7,443	-	2,463	24,210	982	3,264	564	-	953,246
Total Investments	6,993,199	282	298,607	59,364	14,633	19,642	193,088	7,833	26,027	4,500	-	7,617,175
<b>Total Assets</b>	<b>7,427,538</b>	<b>300</b>	<b>317,268</b>	<b>63,090</b>	<b>15,404</b>	<b>20,909</b>	<b>205,646</b>	<b>8,309</b>	<b>27,850</b>	<b>5,919</b>	<b>2,320</b>	<b>8,094,553</b>
<b>Liabilities</b>												
Investment Purchases Payable	25,658	1	1,096	218	12	72	709	29	96	17	-	27,908
Benefits Payable	1,306	-	4	11	6	4	64	-	6	-	28	1,429
Accrued Investment Expenses	4,530	-	192	38	-	13	124	5	16	3	-	4,921
Accrued Administrative Expenses	467	-	8	1	1	2	10	-	4	-	4	497
<b>Total Liabilities</b>	<b>31,961</b>	<b>1</b>	<b>1,300</b>	<b>268</b>	<b>19</b>	<b>91</b>	<b>907</b>	<b>34</b>	<b>122</b>	<b>20</b>	<b>32</b>	<b>34,755</b>
<b>Assets Held in Trust for Pension Benefits and Pool Participants</b>												
	\$ 7,395,577	\$ 299	\$ 315,968	\$ 62,822	\$ 15,385	\$ 20,818	\$ 204,739	\$ 8,275	\$ 27,728	\$ 5,899	\$ 2,288	\$ 8,059,798

STATE OF DELAWARE  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
 (Expressed in Thousands)

	State Employees' Pension Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	Delaware Volunteer Firemen's Fund	Diamond State Port Corporation Plan	County and Municipal Police and Firefighters' Plans	County and Municipal Police and Firefighters' Cola Fund	County and Municipal Other Employees' Plan	DPERS Post Retirement Increase Fund	Closed State Police Plan	Totals
<b>Additions</b>												
Contributions:												
Employer Contributions	\$ 160,651	\$ -	\$ 9,292	\$ 2,762	\$ 1,456	\$ 854	\$ 8,671	\$ -	\$ 1,604	\$ 27,786	\$ 23,064	\$ 236,140
Transfer of Contributions from Post- Retirement Increase Fund	25,949	-	477	159	-	-	-	-	-	-	-	26,585
Transfer of Assets from Outside the System	-	-	-	-	-	-	-	3,018	-	-	-	3,018
Member Contributions	50,555	-	3,772	310	172	223	4,166	-	600	-	-	59,798
Other	-	-	9	-	-	-	-	-	-	-	-	9
<b>Total Contributions</b>	<b>237,155</b>	<b>-</b>	<b>13,550</b>	<b>3,231</b>	<b>1,628</b>	<b>1,077</b>	<b>12,837</b>	<b>3,018</b>	<b>2,204</b>	<b>27,786</b>	<b>23,064</b>	<b>325,550</b>
Investments:												
Investment Income	128,863	6	5,477	1,080	401	348	3,396	128	456	86	4	140,245
Net Increase (Decrease) in Fair Value	627,223	28	26,058	5,223	1,033	1,692	16,411	636	2,196	385	-	680,885
<b>Total Investment Income</b>	<b>756,086</b>	<b>34</b>	<b>31,535</b>	<b>6,303</b>	<b>1,434</b>	<b>2,040</b>	<b>19,807</b>	<b>764</b>	<b>2,652</b>	<b>471</b>	<b>4</b>	<b>821,130</b>
Less Investment Manager/ Advisor/Custody Fees	(19,355)	(1)	(812)	(161)	(4)	(53)	(518)	(21)	(70)	(13)	-	(21,008)
Less Investment Administrative Expenses	(659)	-	(10)	(1)	-	(3)	(12)	-	(6)	-	(6)	(697)
<b>Net Investment Income (Loss)</b>	<b>736,072</b>	<b>33</b>	<b>30,713</b>	<b>6,141</b>	<b>1,430</b>	<b>1,984</b>	<b>19,277</b>	<b>743</b>	<b>2,576</b>	<b>458</b>	<b>(2)</b>	<b>799,425</b>
<b>Deductions:</b>												
Transfer of Assets from Post- Retirement Increase Fund	-	-	-	-	-	-	-	-	-	26,585	-	26,585
Transfer of Assets Outside the System	-	-	-	-	-	-	-	1,954	-	-	-	1,954
Pension Payments	478,018	46	9,456	3,261	1,742	400	2,586	-	448	-	23,118	519,075
Refunds of Contributions to Members	3,640	-	60	-	71	14	193	-	50	-	-	4,028
Burial Benefit Payments	5,270	7	-	-	-	-	-	-	-	-	84	5,361
Administrative Expenses	5,548	1	88	11	32	37	116	-	50	-	47	5,930
<b>Total Deductions</b>	<b>492,476</b>	<b>54</b>	<b>9,604</b>	<b>3,272</b>	<b>1,845</b>	<b>451</b>	<b>2,895</b>	<b>1,954</b>	<b>548</b>	<b>26,585</b>	<b>23,249</b>	<b>562,933</b>
<b>Change in Net Position</b>	<b>480,751</b>	<b>(21)</b>	<b>34,659</b>	<b>6,100</b>	<b>1,213</b>	<b>2,610</b>	<b>29,219</b>	<b>1,807</b>	<b>4,232</b>	<b>1,659</b>	<b>(187)</b>	<b>562,042</b>
<b>Net Assets Held in Trust for</b>												
<b>Pension Benefits:</b>												
<b>Net Position - Beginning of Year</b>	<b>6,914,826</b>	<b>320</b>	<b>281,309</b>	<b>56,722</b>	<b>14,172</b>	<b>18,208</b>	<b>175,520</b>	<b>6,468</b>	<b>23,496</b>	<b>4,240</b>	<b>2,475</b>	<b>7,497,756</b>
<b>Net Position - End of Year</b>	<b>\$ 7,395,577</b>	<b>\$ 299</b>	<b>\$ 315,968</b>	<b>\$ 62,822</b>	<b>\$ 15,385</b>	<b>\$ 20,818</b>	<b>\$ 204,739</b>	<b>\$ 8,275</b>	<b>\$ 27,728</b>	<b>\$ 5,899</b>	<b>\$ 2,288</b>	<b>\$ 8,059,798</b>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF NET POSITION**  
**INVESTMENT TRUST FUNDS**  
**JUNE 30, 2013**  
(Expressed in Thousands)

	<b>Delaware Local Government Retirement Investment Pool</b>	<b>Delaware Local Government OPEB Investment Trust</b>	<b>Total Investment Trust Funds</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 2,284	\$ 237	\$ 2,521
Receivables:			
Accrued Interest	74	-	74
Investment Sales Pending	91	-	91
Investments, at Fair Value:			
Domestic Fixed Income	1,415	4,650	6,065
Domestic Equities	9,928	4,615	14,543
Pooled Equity and Fixed Income	15,101	-	15,101
Alternative Investments	8,065	-	8,065
Foreign Fixed Income	770	-	770
Foreign Equities	5,059	2,187	7,246
	<u>42,787</u>	<u>11,689</u>	<u>54,476</u>
<b>Total Assets</b>			
Investment Purchase Payable	148	-	148
Accrued Investment Expense	26	-	26
	<u>174</u>	<u>-</u>	<u>174</u>
<b>Total Liabilities</b>			
<b>Net Position:</b>			
Assets Held in Trust for Pension Benefits and Pool Participants	<u>\$ 42,613</u>	<u>\$ 11,689</u>	<u>\$ 54,302</u>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION**  
**INVESTMENT TRUST FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
(Expressed in Thousands)

	<b>Delaware Local Government Retirement Investment Trust Funds</b>	<b>Delaware Local Government OPEB Investment Trust</b>	<b>Total Investment Trust Funds</b>
<b>Additions:</b>			
Contributions:			
Transfer of Assets from Outside the Trust	\$ -	\$ 661	\$ 661
Total Contributions	<u>-</u>	<u>661</u>	<u>661</u>
Investments:			
Investment Earnings	731	304	1,035
Net Increase in Fair Value of Investments	3,550	789	4,339
Total Investment Earnings	4,281	1,093	5,374
Less Investment Manager/Advisor/Custody Fees	(111)	(5)	(116)
Net Investment Earnings	<u>4,170</u>	<u>1,088</u>	<u>5,258</u>
Total Additions	<u>4,170</u>	<u>1,749</u>	<u>5,919</u>
<b>Deductions:</b>			
Transfer of Assets Outside the Trust	167	463	630
Administrative Expenses	1	-	1
Total Deductions	<u>168</u>	<u>463</u>	<u>631</u>
<b>Change in Net Assets</b>	<u>4,002</u>	<u>1,286</u>	<u>5,288</u>
<b>Net Position - Beginning of Year</b>	<u>38,611</u>	<u>10,403</u>	<u>49,014</u>
<b>Net Position - End of Year</b>	<u>\$ 42,613</u>	<u>\$ 11,689</u>	<u>\$ 54,302</u>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
(Expressed in Thousands)

	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2013</b>
<b>Child Support Collection</b>				
Assets				
Cash and Cash Equivalents	\$ 4,354	\$ 274,538	\$ 275,035	\$ 3,857
Receivables, Net	821	497	1,009	309
Total Assets	<u>5,175</u>	<u>275,035</u>	<u>276,044</u>	<u>4,166</u>
Liabilities				
Accounts Payable	5,175	275,035	276,044	4,166
Total Liabilities	<u>5,175</u>	<u>275,035</u>	<u>276,044</u>	<u>4,166</u>
<b>Court Fines and Restitution</b>				
Assets				
Cash and Cash Equivalents	10,681	20,010	18,453	12,238
Investments	11,660	34,203	37,025	8,838
Receivables, Net	41,791	10,918	6,846	45,863
Total Assets	<u>64,132</u>	<u>65,131</u>	<u>62,324</u>	<u>66,939</u>
Liabilities				
Accounts Payable	64,132	65,131	62,324	66,939
Total Liabilities	<u>64,132</u>	<u>65,131</u>	<u>62,324</u>	<u>66,939</u>
<b>All Other Agency Funds</b>				
Assets				
Cash and Cash Equivalents	13,221	26,905	27,527	12,599
Investments	17,959	40,898	39,921	18,936
Total Assets	<u>31,180</u>	<u>67,803</u>	<u>67,448</u>	<u>31,535</u>
Liabilities				
Accounts Payable	31,180	67,803	67,448	31,535
Total Liabilities	<u>31,180</u>	<u>67,803</u>	<u>67,448</u>	<u>31,535</u>
<b>Totals - All Agency Funds</b>				
Assets				
Cash and Cash Equivalents	28,256	321,453	321,015	28,694
Investments	29,619	75,101	76,946	27,774
Receivables, Net	42,612	11,415	7,855	46,172
Total Assets	<u>100,487</u>	<u>407,969</u>	<u>405,816</u>	<u>102,640</u>
Liabilities				
Accounts Payable	100,487	407,969	405,816	102,640
Total Liabilities	<u>\$ 100,487</u>	<u>\$ 407,969</u>	<u>\$ 405,816</u>	<u>\$ 102,640</u>

STATE OF DELAWARE  
 COMBINING BALANCE SHEET  
 LOCAL SCHOOL DISTRICT FUNDS  
 June 30, 2013  
 (Expressed in Thousands)

