

**State of Delaware
Deferred Compensation Plan**

Financial Statements

December 31, 2013 and 2012

Report Issued: August 9, 2016

State of Delaware Deferred Compensation Plan

Table of Contents

December 31, 2013 and 2012

	<u>Page</u>
Independent Auditors' Report	1
Required Supplementary Information	
Management's Discussion and Analysis	4
Financial Statements	
Statements of Net Position Available for Benefits	6
Statements of Changes in Net Position Available for Benefits	7
Notes to Financial Statements	8
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with Government Auditing Standards	23



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Independent Auditors' Report

To the Deferred Compensation Council
State of Delaware Deferred Compensation Plan
Dover, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of State of Delaware Deferred Compensation Plan, which comprise the statements of net position available for benefits as of December 31, 2013 and 2012, the related statements of changes in net position available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial

To the Deferred Compensation Council
State of Delaware Deferred Compensation Plan
Dover, Delaware

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 Plan'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position available for benefits of State of Delaware Deferred Compensation Plan as of December 31, 2013 and 2012, and the changes in net position available for benefits for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 and 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2016, on our consideration of the State of Delaware Deferred Compensation Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters.

To the Deferred Compensation Council
State of Delaware Deferred Compensation Plan
Dover, Delaware

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in consideration of the State of Delaware Deferred Compensation Plan's internal control over financial reporting and compliance.

Belfint, Lyons & Shuman, P.A.

July 25, 2016
Wilmington, Delaware

State of Delaware Deferred Compensation Plan

Management's Discussion and Analysis

December 31, 2013 and 2012

This discussion and analysis of the State of Delaware Deferred Compensation Plan (the "Plan") financial performance provides an overview of the Plan's financial activities for the years ended December 31, 2013 and 2012. Please read this section in conjunction with the Plan's financial statements which follow this section.

Financial Highlights

- Net position available for benefits increased by \$88.2 million during 2013 from \$419.7 million at December 31, 2012 to \$507.9 million at December 31, 2013. This increase was primarily due to contributions made to the Plan as well as gains on investments, net of distributions made to participants during 2013. Net position available for benefits increased by \$48.4 million during 2012 from \$371.3 million at December 31, 2011 to \$419.7 million at December 31, 2012. This increase was primarily due to contributions made to the Plan as well as gains on investments, net of distributions made to participants during 2012.
- Employee contributions were \$36.2 million and \$36.1 million for the years ended December 31, 2013 and 2012, respectively. Changes in contributions are primarily due to fluctuations in the average contribution per participant and number of active plan participants. There were approximately 12,400 and 12,800 active participants as of December 31, 2013 and 2012, respectively.
- Transfers into the Plan were \$1.7 million and \$1.2 million for the years ended December 31, 2013 and 2012, respectively. Changes in the amount of transfers in from year to year vary greatly and are the direct result of changes in the number of individuals performing these transactions.
- Net investment income increased to \$80.5 million in 2013 from \$44.6 million in 2012. Fluctuations in income are primarily due to changes in the funds offered by the Plan, changes in interest rates for fixed earnings investments as well as fluctuations in the financial market from year to year.
- Distributions paid to participants were \$30.1 million and \$33.3 million for the years ended December 31, 2013 and 2012, respectively. Fluctuations in the amount of distributions paid from year to year are primarily due to changes in the number of retirees per year as well as the average distribution per retiree. There were approximately 2,100 and 2,200 individuals who received a distribution from the Plan during the years ended December 31, 2013 and 2012, respectively.
- Administrative expenses and investment fees were \$56,586 and \$54,137 for the years ended December 31, 2013 and 2012, respectively. Fluctuations in these fees directly relate to changes in amount of total investments and the allocation of investments amongst the Plan's various investment options.

State of Delaware Deferred Compensation Plan

Management's Discussion and Analysis

December 31, 2013 and 2012

Overview of the Financial Statements

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

The following analysis focuses on net position available for benefits (Table 1) and changes in net position available for benefits (Table 2):

Table 1
Net Position Available for Benefits

	<u>2013</u>	<u>2012</u>
Investments	\$ 507,910,813	\$ 419,695,742
Net Position Available for Benefits	<u>\$ 507,910,813</u>	<u>\$ 419,695,742</u>

Table 2
Changes in Net Position Available for Benefits

	<u>2013</u>	<u>2012</u>
Additions:		
Participant Contributions	\$ 36,161,572	\$ 36,062,193
Rollover	1,742,704	1,178,364
Net Investment Income	80,482,091	44,573,713
Deductions:		
Benefits Paid to Participants	30,114,710	33,323,959
Administrative and Investment Fees	<u>56,586</u>	<u>54,137</u>
Change in Net Position	<u>\$ 88,215,071</u>	<u>\$ 48,436,174</u>