	Appoquinimink	Brandywine	Caesar Rodney	Cape Henlopen	Capital	Christina	Colonial	Delmar	Indian River	Lake Forest
<b>Assets</b>										
Cash and Cash Equivalents	\$ 8	\$ 1,708	\$ 1,697	\$ -	\$ 2,245	\$ 40	\$ 1,335	\$ 48	\$ 475	\$ 184
Investments	6,837	7,202	15,159	22,577	26,551	49,920	32,040	826	28,901	8,315
Accounts Receivable, Net	-	-	-	1	-	-	-	-	-	-
Taxes Receivable, Net	1,527	2,376	1,244	1,742	2,452	4,840	3,323	464	3,500	991
<b>Total Assets</b>	<b>8,372</b>	<b>11,286</b>	<b>18,100</b>	<b>24,320</b>	<b>31,248</b>	<b>54,800</b>	<b>36,698</b>	<b>1,338</b>	<b>32,876</b>	<b>9,490</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities</b>										
Accounts Payable	871	1,685	908	3,848	1,187	2,757	1,254	39	1,249	544
Due to General Fund	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	1,477	2,187	1,202	1,702	2,338	4,466	3,174	463	3,461	976
<b>Total Liabilities</b>	<b>2,348</b>	<b>3,872</b>	<b>2,110</b>	<b>5,550</b>	<b>3,525</b>	<b>7,223</b>	<b>4,428</b>	<b>502</b>	<b>4,710</b>	<b>1,520</b>
<b>Fund Balances</b>										
Restricted Fund Balance	6,024	7,414	15,990	18,770	27,723	47,577	32,270	836	28,166	7,970
<b>Total Fund Balances</b>	<b>6,024</b>	<b>7,414</b>	<b>15,990</b>	<b>18,770</b>	<b>27,723</b>	<b>47,577</b>	<b>32,270</b>	<b>836</b>	<b>28,166</b>	<b>7,970</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,372</b>	<b>\$ 11,286</b>	<b>\$ 18,100</b>	<b>\$ 24,320</b>	<b>\$ 31,248</b>	<b>\$ 54,800</b>	<b>\$ 36,698</b>	<b>\$ 1,338</b>	<b>\$ 32,876</b>	<b>\$ 9,490</b>

STATE OF DELAWARE  
 COMBINING BALANCE SHEET - CONTINUED  
 LOCAL SCHOOL DISTRICT FUNDS  
 June 30, 2013  
 (Expressed in Thousands)

	Laurel	Milford	NCC		Red Clay	Seaford	Smyrna	Sussex Co		DOE	Totals
			Vo-Tech	Polytech				Vo-Tech	Woodbridge	Administration	
<b>Assets</b>											
Cash and Cash Equivalents	\$ 872	\$ 219	\$ 73	\$ 3	\$ 2,236	\$ 1,156	\$ 5	\$ 6	\$ 56	\$ -	\$ 12,366
Investments	3,209	8,590	15,800	9,201	31,916	9,919	9,361	5,830	6,260	79	298,493
Accounts Receivable, Net	-	-	-	-	-	-	-	170	-	-	171
Taxes Receivable, Net	1,039	997	1,508	568	3,701	1,695	731	969	1,192	-	34,859
<b>Total Assets</b>	<b>5,120</b>	<b>9,806</b>	<b>17,381</b>	<b>9,772</b>	<b>37,853</b>	<b>12,770</b>	<b>10,097</b>	<b>6,975</b>	<b>7,508</b>	<b>79</b>	<b>345,889</b>
<b>LIABILITIES AND FUND BALANCES</b>											
<b>Liabilities</b>											
Accounts Payable	183	226	372	71	2,221	195	288	153	175	-	18,226
Due to General Fund	-	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	1,036	976	1,423	465	3,431	1,688	604	1,129	1,189	-	33,387
<b>Total Liabilities</b>	<b>1,219</b>	<b>1,202</b>	<b>1,795</b>	<b>536</b>	<b>5,652</b>	<b>1,883</b>	<b>892</b>	<b>1,282</b>	<b>1,364</b>	<b>-</b>	<b>51,613</b>
<b>Fund Balances</b>											
Restricted Fund Balance	3,901	8,604	15,586	9,236	32,201	10,887	9,205	5,693	6,144	79	294,276
<b>Total Fund Balances</b>	<b>3,901</b>	<b>8,604</b>	<b>15,586</b>	<b>9,236</b>	<b>32,201</b>	<b>10,887</b>	<b>9,205</b>	<b>5,693</b>	<b>6,144</b>	<b>79</b>	<b>294,276</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,120</b>	<b>\$ 9,806</b>	<b>\$ 17,381</b>	<b>\$ 9,772</b>	<b>\$ 37,853</b>	<b>\$ 12,770</b>	<b>\$ 10,097</b>	<b>\$ 6,975</b>	<b>\$ 7,508</b>	<b>\$ 79</b>	<b>\$ 345,889</b>

STATE OF DELAWARE  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 LOCAL SCHOOL DISTRICT FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
 (Expressed in Thousands)

	Appoquinimink	Brandywine	Caesar Rodney	Cape Henlopen	Capital	Christina	Colonial	Delmar	Indian River	Lake Forest
<b>Revenues</b>										
Real Estate Taxes	\$ 29,468	\$ 72,321	\$ 9,167	\$ 31,633	\$ 21,833	\$ 104,556	\$ 38,521	\$ 1,753	\$ 36,486	\$ 5,126
Licenses, Fees, Permits and Fines	-	4	56	-	-	(6)	21	-	2	-
Rentals and Sales	313	1,093	122	197	77	671	62	117	641	1,059
Federal Government	449	-	51	166	5	436	-	41	156	9
Interest and Other Investment Income	80	108	94	130	208	303	198	8	177	50
Other	1,124	1,117	3,296	(1,066)	2,413	6,371	3,570	23	1,596	175
<b>Total Revenues</b>	<b>31,434</b>	<b>74,643</b>	<b>12,786</b>	<b>31,060</b>	<b>24,536</b>	<b>112,331</b>	<b>42,372</b>	<b>1,942</b>	<b>39,058</b>	<b>6,419</b>
<b>Expenditures</b>										
Education	22,653	59,786	12,307	28,301	15,589	100,312	37,054	1,681	35,807	6,283
Unrestricted Payments to Component Unit - Education	1,307	3,195	259	270	1,266	13,748	3,653	-	229	78
<b>Total Expenditures</b>	<b>23,960</b>	<b>62,981</b>	<b>12,566</b>	<b>28,571</b>	<b>16,855</b>	<b>114,060</b>	<b>40,707</b>	<b>1,681</b>	<b>36,036</b>	<b>6,361</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>7,474</b>	<b>11,662</b>	<b>220</b>	<b>2,489</b>	<b>7,681</b>	<b>(1,729)</b>	<b>1,665</b>	<b>261</b>	<b>3,022</b>	<b>58</b>
<b>Other Sources (Uses) of Financial Resources</b>										
Transfers In	503	1,904	3,025	11,025	1,300	14,638	1,827	636	8,777	688
Transfers Out	(8,332)	(10,025)	(3,586)	(11,386)	(7,900)	(13,287)	(8,583)	(877)	(11,959)	(1,115)
<b>Total Other Sources (Uses) of Financial Resources</b>	<b>(7,829)</b>	<b>(8,121)</b>	<b>(561)</b>	<b>(361)</b>	<b>(6,600)</b>	<b>1,351</b>	<b>(6,756)</b>	<b>(241)</b>	<b>(3,182)</b>	<b>(427)</b>
<b>Net Change in Fund Balances</b>	<b>(355)</b>	<b>3,541</b>	<b>(341)</b>	<b>2,128</b>	<b>1,081</b>	<b>(378)</b>	<b>(5,091)</b>	<b>20</b>	<b>(160)</b>	<b>(369)</b>
<b>Fund Balances - Beginning</b>	<b>6,379</b>	<b>3,873</b>	<b>16,331</b>	<b>16,642</b>	<b>26,642</b>	<b>47,955</b>	<b>37,361</b>	<b>816</b>	<b>28,326</b>	<b>8,339</b>
<b>Fund Balances - Ending</b>	<b>\$ 6,024</b>	<b>\$ 7,414</b>	<b>\$ 15,990</b>	<b>\$ 18,770</b>	<b>\$ 27,723</b>	<b>\$ 47,577</b>	<b>\$ 32,270</b>	<b>\$ 836</b>	<b>\$ 28,166</b>	<b>\$ 7,970</b>

STATE OF DELAWARE  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CONTINUED  
 LOCAL SCHOOL DISTRICT FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
 (Expressed in Thousands)

	Laurel	Milford	NCC Vo-Tech	Polytech	Red Clay	Seaford	Smyrna	Sussex Co Vo-Tech	Woodbridge	DOE Administration	Totals
<b>Revenues</b>											
Real Estate Taxes	\$ 4,368	\$ 7,800	\$ 28,112	\$ 4,619	\$ 80,306	\$ 6,567	\$ 8,480	\$ 8,611	\$ 4,893	\$ -	\$ 504,620
Licenses, Fees, Permits and Fines	-	3	-	-	-	-	351	-	71	-	502
Rentals and Sales	37	50	303	1,361	380	71	2,157	402	1,179	-	10,292
Federal Government	7	4	-	74	370	172	87	70	51	-	2,148
Interest & Other Investment Income	52	61	137	51	286	75	69	44	59	-	2,190
Other	(68)	(56)	1,274	124	5,705	(35)	(201)	355	17	(205)	25,529
<b>Total Revenues</b>	<b>4,396</b>	<b>7,862</b>	<b>29,826</b>	<b>6,229</b>	<b>87,047</b>	<b>6,850</b>	<b>10,943</b>	<b>9,482</b>	<b>6,270</b>	<b>(205)</b>	<b>545,281</b>
<b>Expenditures</b>											
Education	2,625	6,533	29,092	6,634	81,068	6,349	8,584	9,632	4,481	(835)	473,936
Unrestricted Payments to Component Unit - Education	15	57	-	-	8,059	83	469	-	9	-	32,697
<b>Total Expenditures</b>	<b>2,640</b>	<b>6,590</b>	<b>29,092</b>	<b>6,634</b>	<b>89,127</b>	<b>6,432</b>	<b>9,053</b>	<b>9,632</b>	<b>4,490</b>	<b>(835)</b>	<b>506,633</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>1,756</b>	<b>1,272</b>	<b>734</b>	<b>(405)</b>	<b>(2,080)</b>	<b>418</b>	<b>1,890</b>	<b>(150)</b>	<b>1,780</b>	<b>630</b>	<b>38,648</b>
<b>Other Sources (Uses) of Financial Resource:</b>											
Transfers In	237	362	1,261	642	3,479	450	327	88	179	205	51,553
Transfers Out	(689)	(3,216)	(2,571)	(451)	(10,588)	(1,197)	(3,620)	(943)	(1,162)	(835)	(102,322)
<b>Total Other Sources (Uses) of Financial Resources</b>	<b>(452)</b>	<b>(2,854)</b>	<b>(1,310)</b>	<b>191</b>	<b>(7,109)</b>	<b>(747)</b>	<b>(3,293)</b>	<b>(855)</b>	<b>(983)</b>	<b>(630)</b>	<b>(50,769)</b>
<b>Net Change in Fund Balance</b>	<b>1,304</b>	<b>(1,582)</b>	<b>(576)</b>	<b>(214)</b>	<b>(9,189)</b>	<b>(329)</b>	<b>(1,403)</b>	<b>(1,005)</b>	<b>797</b>	<b>-</b>	<b>(12,121)</b>
<b>Fund Balances - Beginning</b>	<b>2,597</b>	<b>10,186</b>	<b>16,162</b>	<b>9,450</b>	<b>41,390</b>	<b>11,216</b>	<b>10,608</b>	<b>6,698</b>	<b>5,347</b>	<b>79</b>	<b>306,397</b>
<b>Fund Balances - Ending</b>	<b>\$ 3,901</b>	<b>\$ 8,604</b>	<b>\$ 15,586</b>	<b>\$ 9,236</b>	<b>\$ 32,201</b>	<b>\$ 10,887</b>	<b>\$ 9,205</b>	<b>\$ 5,693</b>	<b>\$ 6,144</b>	<b>\$ 79</b>	<b>\$ 294,276</b>

# STATISTICAL SECTION

Comprehensive Annual Financial Report

## Statistical Section Index

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The statistical section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes to the financial statements, and required supplementary information of the primary government says about the State's overall financial health.

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**Sources:** Unless otherwise noted, the information in these schedules is derived from the State's Comprehensive Annual Financial Report for the relevant fiscal year. Fund schedules are presented for the last ten years.

**STATE OF DELAWARE**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
(Accrual Basis of Accounting, Expressed in Thousands)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008 *</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 767,977	\$ 983,693	\$ 1,244,073	\$ 1,385,413	\$ 1,515,272	\$ 1,665,199	\$ 1,799,599	\$ 1,831,490	\$ 1,851,218	\$ 1,701,366
Restricted	148,150	161,050	175,365	182,750	186,430	186,430	186,430	186,430	186,400	408,694
Unrestricted	<u>1,112,774</u>	<u>1,159,119</u>	<u>1,089,100</u>	<u>1,183,671</u>	<u>884,060</u>	<u>366,597</u>	<u>269,978</u>	<u>314,021</u>	<u>(56,000)</u>	<u>(416,439)</u>
<b>Total Governmental Activities Net Position</b>	<u>\$ 2,028,901</u>	<u>\$ 2,303,862</u>	<u>\$ 2,508,538</u>	<u>\$ 2,751,834</u>	<u>\$ 2,585,762</u>	<u>\$ 2,218,226</u>	<u>\$ 2,256,007</u>	<u>\$ 2,331,941</u>	<u>\$ 1,981,618</u>	<u>\$ 1,693,621</u>
<b>Business-type Activities</b>										
Net Investment in Capital Assets	\$ 2,561,502	\$ 2,530,183	\$ 2,616,971	\$ 2,653,221	\$ 2,731,901	\$ 2,727,661	\$ 2,803,634	\$ 2,840,595	\$ 2,956,316	\$ 3,142,841
Restricted	219,844	341,895	358,547	342,263	308,738	202,220	137,831	109,613	169,954	163,539
Unrestricted	<u>172,428</u>	<u>75,335</u>	<u>76,907</u>	<u>89,806</u>	<u>64,577</u>	<u>56,596</u>	<u>5,069</u>	<u>61,721</u>	<u>(85,800)</u>	<u>(122,830)</u>
<b>Total Business-type Activities Net Position</b>	<u>\$ 2,953,774</u>	<u>\$ 2,947,413</u>	<u>\$ 3,052,425</u>	<u>\$ 3,085,290</u>	<u>\$ 3,105,216</u>	<u>\$ 2,986,477</u>	<u>\$ 2,946,534</u>	<u>\$ 3,011,929</u>	<u>\$ 3,040,470</u>	<u>\$ 3,183,550</u>
<b>Primary Government</b>										
Net Investment in Capital Assets	\$ 3,329,479	\$ 3,513,876	\$ 3,861,044	\$ 4,038,634	\$ 4,247,173	\$ 4,392,860	\$ 4,603,233	\$ 4,672,085	\$ 4,807,534	\$ 4,844,207
Restricted	367,994	502,945	533,912	525,013	495,168	388,650	324,261	296,043	356,384	572,233
Unrestricted	<u>1,285,202</u>	<u>1,234,454</u>	<u>1,166,007</u>	<u>1,273,477</u>	<u>948,637</u>	<u>423,193</u>	<u>275,047</u>	<u>375,742</u>	<u>(141,800)</u>	<u>(539,269)</u>
<b>Total Primary Government Net Position</b>	<u>\$ 4,982,675</u>	<u>\$ 5,251,275</u>	<u>\$ 5,560,963</u>	<u>\$ 5,837,124</u>	<u>\$ 5,690,978</u>	<u>\$ 5,204,703</u>	<u>\$ 5,202,541</u>	<u>\$ 5,343,870</u>	<u>\$ 5,022,118</u>	<u>\$ 4,877,171</u>

**Source:**

Statement of Net Position, as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year.

**Notes:**

\* The State implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, during fiscal year 2009. The provisions of GASB Statement No. 49 require the measurement of pollution remediation liabilities at July 1, 2008; therefore, the State's ending net assets for fiscal year 2008 have been restated.

\*\* Prior year amounts have not been updated for changes made from the adoption of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and amendment of GASB Statements No. 14 and No. 34*.

**STATE OF DELAWARE**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
(Accrual Basis of Accounting, Expressed in Thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General Government	\$ 339,945	\$ 404,190	\$ 480,490	\$ 513,326	\$ 549,263	\$ 551,390	\$ 436,025	\$ 662,291	\$ 654,311	\$ 543,931
Health and Children's Services	1,399,354	1,450,505	1,619,176	1,699,475	1,869,754	1,980,118	2,059,215	2,225,657	2,386,475	2,428,629
Judicial and Public Safety	442,345	477,691	539,365	574,809	640,380	641,296	624,565	596,764	660,053	711,361
Natural Resources and Environmental Control	113,189	95,622	114,287	173,331	164,446	154,871	148,776	189,301	161,354	147,733
Labor	61,963	61,360	61,013	74,194	68,172	77,911	74,163	74,063	79,706	69,226
Education	1,422,046	1,592,035	1,719,901	1,774,528	2,031,009	2,002,158	2,040,439	2,331,626	2,372,080	2,408,647
Payment to Component Unit:										
General Government	1,952	-	-	-	-	-	-	-	-	-
Education	73,361	73,279	81,575	89,945	99,969	100,139	105,819	-	-	-
Interest	50,201	44,003	46,051	50,560	52,224	57,570	55,782	75,522	61,111	54,969
<b>Total Governmental Activities Expenses</b>	<b>3,904,356</b>	<b>4,198,685</b>	<b>4,661,858</b>	<b>4,950,168</b>	<b>5,475,217</b>	<b>5,565,453</b>	<b>5,544,784</b>	<b>6,155,224</b>	<b>6,375,090</b>	<b>6,364,496</b>
<b>Business-type Activities:</b>										
Lottery	357,011	388,062	408,997	424,111	419,223	388,260	353,449	384,611	386,241	358,467
DelDOT	506,351	526,234	485,169	504,466	535,150	602,296	626,012	587,604	641,850	580,392
Unemployment	114,136	92,284	92,025	108,851	113,955	203,817	379,065	300,262	247,932	169,508
<b>Total Business-type Activities Expenses</b>	<b>977,498</b>	<b>1,006,580</b>	<b>986,191</b>	<b>1,037,428</b>	<b>1,068,328</b>	<b>1,194,373</b>	<b>1,358,526</b>	<b>1,272,477</b>	<b>1,276,023</b>	<b>1,108,367</b>
<b>Total Primary Government Expenses</b>	<b>4,881,854</b>	<b>5,205,265</b>	<b>5,648,049</b>	<b>5,987,596</b>	<b>6,543,545</b>	<b>6,759,826</b>	<b>6,903,310</b>	<b>7,427,701</b>	<b>7,651,113</b>	<b>7,472,863</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
General Government	131,470	130,493	148,056	223,600	172,093	104,268	149,299	214,997	166,979	287,709
Health and Children's Services	138,056	117,708	83,445	110,168	99,438	87,548	121,855	67,485	98,430	73,522
Judicial and Public Safety	42,086	55,026	46,762	49,535	53,803	52,681	60,024	54,681	75,713	126,052
Natural Resources and Environmental Control	36,491	20,806	66,354	56,559	47,374	42,555	58,925	95,460	50,587	59,262
Labor	3,241	2,910	-	10,918	-	-	-	6,370	7,089	7,103
Education	76,862	78,577	65,552	40,317	28,235	57,101	63,099	89,125	22,796	5,565
Operating Grants and Contributions	894,779	905,737	959,567	1,001,981	1,094,610	1,199,961	1,460,903	1,701,136	1,541,931	1,551,954
Capital Grants and Contributions	-	5,000	3,334	1,740	16,142	9,936	30,861	-	-	-
<b>Total Governmental Activities Program Revenues</b>	<b>1,322,985</b>	<b>1,316,257</b>	<b>1,373,070</b>	<b>1,494,818</b>	<b>1,511,695</b>	<b>1,554,050</b>	<b>1,944,966</b>	<b>2,229,254</b>	<b>1,963,525</b>	<b>2,111,167</b>

**STATE OF DELAWARE**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
(Accrual Basis of Accounting, Expressed in Thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Business-type activities:</b>										
Charges for Services:										
Lottery	\$ 640,925	\$ 689,291	\$ 727,993	\$ 755,127	\$ 742,260	\$ 704,308	\$ 689,652	\$ 728,506	\$ 714,303	\$ 635,264
DelDOT	341,772	342,743	379,246	379,387	428,646	426,046	426,924	445,084	449,270	462,609
Unemployment	62,836	73,449	86,632	72,254	74,984	76,608	119,473	117,060	122,334	107,646
Operating Grants and Contributions	-	-	-	-	-	-	196,889	170,681	109,037	72,517
Capital Grants and Contributions	92,680	106,389	107,463	103,331	156,740	193,219	238,276	195,030	199,214	211,245
<b>Total Business-type Activities Program Revenues</b>	<b>1,138,213</b>	<b>1,211,872</b>	<b>1,301,334</b>	<b>1,310,099</b>	<b>1,402,630</b>	<b>1,400,181</b>	<b>1,671,214</b>	<b>1,656,361</b>	<b>1,594,158</b>	<b>1,489,281</b>
<b>Total Primary Government Program Revenues</b>	<b>2,461,198</b>	<b>2,528,129</b>	<b>2,674,404</b>	<b>2,804,917</b>	<b>2,914,325</b>	<b>2,954,231</b>	<b>3,616,180</b>	<b>3,885,615</b>	<b>3,557,683</b>	<b>3,600,448</b>
<b>Net (Expenses) Revenue</b>										
<b>Governmental Activities</b>	(2,581,371)	(2,882,428)	(3,288,788)	(3,455,350)	(3,963,522)	(4,011,403)	(3,599,818)	(3,925,970)	(4,357,588)	(4,253,329)
<b>Business-type Activities</b>	160,715	205,292	315,143	272,671	334,302	205,808	312,688	383,884	318,135	380,914
<b>Total Primary Government Net Expense</b>	<b>(2,420,656)</b>	<b>(2,677,136)</b>	<b>(2,973,645)</b>	<b>(3,182,679)</b>	<b>(3,629,220)</b>	<b>(3,805,595)</b>	<b>(3,287,130)</b>	<b>(3,542,086)</b>	<b>(4,039,453)</b>	<b>(3,872,415)</b>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental Activities:</b>										
Taxes:										
Personal Income	777,969	882,020	1,014,499	1,016,911	1,010,325	914,460	760,617	986,002	1,126,014	1,130,501
Business	1,356,081	1,375,828	1,535,139	1,672,112	1,659,565	1,655,938	1,820,023	1,926,473	1,834,684	2,051,071
Real Estate	240,296	317,664	349,728	388,135	398,881	428,878	434,718	464,713	473,351	504,620
Other	289,346	264,165	287,651	254,960	297,971	238,786	250,630	246,268	241,525	344,106
Investment Earnings	36,109	35,624	49,577	82,701	84,449	41,140	20,185	28,356	32,849	11,636
Gain (Loss) on Sale of Assets	(2,482)	-	721	(72)	-	-	-	-	-	-
Miscellaneous	37,105	37,570	33,595	24,287	30,629	29,197	15,546	29,201	24,103	25,244
Transfers	242,560	244,518	222,554	259,612	332,132	335,468	335,880	320,891	287,903	238,244
<b>Total Governmental Activities</b>	<b>2,976,984</b>	<b>3,157,389</b>	<b>3,493,464</b>	<b>3,698,646</b>	<b>3,813,952</b>	<b>3,643,867</b>	<b>3,637,599</b>	<b>4,001,904</b>	<b>4,020,429</b>	<b>4,305,422</b>
<b>Business-type Activities:</b>										
Investment Earnings	18,261	18,208	16,634	23,486	21,322	11,686	(15,336)	2,815	4,029	(608)
Gain (Loss) on Sale of Assets	(654)	561	(4,211)	(2,680)	299	235	(415)	587	308	1,018
Miscellaneous	-	-	-	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	-	-
Transfers	(242,560)	(244,518)	(222,554)	(259,612)	(332,132)	(335,468)	(335,880)	(320,891)	(287,903)	(238,244)
<b>Total Business-type Activities</b>	<b>(224,953)</b>	<b>(225,749)</b>	<b>(210,131)</b>	<b>(239,806)</b>	<b>(311,511)</b>	<b>(324,547)</b>	<b>(352,631)</b>	<b>(318,489)</b>	<b>(283,566)</b>	<b>(237,834)</b>
<b>Change in Net Position</b>										
<b>Governmental Activities</b>	395,613	274,961	204,676	243,296	(149,570)	(367,536)	37,781	75,934	(391,136)	(74,133)
<b>Business-type Activities</b>	(64,238)	(20,457)	105,012	32,865	22,791	(118,739)	(39,943)	65,395	34,569	143,080
<b>Total Primary Government</b>	<b>\$ 331,375</b>	<b>\$ 254,504</b>	<b>\$ 309,688</b>	<b>\$ 276,161</b>	<b>\$ (126,779)</b>	<b>\$ (486,275)</b>	<b>\$ (2,162)</b>	<b>\$ 141,329</b>	<b>\$ (356,567)</b>	<b>\$ 68,947</b>