Financial Contact

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

State of Delaware Deferred Compensation Plan

Statements of Net Position Available for Benefits

December 31, 2013 and 2012

(See Independent Auditors' Report)

	<u>2013</u>	<u>2012</u>
Assets		
Investments, at Fair Value	\$ 507,910,813	\$ 419,695,742
Liabilities	-	-
Net Position Available for Benefits	<u>\$ 507,910,813</u>	<u>\$ 419,695,742</u>

The accompanying notes are an integral part of the financial statements

State of Delaware Deferred Compensation Plan

Statements of Changes in Net Position Available for Benefits

December 31, 2013 and 2012

(See Independent Auditors' Report)

	<u>2013</u>	<u>2012</u>
Additions		
Investment Income		
Net Appreciation in Fair Value of Investments	\$ 61,910,944	\$ 34,511,805
Interest and Dividends	18,571,147	10,061,908
	<u>80,482,091</u>	<u>44,573,713</u>
Net Investment Income		
	<u>80,482,091</u>	<u>44,573,713</u>
Contributions		
Participants	36,161,572	36,062,193
Rollovers	1,742,704	1,178,364
	<u>37,904,276</u>	<u>37,240,557</u>
Total Contributions		
	<u>37,904,276</u>	<u>37,240,557</u>
Total Additions	<u>118,386,367</u>	<u>81,814,270</u>
Deductions		
Benefits Paid to Participants	30,114,710	33,323,959
Administrative Expenses and Investment Fees	56,586	54,137
	<u>30,171,296</u>	<u>33,378,096</u>
Total Deductions		
	<u>30,171,296</u>	<u>33,378,096</u>
Net Increase in Net Position	<u>88,215,071</u>	<u>48,436,174</u>
Net Position		
Beginning of Year	419,695,742	371,259,568
End of year	<u>\$ 507,910,813</u>	<u>\$ 419,695,742</u>

The accompanying notes are an integral part of the financial statements

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Auditors' Report)

1. Description of the Plan

The following description of the State of Delaware Deferred Compensation Plan (the "Plan") provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan, under Section 457(b) of the Internal Revenue Code (the "IRC"), covering all employees of the State of Delaware (the "State"). Under the Plan's provisions, employees of the State who are otherwise eligible for the State's employee benefits plans are eligible to participate in the Plan. The Plan excludes individuals hired on a temporary basis, including "casual/seasonal" employees, and consultants. Title 29, Part V, Chapter 60A of the Delaware State Code (the "Code") covers deferred compensation for public offices and employees of the State. The Code gives authority to the Deferred Compensation Council, which is responsible for oversight of the Plan. Clerical administration is the responsibility of the office of the State Treasurer.

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

Contributions

Each year, participants may contribute up to 100% of pretax annual compensation, as defined by the plan document, up to the maximum limits of the IRC. Participants who have attained age 50 before the end of the plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The State does not make any contributions to the Plan.

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

The Plan also allows special limitation (or Section 457 catch up) for certain participants. The allowability of these contributions is as follows:

For one or more of the participant's last three taxable years ending before the participant attains Normal Retirement Age, notwithstanding the limits set above, the maximum amount that may be contributed shall be the lesser of:

- a. Twice the dollar amount in effect (\$17,500 for calendar year 2013 and \$17,000 for calendar year 2012) (Basic Limitation); or

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Auditors' Report)

- b. The underutilized limitation. For such purposes, the underutilized amount is the sum of:
 1. An amount equal to (i) the Basic Limitation identified above (\$17,500 for calendar year 2013 and \$17,000 for calendar year 2012) of the taxable year plus each calendar year beginning after December 31, 2001 during which the participant was an employee under the Plan reduced by (ii) the participant's annual deferrals under the Plan during such years.
 2. An amount equal to such limitation as established under Section 457(b)(2) of the IRC for each taxable year beginning after December 31, 1978 and before January 1, 2002 in which the participant was eligible to participate less the amount of the participant's annual deferrals to Pre-2002 Coordination Plans (as defined in the plan document) for such prior taxable year or years (disregarding any age 50 catch-up deferrals). In determining the underutilized limitation for taxable years prior to 2002, the special rules set forth in Treas. Reg § 1.457-4(c)(3)(iv) shall be applied.

Participant Accounts

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

Employees electing to participate in the Plan may contribute to any variable earnings investments consisting of various publicly-traded mutual funds and a self-directed brokerage fund.

Vesting

Participants are immediately vested in their contributions plus actual earnings thereon.

Payment of Benefits

On termination of service due to death, disability, retirement, or other reasons, a participant will receive either a lump-sum amount equal to the value of the participant's vested interest in their account or periodic payments. In addition, the Plan allows for hardship distributions if certain criteria are met.