**Source:**

Statement of Activities, as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year.

**STATE OF DELAWARE**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(Modified Accrual Basis of Accounting, Expressed in Thousands)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Revenues</b>										
Taxes (1)	\$ 2,673,622	\$ 2,836,555	\$ 3,187,378	\$ 3,322,523	\$ 3,366,308	\$ 3,238,062	\$ 3,249,145	\$ 3,623,456	\$ 3,621,597	\$ 3,904,072
Licenses, Fees, Permits and Fines	296,238	296,011	319,768	339,347	355,604	356,228	392,388	326,249	340,351	336,068
Rentals and Sales	51,793	57,246	51,047	59,547	34,294	37,736	38,615	123,781	118,839	135,530
Federal Government	913,880	929,703	976,143	1,016,215	1,111,247	1,220,072	1,442,722	1,726,141	1,528,034	1,529,921
Interest and Other Investment Income	36,109	35,624	49,577	82,701	84,313	41,140	20,185	28,356	32,850	11,637
Other Revenues	295,087	266,657	340,827	313,765	109,385	146,967	215,951	106,925	206,356	218,176
<b>Total Revenues</b>	<u>4,266,729</u>	<u>4,421,796</u>	<u>4,924,740</u>	<u>5,134,098</u>	<u>5,061,151</u>	<u>5,040,205</u>	<u>5,359,006</u>	<u>5,934,908</u>	<u>5,848,027</u>	<u>6,135,404</u>
<b>Expenditures</b>										
General Government (2)	422,785	503,097	633,784	681,609	568,408	577,079	471,515	551,988	624,616	459,465
Health and Children's Services (3)	1,407,976	1,480,000	1,674,907	1,751,795	1,880,828	1,996,677	2,059,159	2,230,948	2,358,293	2,452,766
Judicial and Public Safety (4)	439,640	472,406	543,684	580,707	585,648	572,830	578,777	600,911	602,635	663,861
Natural Resources and Environmental Control	165,960	160,840	192,706	212,296	174,823	157,669	156,268	177,823	154,486	172,521
Labor	62,716	68,156	66,646	66,785	65,656	75,804	73,922	69,912	72,444	68,554
Education (5)	1,501,237	1,633,834	1,773,371	1,821,210	1,836,092	1,851,336	1,886,353	1,982,154	2,069,469	2,159,145
Payment to Component Unit:										
General Government	1,952	-	-	-	-	-	-	-	-	-
Education	73,361	73,279	81,575	89,945	99,969	100,139	105,819	117,381	131,268	141,700
Capital Outlay	162,154	173,561	223,779	220,635	277,754	270,847	241,050	195,415	187,704	226,123
Debt Service:										
Principal	94,522	107,890	113,781	116,617	151,650	142,069	155,789	140,750	139,325	155,096
Interest	39,246	46,160	49,037	50,609	57,673	60,827	66,222	65,725	72,293	77,136
Costs of Issuance of Debt (6)	515	533	343	764	415	841	3,797	628	548	1,118
<b>Total Expenditures</b>	<u>4,372,064</u>	<u>4,719,756</u>	<u>5,353,613</u>	<u>5,592,972</u>	<u>5,698,916</u>	<u>5,806,118</u>	<u>5,798,671</u>	<u>6,133,635</u>	<u>6,413,081</u>	<u>6,577,485</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(105,335)</u>	<u>(297,960)</u>	<u>(428,873)</u>	<u>(458,874)</u>	<u>(637,765)</u>	<u>(765,913)</u>	<u>(439,665)</u>	<u>(198,727)</u>	<u>(565,054)</u>	<u>(442,081)</u>

**STATE OF DELAWARE**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(Modified Accrual Basis of Accounting, Expressed in Thousands)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Other Financing Sources (Uses)</b>										
Transfer In	\$ 415,886	\$ 409,038	\$ 374,511	\$ 402,963	\$ 491,038	\$ 470,687	\$ 970,215	\$ 549,639	\$ 540,713	\$ 589,269
Transfer Out	(173,326)	(186,194)	(151,957)	(147,411)	(158,906)	(135,219)	(634,335)	(228,749)	(252,810)	(351,025)
Other Financing Sources	-	-	-	2,281	26	-	-	-	-	29,134
Operating Transfer Out to Component Unit	-	-	-	-	-	-	-	-	-	-
Issuance of General Obligation Bonds	327,218	170,559	132,000	383,133	217,375	236,000	645,130	310,665	275,425	336,330
Issuance of Revenue Bonds	-	-	-	-	-	-	-	-	56,170	-
Premium on Bond Sales	22,048	9,788	4,850	9,661	10,220	17,044	66,054	10,910	37,347	44,635
Payment to Bond Refunding Agent	(79,882)	(50,145)	-	-	-	-	(460,580)	-	-	-
Advance Refunding Escrow	-	-	-	-	-	-	35,189	54,644	-	-
Issuance of Advanced Refundings	-	-	-	-	-	-	(35,189)	(54,644)	(54,834)	(132,178)
<b>Total Other Financing Sources (Uses)</b>	<u>511,944</u>	<u>353,046</u>	<u>359,404</u>	<u>650,627</u>	<u>559,753</u>	<u>588,512</u>	<u>586,484</u>	<u>642,465</u>	<u>602,011</u>	<u>516,165</u>
<b>Net Change in Fund Balance</b>	<u>\$ 406,609</u>	<u>\$ 55,086</u>	<u>\$ (69,469)</u>	<u>\$ 191,753</u>	<u>\$ (78,012)</u>	<u>\$ (177,401)</u>	<u>\$ 146,819</u>	<u>\$ 443,738</u>	<u>\$ 36,957</u>	<u>\$ 74,084</u>
<b>Debt Service as a Percentage of Non-capital Expenditures</b>	3.29%	3.52%	3.29%	3.23%	4.02%	3.82%	4.24%	3.61%	3.53%	3.81%

**Source:**

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year.

**Notes:**

- (1) Taxes include personal income taxes and business taxes.
- (2) General government summarizes the expenditures of the following General Government Departments: Legislative, Executive, Technology and Information, Other Elective Offices, State, Finance, Office of Management and Budget, Agriculture, Elections, and the Advisory Council for Exceptional Citizens.
- (3) Health and Children's Services summarizes the expenditures of the Departments of Health and Social Services, and Services for Children Youth and Their Families.
- (4) Judicial and Public Safety summarizes the expenditures of the following Departments: Judicial, Legal, Corrections, Safety and Homeland Security, Fire Prevention and the Delaware National Guard.
- (5) Education summarizes the expenditures of the Departments of Higher Education and Public Education.
- (6) Cost of issuance of debt reported as an expense effective fiscal year 2004.

**STATE OF DELAWARE**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(Modified Accrual Basis of Accounting, Expressed in Thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Fund</b>										
Reserved	\$ 286,755	\$ 314,533	\$ 331,388	\$ 383,719	\$ 369,058	\$ 311,745	\$ 352,732	\$ -	\$ -	\$ -
Unreserved	929,157	999,231	1,039,370	956,073	856,479	744,435	843,635	-	-	-
Nonspendable Fund Balance	-	-	-	-	-	-	-	9,807	8,121	7,681
Restricted Fund Balance	-	-	-	-	-	-	-	209,513	87,507	114,418
Committed Fund Balance	-	-	-	-	-	-	-	142,198	236,896	209,557
Assigned Fund Balance	-	-	-	-	-	-	-	229,241	100,483	91,597
Unassigned (Deficit)	-	-	-	-	-	-	-	786,663	963,986	1,025,284
<b>Total General Fund</b>	<b>\$ 1,215,912</b>	<b>\$ 1,313,764</b>	<b>\$ 1,370,758</b>	<b>\$ 1,339,792</b>	<b>\$ 1,225,537</b>	<b>\$ 1,056,180</b>	<b>\$ 1,196,367</b>	<b>\$ 1,377,422</b>	<b>\$ 1,396,993</b>	<b>\$ 1,448,537</b>
<b>All Other Governmental Funds:</b>										
Reserved	\$ 178,201	\$ 156,212	\$ 196,502	\$ 224,018	\$ 189,794	\$ 176,122	\$ 12,202	\$ -	\$ -	\$ -
Unreserved, Reported In:										
Federal Fund	(43,422)	(40,172)	(60,841)	(41,060)	14,000	(15,916)	(48,405)	-	-	(914)
Local School District Fund	101,361	101,052	74,206	106,083	168,077	213,160	296,171	-	-	-
Capital Projects Fund	(62,942)	(86,660)	(205,898)	(62,353)	(108,940)	(118,479)	(33,638)	-	-	-
Debt Service Fund	-	-	-	-	-	-	-	-	-	-
Restricted Fund Balance										
Federal Fund	-	-	-	-	-	-	-	56,030	15,630	-
Committed Fund Balance										
Local School District Fund	-	-	-	-	-	-	-	338,271	306,397	294,276
Capital Projects Fund	-	-	-	-	-	-	-	40,068	110,302	160,982
<b>Total All Other Governmental Funds</b>	<b>\$ 173,198</b>	<b>\$ 130,432</b>	<b>\$ 3,969</b>	<b>\$ 226,688</b>	<b>\$ 262,931</b>	<b>\$ 254,887</b>	<b>\$ 226,330</b>	<b>\$ 434,369</b>	<b>\$ 432,329</b>	<b>\$ 454,344</b>

**Source:**

Combined Balance Sheet, as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year.

**Note:**

The State changed its fund structure when GASB Statement No. 54 was implemented for Fiscal Year 2011.

**STATE OF DELAWARE**  
**Personal Income by Industry**  
**Last Ten Calendar Years**  
(Expressed in Millions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Earnings by industry</b>										
<u>Farm Earnings</u>										
Farm	\$ 258.0	\$ 281.0	\$ 197.0	\$ 202.0	\$ 126.0	\$ 196.0	\$ 154.0	\$ 166.0	\$ 170.0	\$ 296.0
<u>Non-farm Earnings</u>										
Private Earnings:										
Accommodation and Food Services	\$ 693.0	\$ 707.0	\$ 763.0	\$ 793.0	\$ 774.0	\$ 766.0	\$ 797.0	\$ 795.0	\$ 842.0	\$ 861.0
Administrative and Waste Services	781.0	914.0	975.0	1,006.0	964.0	919.0	968.0	1,029.0	1,056.0	1,116.0
Arts, Entertainment, and Recreation	289.0	271.0	288.0	289.0	295.0	304.0	364.0	360.0	355.0	360.0
Construction	1,853.0	-	2,147.0	2,005.0	1,901.0	1,577.0	1,547.0	1,552.0	1,609.0	1,729.0
Educational Services	272.0	275.0	284.0	297.0	318.0	319.0	312.0	322.0	342.0	329.0
Finance and Insurance	3,678.0	5,330.0	3,803.0	3,581.0	3,570.0	3,660.0	3,957.0	3,976.0	4,191.0	4,373.0
Forestry, Fishing, and Related Activities	16.0	21.0	17.0	16.0	- *	- *	- *	- *	- *	- *
Health Care and Social Assistance	2,590.0	2,759.0	2,892.0	3,121.0	3,410.0	3,483.0	3,642.0	3,803.0	3,949.0	4,052.0
Information	742.0	676.0	675.0	840.0	940.0	964.0	943.0	1,002.0	921.0	928.0
Management of Companies and Enterprises	1,048.0	1,009.0	1,119.0	1,100.0	1,268.0	1,074.0	1,222.0	1,117.0	1,153.0	1,025.0
Manufacturing, Durable and Non-durable	2,562.0	2,394.0	2,488.0	2,788.0	2,372.0	2,066.0	2,033.0	1,903.0	2,034.0	2,001.0
Mining	30.0	-	62.0	70.0	- *	- *	- *	- *	- *	- *
Professional, Scientific, and Technical Services	2,707.0	2,589.0	2,763.0	2,863.0	3,003.0	2,792.0	3,003.0	3,346.0	4,178.0	3,664.0
Real Estate and Rental and Leasing	671.0	678.0	710.0	562.0	754.0	893.0	988.0	873.0	831.0	847.0
Trade, Retail	1,708.0	1,794.0	1,867.0	1,882.0	1,720.0	1,732.0	1,780.0	1,854.0	1,848.0	1,869.0
Trade, Wholesale	1,176.0	1,235.0	1,303.0	1,362.0	1,337.0	1,247.0	1,241.0	1,297.0	1,311.0	1,250.0
Transportation and Warehousing	607.0	638.0	658.0	663.0	652.0	641.0	639.0	690.0	756.0	758.0
Utilities	237.0	249.0	265.0	255.0	276.0	275.0	281.0	271.0	281.0	300.0
Other Services, Except Public Administration	803.0	858.0	933.0	933.0	892.0	860.0	897.0	897.0	932.0	953.0
<b>Total Private Earnings</b>	<b>\$ 22,463.0</b>	<b>\$ 22,397.0</b>	<b>\$ 24,012.0</b>	<b>\$ 24,426.0</b>	<b>\$ 24,446.0</b>	<b>\$ 23,572.0</b>	<b>\$ 24,614.0</b>	<b>\$ 25,087.0</b>	<b>\$ 26,589.0</b>	<b>\$ 26,415.0</b>
Government and Government Enterprises:										
Federal, Civilian	\$ 372.0	\$ 384.0	\$ 386.0	\$ 447.0	\$ 497.0	\$ 491.0	\$ 516.0	\$ 532.0	\$ 541.0	\$ 530.0
Military	383.0	377.0	365.0	386.0	417.0	453.0	462.0	472.0	470.0	486.0
State and Local Government	3,327.0	3,333.0	3,534.0	3,671.0	3,726.0	4,085.0	4,069.0	3,890.0	4,046.0	3,966.0
<b>Total Government Enterprises</b>	<b>\$ 4,082.0</b>	<b>\$ 4,094.0</b>	<b>\$ 4,285.0</b>	<b>\$ 4,504.0</b>	<b>\$ 4,640.0</b>	<b>\$ 5,029.0</b>	<b>\$ 5,047.0</b>	<b>\$ 4,894.0</b>	<b>\$ 5,057.0</b>	<b>\$ 4,982.0</b>
<b>Total Non-farm Earnings</b>	<b>\$ 26,545.0</b>	<b>\$ 26,491.0</b>	<b>\$ 28,297.0</b>	<b>\$ 28,930.0</b>	<b>\$ 29,086.0</b>	<b>\$ 28,601.0</b>	<b>\$ 29,661.0</b>	<b>\$ 29,981.0</b>	<b>\$ 31,646.0</b>	<b>\$ 31,397.0</b>
<b>Total Earnings by Industry</b>	<b>\$ 26,803.0</b>	<b>\$ 26,772.0</b>	<b>\$ 28,494.0</b>	<b>\$ 29,132.0</b>	<b>\$ 29,212.0</b>	<b>\$ 28,797.0</b>	<b>\$ 29,815.0</b>	<b>\$ 30,147.0</b>	<b>\$ 31,816.0</b>	<b>\$ 31,693.0</b>
Less: Contributions for Government Social Insurance (1)	\$ (1,420.0)	\$ (2,993.0)	\$ (2,976.0)	\$ (3,110.0)	\$ (3,214.0)	\$ (3,106.0)	\$ (3,177.0)	\$ (2,834.0)	\$ (3,058.0)	\$ (3,416.0)
Plus: Adjustment for Residence (2)	(2,167.0)	(2,589.0)	(2,411.0)	(2,424.0)	(2,492.0)	(2,040.0)	(2,291.0)	(2,577.0)	(2,536.0)	(2,387.0)
Plus: Dividends, Interest and Rent (3)	5,811.0	5,992.0	6,771.0	7,026.0	6,981.0	6,083.0	6,308.0	6,809.0	7,443.0	7,375.0
Plus: Personal Current Transfer Receipts (4)	4,267.0	4,592.0	4,941.0	5,446.0	6,047.0	6,764.0	7,137.0	7,580.0	7,960.0	8,113.0
<b>Total Personal Income</b>	<b>\$ 33,294.0</b>	<b>\$ 31,774.0</b>	<b>\$ 34,819.0</b>	<b>\$ 36,070.0</b>	<b>\$ 36,534.0</b>	<b>\$ 36,498.0</b>	<b>\$ 37,792.0</b>	<b>\$ 39,125.0</b>	<b>\$ 41,625.0</b>	<b>\$ 41,378.0</b>

**Source:**

Personal income by major source and earnings by industry is provided by the Bureau of Economic Analysis, U.S. Department of Commerce ([www.bea.gov/regional/spi](http://www.bea.gov/regional/spi)) through estimates released September 2011.

**Notes:**

- (1) Contributions for government social insurance are included in earnings by type and industry, but they are excluded from personal income.
- (2) The adjustment for residence is the net inflow of the earnings of interarea commuters. For the United States, it consists of adjustments for border workers: wage and salary disbursements to U.S. residents commuting to Canada less wage and salary disbursements to Canadian and Mexican residents commuting into the United States.
- (3) Rental income of persons includes the capital consumption adjustment.
- (4) This component of personal income is payments to persons for which no current services are performed. It consists of payments to individuals and to nonprofit institutions by federal, state, and local governments and by businesses. Government payments to individuals includes retirement and disability insurance benefits, medical payments (mainly Medicare and Medicaid), income maintenance benefits, unemployment insurance benefits, veterans' benefits, and federal grants and loans to students. Government payments to nonprofit institutions excludes payments by the federal government for work under research and development contracts. Business payments to persons consists primarily of liability payments for personal injury and of corporate gifts to nonprofit institutions.

\* Not shown to avoid disclosure of confidential information , estimates for this item are not included and will not agree to detail total

**STATE OF DELAWARE**  
**Personal Income Tax Rates**  
**Last Ten Calendar Years**  
(Expressed in Millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Personal Income Tax Revenue (1)	\$ 782.4	\$ 878.2	\$ 1,013.2	\$ 1,012.7	\$ 1,008.5	\$ 914.5	\$ 743.8	\$ 986.0	\$ 1,095.5	\$ 1,130.5
Personal Income (2)	\$ 29,520.6	\$ 31,077.2	\$ 33,307.0	\$ 34,536.6	\$ 35,376.9	\$ 35,243.2	\$ 36,035.0	\$ 37,345.0	\$ 38,413.0	\$ 41,446.1
Average Effective Rate (3)	2.65%	2.83%	3.04%	2.93%	2.85%	2.59%	2.06%	2.64%	2.85%	2.73%

**Personal Income Tax Rates (4)**

<u>Tax Year</u>	<u>Taxable Income</u>	<u>Tax Liability</u>	<u>Plus</u>	<u>On Taxable Income Over</u>
2012-2013	\$60,000 and higher	\$2,943.50	6.75%	\$60,000
	\$25,000 - \$59,999	\$1,001.00	5.55%	\$25,000
	\$20,000 - \$24,999	\$741.50	5.20%	\$20,000
	\$10,000 - \$19,999	\$261.50	4.80%	\$10,000
	\$5,000 - \$9,999	\$66.00	3.90%	\$5,000
	\$2,000 - \$4,999	\$0.00	2.20%	\$2,000
	\$1,999 and lower	\$0.00	0.00%	\$0

<u>Tax Year</u>	<u>Taxable Income</u>	<u>Tax Liability</u>	<u>Plus</u>	<u>On Taxable Income Over</u>
2014	\$60,000 and higher	\$2,943.50	6.60%	\$60,000
	\$25,000 - \$59,999	\$1,001.00	5.55%	\$25,000
	\$20,000 - \$24,999	\$741.50	5.20%	\$20,000
	\$10,000 - \$19,999	\$261.50	4.80%	\$10,000
	\$5,000 - \$9,999	\$66.00	3.90%	\$5,000
	\$2,000 - \$4,999	\$0.00	2.20%	\$2,000
	\$1,999 and lower	\$0.00	0.00%	\$0

As an example, for tax year 2013, a taxable income over \$60,000, pays a tax of \$2,943.50 plus 6.75% of the taxable income in excess of \$60,000.

**Sources:**

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year. Personal income is provided by the Bureau of Economic Analysis, U.S. Department of Commerce ([www.bea.gov/regional/spi](http://www.bea.gov/regional/spi)) through estimates released September 2011. Delaware Department of Finance Fiscal Notebook

**Notes:**

- (1) Personal income tax revenue is net of refunds, on a cash basis, for the fiscal year.
- (2) Personal income is reported on a calendar basis.
- (3) The total direct rate for personal income is not available. Average effective rate equals personal income tax revenue divided by personal income.
- (4) The tax rate table is used to determine gross liability. Amounts shown are for all filing status returns.