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

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Auditors' Report)

2. Summary of Significant Accounting Policies

Financial Statement Presentation and Basis of Accounting

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

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

Use of Estimates

The preparation of financial statements in conformity with 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 changes therein, and disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

Interest income is recorded on the accrual basis.

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

Administration of Plan Assets

The Plan is administered by the State of Delaware and the Deferred Compensation Council. The Plan's assets are administered under contract with Fidelity Management Trust Company, the trustee

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Auditors' Report)

of the Plan. The trustee invests funds received from contributions, investment sales, interest, and dividend income and makes distribution payments to participants. Certain administrative expenses of maintaining the Plan are paid by the State.

Participants may also select a Self-Directed brokerage account through Brokeragelink. The annual account fee for this account was waived for the years ending December 31, 2013 and 2012.

Payment of Benefits

Benefits are recorded when paid.

Administrative Expenses

Certain expenses of maintaining the Plan are paid by the Plan, unless otherwise paid by the State. Expenses paid by the State are excluded from these financial statements. Costs associated with participant-initiated transactions are paid by the respective participant's accounts. Some administrative expenses are paid from the annual operating expenses of the Plan's designated investment alternatives, which are netted against the investment earnings for the relevant participant-directed investments.

3. Related-Party Transactions

Certain members of the Deferred Compensation Council are participating or retired members of the Plan.

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

Certain administrative functions of the Plan are performed by officers or employees of the State. No such officer or employee receives compensation from the Plan.

4. Plan Termination

Although it has not expressed any intent to do so, the State has the right at any time to terminate the Plan.

5. Tax Status

In the opinion of the legal counsel, the Plan is an eligible deferred compensation plan as defined by Section 457 of the IRC. Accordingly, any amount of compensation deferred under the Plan and any income attributable to the amounts so deferred shall be included in the gross income of the participant only for the taxable year in which such compensation or other income is paid or, otherwise, made available to the participant or their beneficiary.

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Auditors' Report)

6. Risks and Uncertainties

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

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are managed by several fund managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Council. The investments that exceed 5% are identified in Note 7.

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

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

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds of countries outside the United States that invest in securities not required to disclose the individual assets within the fund. The fair value of these investments was \$27,511,206 and \$23,936,451 as of December 31, 2013 and 2012, respectively. The individual funds are identified in Note 7.

7. Investments

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

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Auditors' Report)

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

The Deferred Compensation Council has overall responsibility for ensuring the assets of the Plan are in compliance with all applicable laws governing the operation of the Plan and establishing the related investment guidelines and policies.

The Council has authorized the Plan to invest in the following investment types:

- Low risk mutual funds which include money market securities and/or stable value investments with a short-term (1-4 years) average duration.
- Balanced mutual funds which include domestic and international stocks, bonds, and cash.
- Equity mutual funds that differ in investment style (growth vs. value) and capitalization bias (large cap, mid-cap and small cap).
- Intermediate bond mutual funds which include mutual funds that own investment grade debt securities with an intermediate term (3-10 years) average duration.
- International mutual funds which include mutual funds that invest in securities of countries outside the U.S. and diversify their investments across a broad range of markets and securities.

The Plan's investments (including gains and losses on investments bought, sold, as well as held during the year) appreciated in value by \$61,910,944 and \$34,511,805 during 2013 and 2012, respectively.

The fair value of investments held by the Plan at December 31, 2013 and 2012 were as follows. Investments marked with an asterisk (*) represent individual investment options which exceed 5% of the net position available for benefits as of December 31, 2013 and/or 2012. Investments marked with two asterisk (**) represent international funds.

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Auditors' Report)

	Fair Value	
	2013	2012
Fidelity Variable Earnings Investments:		
Fidelity Fund	\$ 4,338,243	\$ 3,296,913
Puritan	7,565,565	6,257,582
Trend	428,885	287,865
Select Computers	431,196	323,845
Select Electronics	765,751	639,456
Select Cons Staples	1,039,599	876,017
Value Strat	178,307	124,799
GNMA	1,095,666	1,273,838
Magellan	275,508	179,413
Contra Fund	11,094,636	8,432,833
Equity Inc	1,043,429	927,758
Growth Company	4,013,456	2,743,020
Invest Gr Bd	679,334	760,269
Growth & Inc	1,076,350	728,027
Select Software	1,221,977	757,357
Intermed Bond	1,020,834	1,199,676
Select Air Transprt	105,829	46,987
Capital & Income	2,054,058	1,727,386
Value	2,518,222	1,924,521
Mortgage Sec	158,394	107,688
Select Gold	1,014,371	1,552,046
Select Biotech	3,699,476	1,869,018
Select Energy Svcs	679,516	588,025
Select Insurance	180,527	94,207
Select Retailing	801,167	335,488
US Govt Res	1,260,190	1,720,942
Fidelity Govt Income	1,184,339	1,693,754
Fidelity Cash Resrve	3,250,293	2,935,078
Select Energy	1,868,230	1,587,246
Select Leisure	387,475	246,949
Select Healthcare	2,274,201	1,337,169
Select Technology	2,184,042	1,824,399
Select Utilities	372,686	336,708
Select Financial	134,077	143,917
Select Defense	1,312,598	869,409
Select Brokerage	144,913	93,861
Select Chemicals	1,200,664	1,063,877
Independence	1,008,795	701,728
Select Money Market	7,027,714	6,955,087
OTC Portfolio	1,196,195	784,282