**STATE OF DELAWARE**  
**Personal Income Tax Filers and Liability by Income Level**  
**Calendar Year 2011 and Ten Years Prior**

Tax Year 2001					Tax Year 2011						
Delaware AGI Taxpayer Percentile	Delaware AGI			Liability Net of Credits		Delaware AGI			Liability Net of Credits		
	Number of Filers	Average DE AGI	Percentage of Total	Total Liability	Percentage of Total	Number of Filers	Average DE AGI	Percentage of Total	Total Liability	Percentage of Total	
From: 0	To: 10	44,806	3,541	0.8%	\$ 40,808	0.0%	49,415	4,117	0.8%	\$ 104,712	0.0%
10	20	44,806	9,346	2.1%	1,275,688	0.2%	49,417	10,828	2.0%	2,005,890	0.2%
20	30	44,807	15,117	3.5%	6,437,487	1.0%	49,416	17,082	3.2%	8,227,435	0.9%
30	40	44,806	20,869	4.8%	15,281,493	2.4%	49,417	23,548	4.5%	17,444,328	1.8%
40	50	44,807	26,612	6.1%	25,653,222	4.0%	49,416	30,515	5.8%	31,761,610	3.4%
50	60	44,806	32,730	7.5%	37,400,125	5.8%	49,417	38,367	7.3%	50,412,280	5.3%
60	70	44,807	39,927	9.2%	51,426,282	7.9%	49,417	47,874	9.1%	71,044,881	7.5%
70	80	44,806	49,186	11.3%	68,745,842	10.6%	49,416	60,701	11.5%	97,480,787	10.3%
80	90	44,807	64,323	14.8%	96,231,636	14.9%	49,416	81,278	15.4%	144,024,141	15.2%
90	95	22,404	90,258	10.4%	77,030,177	11.9%	24,709	115,309	10.9%	116,413,366	12.3%
95	99	17,922	149,575	13.8%	113,538,260	17.5%	19,766	194,066	14.7%	186,403,909	19.7%
99	100	4,482	682,613	15.7%	154,657,406	23.9%	4,942	788,041	14.9%	220,736,868	23.3%

Source: Delaware Division of Revenue

Notes: The number of filers is equal for each 10 percentile.  
(1) Percentage of total is each respective income range's share of total AGI or Net Liability.

**STATE OF DELAWARE**  
**Franchise Taxes**  
**Last Ten Calendar Years**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Franchise Tax (In Millions)	\$ 515.8	\$ 508.1	\$ 524.8	\$ 539.7	\$ 566.3	\$ 574.2	\$ 633.6	\$ 615.8	\$ 612.6	\$ 606.4
Number of Filers	240,304.0	239,106.0	239,824.0	231,376.0	233,447.0	219,808.0	214,561.0	214,788.0	216,393.0	219,773.0
Average Amount per Filer	\$ 2,146.4	\$ 2,125.0	\$ 2,188.3	\$ 2,332.6	\$ 2,425.8	\$ 2,612.3	\$ 2,953.0	\$ 2,867.0	\$ 2,831.0	\$ 2,759.2

	Tax Year 2003-2007	Tax Year 2008	Tax Year 2009-2011
<b>Authorized Share Method</b>			
3,000 shares or less, Minimum Tax	\$ 35.00	\$ 75.00	\$ 75.00
3,001-5,000 shares	\$ 62.50	\$ 75.00	\$ 75.00
5,001-10,000 shares	\$ 112.50	\$ 150.00	\$ 150.00
Each additional 10,000 shares, add	\$ 62.50	\$ 75.00	\$ 75.00
Maximum Yearly Tax	\$ 165,000.00	\$ 165,000.00	\$ 180,000.00

Assumed Par Value Capital Method

- 1 Calculate "assumed par" by dividing total gross assets by total issued shares carrying the decimal to six places.
- 2 Multiply the assumed par by the number of authorized shares having a par value less than the assumed par.
- 3 Multiply the number of authorized shares with a par value greater than the assumed par value by their respective value.
- 4 Add the results of #2 and #3 above. The result is your assumed par value capital.
- 5 Calculate the tax by dividing the assumed par value capital, rounded up to the next million if it is over \$1,000,000 and multiply by \$200.00 for tax years 2000-2002  
For tax years 2003 to 2008, the multiplier is \$250. Beginning tax year 2009, the multiplier increased from \$250 to \$350.

**Sources:**

Delaware Economic and Financial Advisory Council (DEFAC) Revenue Forecast  
Delaware Secretary of State, Division of Corporations  
Delaware Department of Finance Fiscal Notebook

**STATE OF DELAWARE**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(Expressed in Thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental Activities</b>										
General Obligation Bonds	\$ 1,012,544	\$ 1,026,947	\$ 1,045,166	\$ 1,307,487	\$ 1,373,212	\$ 1,467,143	\$ 1,495,904	\$ 1,748,454	\$ 1,853,287	\$ 1,941,110
Revenue Bonds	-	-	-	-	-	-	-	-	56,170	56,170
Notes Payable	-	4,754	3,746	4,882	8,563	3,006	212	77	-	28,500
<b>Total Governmental Activities</b>	<b>1,012,544</b>	<b>1,031,701</b>	<b>1,048,912</b>	<b>1,312,369</b>	<b>1,381,775</b>	<b>1,470,149</b>	<b>1,496,116</b>	<b>1,748,531</b>	<b>1,909,457</b>	<b>2,025,780</b>
<b>Business-type Activities</b>										
General Obligation Bonds	-	-	-	3,383	2,783	2,107	1,451	787	441	246
Revenue Bonds	815,505	861,710	953,265	1,018,815	992,636	1,142,613	1,219,530	1,244,208	1,087,669	1,007,131
Notes Payable	-	40,000	-	-	-	-	-	-	-	-
<b>Total Business-type Activities</b>	<b>815,505</b>	<b>901,710</b>	<b>953,265</b>	<b>1,022,198</b>	<b>995,419</b>	<b>1,144,720</b>	<b>1,220,981</b>	<b>1,244,995</b>	<b>1,088,110</b>	<b>1,007,377</b>
<b>Total Primary Government</b>	<b>\$ 1,828,049</b>	<b>\$ 1,933,411</b>	<b>\$ 2,002,177</b>	<b>\$ 2,334,567</b>	<b>\$ 2,377,194</b>	<b>\$ 2,614,869</b>	<b>\$ 2,717,097</b>	<b>\$ 2,993,526</b>	<b>\$ 2,997,567</b>	<b>\$ 3,033,157</b>
<b>Personal Income</b>	\$29,520,592	\$31,077,231	\$33,306,984	\$34,536,652	\$35,376,923	\$35,243,169	\$36,035,000	\$37,345,000	\$38,413,000	\$41,446,000
<b>Debt as a Percentage of Personal Income</b>	6.19%	6.22%	6.01%	6.76%	6.72%	7.42%	7.54%	8.02%	7.80%	7.32%
<b>Population</b>	830	844	853	864	873	855	898	907	917	N/A
<b>Amount of Debt per Capita (Expressed in Thousands)</b>	\$2,202	\$2,291	\$2,347	\$2,702	\$2,723	\$3,058	\$3,026	\$3,300	\$3,269	N/A

**Sources:**

Personal income is provided by the Bureau of Economic Analysis, U.S. Department of Commerce ([www.bea.gov/regional/spi](http://www.bea.gov/regional/spi)) through estimates released September 2012. Population is provided by the Bureau of Census, U.S. Department of Commerce (<http://factfinder.census.gov>) through estimates released January 2012.

**Notes:**

Details regarding the State's outstanding debt can be found in the long-term liabilities note to the financial statements.

The prior year personal income amounts were updated to reflect revised U.S. Bureau of Economic Analysis estimates.

The prior year per capita amounts were updated to reflect U.S. Bureau of Census population estimates.

N/A - Data is not available at this time

**STATE OF DELAWARE**  
**Debt Limits**  
**Last Ten Fiscal Years**  
(Expressed in Millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Estimated General Fund Revenue	\$ 2,514.0	\$ 2,765.1	\$ 3,006.4	\$ 3,274.3	\$ 3,366.1	\$ 3,147.0	\$ 3,190.7	\$ 3,333.2	\$ 3,422.9	\$ 3,689.7
Projected New Tax-Supported Debt Authorizations (5%)	\$ 125.7	\$ 138.3	\$ 150.3	\$ 163.8	\$ 168.3	\$ 157.4	\$ 160.0	\$ 167.0	\$ 171.1	\$ 184.5

**Source:**

Delaware General Assembly

**Notes:**

There is no constitutional debt limit for the State.

In 1991, the General Assembly passed legislation to replace prior statutory debt limits with a three-part debt limit, as follows:

- 1 The aggregate principal amount of new "tax-supported obligations of the State" may not exceed 5% of the estimated budgetary general fund revenue for that fiscal year.
- 2 No "tax-supported obligations of the State" and no "Transportation Trust Fund debt obligations" of the Delaware Transportation Authority may be incurred if the aggregate maximum annual payments on all such outstanding obligations exceed 15% of the estimated budgetary general fund revenue plus Transportation Trust Fund revenue for the fiscal year following the fiscal year in which such obligations is incurred (the 15% test).
- 3 No general obligation debt (with certain exceptions) may be incurred if the maximum annual debt service payable in any fiscal year on all such outstanding obligations will exceed the estimated cumulative cash balances (including all reserves) for the fiscal year following the fiscal year in which the obligation is incurred.

**STATE OF DELAWARE**  
**General Obligation Debt Support**  
**Last Ten Fiscal Years**  
(Expressed in Millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>General Obligation Debt Supported by Budgetary General Fund Revenue</b>										
State Facilities	\$ 490.6	\$ 428.3	\$ 373.8	\$ 360.9	\$ 334.1	\$ 343.2	\$ 437.6	\$ 471.1	\$ 485.2	\$ 567.6
School Facilities (State Share)	247.1	260.6	264.8	464.0	522.5	608.7	542.0	604.7	665.6	641.5
<b>Subtotal</b>	<u>737.7</u>	<u>688.9</u>	<u>638.6</u>	<u>824.9</u>	<u>856.6</u>	<u>951.9</u>	<u>979.6</u>	<u>1,075.8</u>	<u>1,150.8</u>	<u>1,209.1</u>
<b>General Obligation Debt Supported by Budgetary Special Fund Revenue</b>										
Highway and Other Transportation Improvements	3.7	4.8	4.2	3.4	2.8	2.1	1.5	0.8	0.4	0.2
School Facilities (Local Share)	270.6	332.6	401.8	482.1	516.2	514.9	516.0	536.0	545.3	545.7
Housing Authority Loans	0.6	0.6	0.6	0.5	0.4	0.4	0.3	-	-	-
<b>Subtotal</b>	<u>274.9</u>	<u>338.0</u>	<u>406.6</u>	<u>486.0</u>	<u>519.4</u>	<u>517.4</u>	<u>517.8</u>	<u>536.8</u>	<u>545.7</u>	<u>545.9</u>
<b>Total General Obligation Debt Outstanding</b>	<u>\$ 1,012.6</u>	<u>\$ 1,026.9</u>	<u>\$ 1,045.2</u>	<u>\$ 1,310.9</u>	<u>\$ 1,376.0</u>	<u>\$ 1,469.3</u>	<u>\$ 1,497.4</u>	<u>\$ 1,612.6</u>	<u>\$ 1,696.5</u>	<u>\$ 1,755.0</u>
<b>Population (In Thousands)</b>	830.0	844.0	853.0	864.0	873.0	885.0	898.0	907.0	917.0	N/A
<b>Debt per capita (In Thousands)</b>	<u>1.22</u>	<u>1.22</u>	<u>1.23</u>	<u>1.52</u>	<u>1.58</u>	<u>1.66</u>	<u>1.67</u>	<u>1.78</u>	<u>1.85</u>	<u>N/A</u>

**Source:**  
Delaware Office of the State Treasurer

**Notes:**  
This table reflects the portion of general obligation debt supported by budgetary general fund and budgetary special fund revenue.  
Population and Debt per capita line added to conform to GFOA comments and suggestions.  
N/A - Data is not available at this time.

**STATE OF DELAWARE**  
**Pledged Revenue Coverage**  
**Last Ten Fiscal Years**  
(Expressed in Thousands)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Revenue Bonds - DelDOT</b>										
Revenue - Turnpike and Motor Vehicles	\$ 314,205	\$ 324,962	\$ 337,350	\$ 346,954	\$ 381,590	\$ 367,399	\$ 363,948	\$ 376,186	\$ 378,960	\$ 387,918
Debt Service:										
Principal	\$ 47,640	\$ 53,920	\$ 58,445	\$ 61,370	\$ 67,640	\$ 73,510	\$ 74,380	\$ 71,760	\$ 76,320	\$ 83,230
Interest	38,176	39,370	40,573	45,534	46,210	43,619	50,885	52,585	56,411	48,097
Debt Service Requirements	\$ 85,816	\$ 93,290	\$ 99,018	\$ 106,904	\$ 113,850	\$ 117,129	\$ 125,265	\$ 124,345	\$ 132,731	\$ 131,327
Coverage	3.66	3.48	3.41	3.25	3.35	3.14	2.91	3.03	2.86	2.95
<b>Revenue Bonds - DSU</b>										
Revenue - Student Tuition and Fees	\$ 39,191	\$ 43,695	\$ 50,551	\$ 51,836	\$ 56,381	\$ 57,036	\$ 59,197	\$ 66,712	\$ 75,769	\$ 82,393
Less: Operating Expenses	(24,104)	(26,227)	(32,089)	(40,683)	(41,855)	(41,224)	(44,105)	(47,454)	(58,230)	(61,156)
Net Available Revenue	\$ 15,087	\$ 17,468	\$ 18,462	\$ 11,153	\$ 14,526	\$ 15,812	\$ 15,092	\$ 19,258	\$ 17,539	\$ 21,237
Debt Service:										
Principal	1,653	1,617	2,078	1,440	1,480	1,585	1,710	1,845	2,030	1,700
Interest	737	763	505	2,279	2,814	4,381	3,542	3,510	3,310	4,923
Debt Service Requirements	\$ 2,390	\$ 2,380	\$ 2,583	\$ 3,719	\$ 4,294	\$ 5,966	\$ 5,252	\$ 5,355	\$ 5,340	\$ 6,623
Coverage	6.31	7.34	7.15	3.00	3.38	2.65	2.87	3.60	3.28	3.21
<b>Revenue Bonds - DSHA</b>										
Gross Revenues	\$ 150,211	\$ 89,697	\$ 81,632	\$ 82,689	\$ 134,059	\$ 144,322	\$ 294,656	\$ 259,106	\$ 360,467	\$ 314,633
Less: Operating Expenses	(1,794)	(1,995)	(1,137)	(660)	(849)	(962)	(893)	(2,944)	(504)	(321)
Net Available Revenue	\$ 148,417	\$ 87,702	\$ 80,495	\$ 82,029	\$ 133,210	\$ 143,360	\$ 293,763	\$ 256,162	\$ 359,963	\$ 314,312
Debt Service:										
Principal	128,665	73,964	58,956	51,517	84,578	79,687	217,757	219,278	232,105	275,434
Interest *	18,929	\$ 16,163	18,120	28,791	45,172	52,251	49,496	39,646	39,076	32,161
Debt Service Requirements	\$ 147,594	\$ 90,127	\$ 77,076	\$ 80,308	\$ 129,750	\$ 131,938	\$ 267,253	\$ 258,924	\$ 271,181	\$ 307,595
Coverage	1.01	0.97	1.04	1.02	1.03	1.09	1.10	0.99	1.33	1.02

**Sources:**

Delaware Department of Transportation  
Delaware State University  
Delaware State Housing Authority

**Notes:**

Gross revenues represent mortgage principal repayment, mortgage insurance claims received, unused bond proceeds and excess reserves. Expenses do not include interest or amortization. Abbreviations: Delaware Department of Transportation (DelDOT), Delaware State University (DSU), Delaware State Housing Authority (DSHA)

Debt service for Delaware State University includes Delaware State University Student Housing Foundation beginning in years 2004 through current

\*Interest on Delaware State University Student Housing Foundation is a variable rate. In 2007, the increase in interest is reflective in interest rates due to the market.

**STATE OF DELAWARE**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**  
(Expressed in Thousands, Unless Otherwise Stated)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Population</b>										
State	818	830	844	853	864	873	885	900	907	917
Percentage Change	1.5%	1.5%	1.7%	1.1%	1.3%	1.0%	1.4%	1.7%	0.8%	1.1%
National	290,850	293,657	296,410	299,398	301,621	304,060	307,007	309,350	311,592	313,914
Percentage Change	1.0%	1.0%	0.9%	1.0%	0.7%	0.8%	1.0%	0.8%	0.7%	0.7%
<b>Total Personal Income</b>										
State (In Millions)	\$27,140.1	\$29,330.9	\$29,010.2	\$32,947.1	\$34,574.7	\$35,667.4	\$35,360.0	\$35,688.1	\$37,600.0	\$40,558.0
Percentage Change	2.3%	8.1%	-1.1%	13.6%	4.9%	3.2%	-0.9%	0.9%	5.4%	7.9%
National (In Billions)	\$9,369	\$9,929	\$10,477	\$11,257	\$11,880	\$12,226	\$12,165	\$12,357	\$12,950	\$13,729
Percentage Change	3.5%	6.0%	5.5%	7.4%	5.5%	2.9%	-0.5%	1.6%	4.8%	6.0%
<b>Per Capita Personal Income</b>										
State	\$33,644	\$35,523	\$36,793	\$38,745	\$40,112	\$40,852	\$39,949	\$39,664	\$41,449	\$44,224
Percentage Change	1.9%	5.6%	3.6%	5.3%	3.5%	1.8%	-2.2%	-0.7%	4.5%	6.7%
National	\$32,284	\$33,899	\$35,447	\$37,728	\$39,430	\$40,208	\$39,626	\$39,945	\$41,560	\$43,735
Percentage Change	2.6%	5.0%	4.6%	6.4%	4.5%	2.0%	-1.4%	0.8%	4.0%	5.2%
<b>Resident Civilian Labor Force and Employment</b>										
Civilian Labor Force	424,500	428,900	438,000	440,300	442,700	442,902	434,704	425,685	439,181	444,042
Employed	406,700	411,600	419,500	424,500	427,800	421,838	399,669	389,583	406,952	412,444
Unemployed	17,800	17,300	18,500	15,800	14,900	21,064	35,035	36,102	32,229	31,598
Unemployment Rate	4.2%	4.0%	4.2%	3.6%	3.4%	4.8%	8.1%	8.5%	7.3%	7.1%

**Sources:**

Population is provided by the Bureau of Census, U.S. Department of Commerce (<http://factfinder.census.gov>) through estimates released January 2012.  
Personal income is provided by the Bureau of Economic Analysis, U.S. Department of Commerce ([www.bea.gov/regional/spi](http://www.bea.gov/regional/spi)) SA05N through estimates released September 25, 2012.  
Delaware Department of Labor, Office of Occupational and Labor Market Information

**Notes:**

Total personal income is comprised of earned income, dividends, interest and rents, and government transfer payments.  
Per capita income is calculated by dividing personal income by population; amounts may not be exact due to rounding.  
Numbers for prior years revised due to releases of updated data by the U.S. Bureau of the Census.

**STATE OF DELAWARE**  
**Principal Employers by Industry**  
**Last Ten Calendar Years**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Number of Employees by Industry</b>										
<u>Farm Compensation</u>										
Farm	3,379	3,255	3,163	3,137	3,210	3,041	2,983	3,129	3,084	3,417
<u>Non-farm Compensation</u>										
Private Compensation:										
Accommodation and Food Services	31,534	33,074	33,639	34,125	34,687	35,329	35,116	35,742	36,642	37,532
Administrative and Waste Services	26,656	27,668	28,233	29,541	30,624	29,671	27,809	27,746	28,359	28,155
Arts, Entertainment, and Recreation	12,389	12,676	12,967	13,077	12,865	13,135	12,909	13,724	14,172	14,124
Construction	33,310	36,191	-	40,579	38,218	34,975	29,750	28,416	28,063	27,049
Educational Services	7,864	8,078	8,618	9,202	9,137	9,187	9,211	9,214	9,021	9,311
Finance and Insurance	46,984	46,535	48,650	47,505	48,929	50,694	52,374	50,612	52,956	53,809
Forestry, Fishing, and Related Activities	819	859	862	834	880	840	-	-	-	-
Health Care and Social Assistance	49,676	51,085	52,861	54,547	56,953	61,062	62,083	62,877	64,377	65,912
Information	7,661	7,386	7,628	7,737	8,024	8,176	7,592	7,148	6,982	6,825
Management of Companies and Enterprises	12,074	13,199	13,196	12,808	12,089	11,874	11,074	10,548	9,198	8,630
Manufacturing, Durable and Non-durable	36,386	35,452	34,048	34,165	34,367	32,754	29,046	27,168	26,811	26,916
Mining	226	214	-	181	177	-	-	-	-	-
Professional, Scientific, and Technical Services	34,025	35,734	34,052	34,105	35,580	36,137	34,364	34,005	36,035	37,381
Real Estate and Rental and Leasing	16,745	18,472	20,522	21,474	23,225	23,009	22,526	22,750	23,868	24,618
Trade, Retail	60,297	61,017	62,370	62,937	63,905	62,057	59,098	58,437	59,618	59,751
Trade, Wholesale	15,091	15,822	16,048	16,358	16,038	15,739	14,478	13,620	13,818	13,866
Transportation and Warehousing	12,298	13,408	13,145	13,812	14,239	13,807	12,874	12,421	12,794	13,245
Utilities	2,227	2,234	2,231	2,236	2,191	2,281	2,185	2,150	2,004	2,057
Other Services, Except Public Administration	25,637	26,531	27,533	28,006	28,520	28,749	27,472	27,064	27,518	28,108
<b>Total Private Employment</b>	<u>431,899</u>	<u>445,635</u>	<u>416,603</u>	<u>463,229</u>	<u>470,648</u>	<u>469,476</u>	<u>449,961</u>	<u>443,642</u>	<u>452,236</u>	<u>457,289</u>
Governmental and Governmental Enterprises:										
Federal, Civilian	5,375	5,431	5,435	5,390	5,538	5,693	5,797	6,156	5,842	5,629
Military	9,396	9,033	8,422	8,032	8,275	8,378	8,464	8,674	8,699	8,974
State Governmental	30,375	29,984	30,556	31,739	32,670	33,176	32,581	32,804	32,570	32,516
Local Governmental	22,528	23,002	23,875	24,435	24,025	24,452	24,810	25,303	25,695	25,913
<b>Total Governmental Employment</b>	<u>67,674</u>	<u>67,450</u>	<u>68,288</u>	<u>69,596</u>	<u>70,508</u>	<u>71,699</u>	<u>71,652</u>	<u>72,937</u>	<u>72,806</u>	<u>73,032</u>
<b>Total Non-farm Employment</b>	<u>499,573</u>	<u>513,085</u>	<u>484,891</u>	<u>532,825</u>	<u>541,156</u>	<u>541,175</u>	<u>521,613</u>	<u>516,579</u>	<u>525,042</u>	<u>530,321</u>
<b>Total Employment</b>	<u>502,952</u>	<u>516,340</u>	<u>488,054</u>	<u>535,962</u>	<u>544,366</u>	<u>544,216</u>	<u>524,596</u>	<u>519,708</u>	<u>528,126</u>	<u>533,738</u>

**Source:**

Number of employees by industry is provided by the Bureau of Economic Analysis, U.S. Department of Commerce ([www.bea.gov/regional/spi](http://www.bea.gov/regional/spi)) through estimates released September 2011.

**Notes:**

Due to statutory requirements (confidentiality provisions), the State can not disclose the number employed by the ten largest employers. As an alternative comparison, this schedule presents the number employed by nonfarm related industries. The ten largest employers are nonfarm related; therefore, the number employed by those employers could be expected to fall within this schedule. Farming related employment is not included on this schedule because most farms are not large enough to be required to provide the necessary data to the State Department of Labor.

**STATE OF DELAWARE**  
**State Employees by Function**  
**Last Ten Fiscal Years**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Full-Time Employees</b>										
General Government	1,885	1,956	1,989	2,162	2,170	2,201	1,971	1,974	1,956	2,024
Health and Children's Services	5,552	5,770	5,888	6,000	6,113	5,761	5,031	5,053	5,024	4,978
Judicial and Public Safety	5,121	5,164	5,325	5,517	5,849	5,496	5,401	5,363	5,411	5,463
Natural Resources and Environmental Control	1,221	1,238	1,293	1,348	855	1,302	713	716	720	706
Labor	470	457	426	439	516	454	1,716	1,732	1,743	1,699
Transportation	1,839	1,950	1,997	1,994	1,843	1,997	445	441	435	434
Education	<u>15,538</u>	<u>15,940</u>	<u>16,493</u>	<u>16,555</u>	<u>16,655</u>	<u>16,530</u>	<u>16,753</u>	<u>17,039</u>	<u>17,366</u>	<u>17,571</u>
State Total	<u><u>31,626</u></u>	<u><u>32,475</u></u>	<u><u>33,411</u></u>	<u><u>34,015</u></u>	<u><u>34,001</u></u>	<u><u>33,741</u></u>	<u><u>32,030</u></u>	<u><u>32,318</u></u>	<u><u>32,655</u></u>	<u><u>32,875</u></u>

**Source:**

Delaware Payroll Human Resources Statewide Technology System

**Note:**

Includes employees of Local School Districts, but not those of Charter Schools.

**STATE OF DELAWARE**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Department/Agency	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Children, Youth and Their Families</b>										
Number of Youths in Care	8,130	7,885	8,882	9,129	8,115	7,532	22,539	23,442	25,068	22,987
<b>Corrections</b>										
Average Daily Inmate Population	6,672	6,655	6,837	7,088	7,156	7,018	6,727	6,577	6,652	6,884
<b>Department of Natural Resources and Environmental Control</b>										
Number of Visitors to State Parks	N/A	5,341,852	4,556,931	5,513,777	4,812,961	4,650,000	4,789,780	4,436,936	4,780,745	5,066,857
<b>Education</b>										
Public School Enrollment, Grades K-12	117,777	119,109	120,491	121,856	123,615	125,430	128,503	130,620	131,526	133,369
Delaware State University - Students Enrolled	3,270	3,270	3,722	3,690	3,756	3,534	3,819	4,178	4,425	4,877
Delaware Technical & Community College - Enrolled	18,783	19,462	19,593	19,565	20,349	20,484	21,352	21,654	21,062	20,366
<b>Health and Social Services</b>										
Medicaid Eligibles	130,411	136,885	142,515	143,386	148,827	156,266	173,769	193,633	207,067	212,693
Prescription Assistance Program	5,837	6,609	9,065	8,515	7,003	6,267	5,995	6,178	6,243	6,075
Childcare Caseloads	13,813	13,926	14,769	15,039	14,009	13,549	13,696	14,461	14,609	14,765
Client Visits to Service Centers	538,503	612,170	406,487	441,196	452,554	605,991	686,606	687,976	708,000	653,243
<b>Judicial</b>										
Court of Common Pleas - Filings	87,834	85,867	90,964	99,345	128,372	136,631	140,139	126,843	119,753	188,082
Superior Court - Civil Case Filings	10,922	10,878	11,041	12,869	13,177	14,137	15,060	23,265	20,676	20,676
<b>Labor</b>										
Workers' Compensations Petitions Filed	7,031	7,488	7,619	7,414	7,545	8,196	7,641	7,205	6,755	6,841
<b>Safety and Homeland Security</b>										
Number of Criminal Histories Requested	29,770	38,382	35,263	37,321	38,289	37,384	39,627	43,571	45,995	48,821
Calls to 911 Centers	617,769	346,044	605,194	395,701	434,562	596,691	263,424	325,803	296,796	555,060
<b>Transportation</b>										
Licensed Drivers	604,124	614,410	619,877	622,027	632,304	636,580	644,014	651,799	657,978	663,524
Registered Motor Vehicles	803,942	821,716	847,692	862,473	871,010	845,802	832,661	839,733	825,327	833,786
Bus ridership - Fixed Routes	7,792,570	8,052,452	8,472,093	8,313,800	8,628,149	9,146,869	9,218,232	9,920,213	11,594,262	11,195,263
Train Ridership - Newark to Philadelphia	783,663	838,578	974,890	1,028,631	1,073,296	1,137,709	1,106,742	1,158,650	1,207,644	1,232,098

**Sources:**

Delaware Department of Services for Children Youth & Their Families  
Delaware Department of Corrections  
Delaware Department of Education  
Delaware State University  
Delaware Technical & Community College  
Delaware Department of Health & Social Services  
Delaware Judicial Department  
Delaware Department of Labor  
Delaware State Police  
Delaware Department of Transportation

**Notes:**

Licensed drivers and registered motor vehicles are tracked on a calendar year.

**STATE OF DELAWARE**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Government</b>										
Acres of Farmland Permanently Preserved	5,360	2,770	3,216	1,094	2,948	2,896	4,487	5,927	6,355	5,859
<b>Health and Children's Services</b>										
Hospitals	5	5	5	5	6	6	6	6	5	5
Service Centers	14	14	14	14	15	15	15	15	15	15
<b>Natural Resources and Environmental Control</b>										
Acres of Wildlife Habitat Actively Managed	6,910	7,250	7,975	8,911	8,150	8,557	8,500	8,700	8,700	8,400
<b>Transportation</b>										
Centerline Miles	4,464	4,453	4,454	4,454	4,447	4,360	4,378	4,378	4,378	4,378
Centerline Miles Rated Good	3,296	3,070	3,055	3,071	3,007	3,423	3,796	3,796	3,796	3,796
Number of Bridges	1,371	1,374	1,417	1,457	1,509	1,556	1,562	1,566	1,591	1,601
Structural Rating of Good	1,029	1,048	1,112	1,131	1,118	1,144	1,137	1,140	1,149	1,151
Square Feet of Bridge Deck	7,163,000	7,241,809	7,267,932	7,289,913	7,311,730	7,330,395	7,341,988	7,354,916	7,174,339	7,614,980
Square Feet of Bridge Deck Rated Good	6,731,463	6,808,227	6,860,141	6,809,939	6,799,842	6,800,531	6,685,282	6,670,643	6,476,158	6,956,457
<b>National Guard</b>										
Number of Armory Facilities	14	14	14	14	13	12	12	12	10	11
<b>Education</b>										
Local School Districts										
Number of Elementary Schools	102	102	105	105	108	102	100	101	104	106
Number of Middle Schools	33	33	35	35	36	38	40	40	37	38
Number of High Schools	29	31	33	33	32	31	31	31	32	30
Number of Special Schools	14	14	14	14	14	13	13	15	14	14
Number of Administration Buildings	19	19	19	19	19	20	22	23	24	23

**Source:**

Delaware Department of Agriculture  
Delaware Office of Management and Budget  
Delaware Department of Transportation  
Delaware National Guard

**STATE OF DELAWARE**  
**Capital Asset Balances by Function**  
**Last Ten Fiscal Years**  
(Expressed in Thousands)

<b>Function</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Buildings</b>										
General Government	\$ 344,179	\$ 373,127	\$ 405,941	\$ 444,439	\$ 460,711	\$ 459,906	\$ 468,958	\$ 525,042	\$ 521,673	\$ 523,219
Health and Children's Services	123,800	145,342	149,535	151,888	158,691	190,450	188,454	193,410	191,778	190,865
Judicial and Public Safety	349,902	350,393	353,106	353,315	358,662	359,135	371,690	373,648	375,424	375,869
Natural Resources and Environmental Control	6,521	7,522	10,892	23,773	27,538	29,149	38,750	42,143	43,130	43,130
Transportation	53,415	60,820	54,857	55,051	77,471	89,564	91,065	98,057	104,837	109,638
Education	946,668	1,162,450	1,251,807	1,479,998	1,705,323	1,890,709	2,093,349	2,271,507	2,382,520	2,465,751
<b>Total Buildings</b>	<b>\$ 1,824,485</b>	<b>\$ 2,099,654</b>	<b>\$ 2,226,138</b>	<b>\$ 2,508,464</b>	<b>\$ 2,788,396</b>	<b>\$ 3,018,913</b>	<b>\$ 3,252,266</b>	<b>\$ 3,503,807</b>	<b>\$ 3,619,362</b>	<b>\$ 3,708,472</b>
<b>Land and Land Improvements</b>										
General Government	\$ 139,444	\$ 171,809	\$ 184,916	\$ 211,040	\$ 252,200	\$ 274,853	\$ 289,265	\$ 317,066	\$ 337,587	\$ 340,536
Health and Children's Services	3,894	10,282	10,620	11,469	11,993	13,667	13,518	13,518	13,518	13,518
Judicial and Public Safety	22,502	25,521	25,521	26,102	25,971	25,971	25,987	79,567	80,820	80,820
Natural Resources and Environmental Control	239,717	263,703	284,814	300,525	309,158	323,370	371,079	369,834	375,847	383,945
Transportation	113,673	164,703	211,272	206,411	222,986	249,775	276,761	276,761	276,761	283,876
Education	47,214	60,491	64,374	75,910	84,728	100,968	110,825	138,874	148,668	160,218
<b>Total Land and Land Improvements</b>	<b>\$ 566,444</b>	<b>\$ 696,509</b>	<b>\$ 781,517</b>	<b>\$ 831,457</b>	<b>\$ 907,036</b>	<b>\$ 988,604</b>	<b>\$ 1,087,435</b>	<b>\$ 1,195,620</b>	<b>\$ 1,233,201</b>	<b>\$ 1,262,913</b>
<b>Equipment and Vehicles</b>										
General Government	\$ 32,084	\$ 36,248	\$ 38,801	\$ 33,825	\$ 34,380	\$ 26,339	\$ 25,826	\$ 25,255	\$ 21,192	\$ 21,472
Health and Children's Services	14,385	13,740	14,639	18,209	19,684	20,876	17,486	18,203	18,377	17,453
Judicial and Public Safety	31,693	33,825	33,761	37,183	34,091	33,488	31,573	30,960	35,509	36,290
Natural Resources and Environmental Control	15,467	18,445	19,963	21,035	21,500	21,412	22,021	22,731	23,077	24,409
Transportation	149,831	158,779	161,945	179,466	218,606	220,630	237,416	239,415	254,506	268,900
Labor	715	730	712	875	875	806	862	862	662	946
Education	46,326	50,422	49,955	56,486	60,185	63,787	62,990	68,287	77,130	80,657
<b>Total Equipment and Vehicles</b>	<b>\$ 290,501</b>	<b>\$ 312,189</b>	<b>\$ 319,776</b>	<b>\$ 347,079</b>	<b>\$ 389,321</b>	<b>\$ 387,338</b>	<b>\$ 398,174</b>	<b>\$ 405,713</b>	<b>\$ 430,453</b>	<b>\$ 450,127</b>
<b>Infrastructure</b>										
Transportation	\$ 3,157,072	\$ 3,201,817	\$ 3,255,998	\$ 3,283,783	\$ 3,345,399	\$ 3,385,364	\$ 3,432,677	\$ 3,481,075	\$ 3,564,347	\$ 3,670,250

**Source:**  
Delaware Department of Finance

**Notes:**

Information regarding Infrastructure can be found in the Required Supplementary Information contained on page 121. Information is given as to the number of bridges and their condition as well as the center-lane miles and their condition for the past three years. The State preserves farmland under the Department of Agriculture which is part of General Government. In addition, land is preserved as park land under the Department of Natural Resources and Environmental Control. Other land is used for functional purposes of the department, including housing building to perform the Department's function.