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Auditors' Report)

	Fair Value	
	2013	2012
Fidelity Variable Earnings Investments - Continued:		
Overseas	\$ 290,696 **	\$ 202,296 **
Select Telecomm	190,058	153,401
Select Consumer Fin	84,387	59,370
Leverged Co Stock	2,182,985	1,522,197
New Millen	170,375	55,590
Europe	99,666 **	51,834 **
Pacific Basin	144,475 **	84,460 **
Real Estate Invest	920,540	964,085
Balanced	4,720,140	3,513,291
International Discovery	1,402,883 **	1,134,044 **
Capital Apprec	7,072,879	5,249,907
Convertible Sec	240,581	339,473
Canada	881,758 **	1,260,406 **
Telecom & Util	235,977	219,259
Blue Chip Gr	3,565,144	2,473,076
Asset Mgr 50%	908,275	590,724
Disciplnd Eqty	250,709	171,296
Low Priced Stk	7,710,540	5,641,789
Worldwide	315,425 **	219,699 **
Eq Div Income	16,823,450	14,079,806
Stock Select All Cap	371,760	62,885
Asset Mgr 70%	1,396,192	1,087,961
Emerging Mkts	681,863 **	724,941 **
Growth Strat	8,934,811	6,930,635
Diversifd International	6,052,275 **	5,169,072 **
Asset Mgr 20%	909,225	969,016
Dividend Gr	5,549,278	4,696,400
New Markets Inc	1,453,501	1,842,811
Export & Multi	1,016,690	907,513
Focused Stock	312,518	173,046
Global Balanced	1,083,331 **	866,704 **
International Cap Apprec	195,657 **	155,500 **
Stk Select Sm Cap	377,650	245,653
Mid Cap Stock	2,488,717	1,824,501
Large Cap Stock	599,998	356,306
Growth Disc	874,095	641,878
Small Cap Stock	1,023,988	922,926
Europe Cap App	179,019 **	125,211 **
Nordic	301,885 **	182,271 **
Asset Mgr 85%	1,072,278	801,066

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Auditors' Report)

	Fair Value	
	2013	2012
Fidelity Variable Earnings Investments - Continued:		
Latin America	\$ 708,420 **	\$ 1,071,661 **
Japan	50,871 **	38,402 **
Emerging Asia	378,518 **	356,322 **
China Region	1,200,309 **	1,031,391 **
Select IT Services	613,113	236,810
Select Med Eq & Sys	804,169	654,034
Four In One Idx	1,592,561	1,146,185
Japan Small Co	159,323 **	74,120 **
Mega Cap Stock	671,564	363,807
Strategic Income	1,338,675	1,444,842
Freedom Income	2,562,900	2,430,130
Freedom 2000	1,581,043	1,597,053
Freedom 2010	17,443,165	17,851,636
Freedom 2020	50,187,982 *	42,412,765 *
Freedom 2030	28,868,293 *	22,326,966 *
Sm Cap Discovery	2,156,146	861,006
Treasury Only Mm	555,285	562,159
Short Term Bond	484,823	338,849
Intm Govt Income	279,196	351,001
High Income	646,090	611,307
Fifty	795,035	613,690
Select Automotive	84,474	25,350
Select Multimedia	525,281	190,012
Select Medical Del	596,896	512,566
Select Banking	267,696	176,320
Select Materials	329,509	346,730
Select Indust Equip	83,386	54,555
Select Constr/house	214,089	149,997
Select Transport	364,444	219,956
Select Natural Gas	620,964	578,835
Select Natural Res	528,320	472,105
Select Industrials	215,839	178,837
Select Env Alt Engy	89,688	58,954
Select Cons Discr	64,515	29,842
Select Comm Equip	99,786	137,503
Select Pharmaceutcl	596,021	331,656
Retire Mmkt	19,652,418	20,436,354
Ret Govt Mm	815,388	867,214
CI 1	9,704,814	9,350,751
Ltd Term Govt	451,153	431,817

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Auditors' Report)

	Fair Value	
	2013	2012
Fidelity Variable Earnings Investments - Continued:		
StkSelect Lgcap Val	\$ 401,220	\$ 315,091
Freedom 2040	12,200,121	9,151,937
Mid Cap Value	690,555	465,299
Large Cap Growth	-	178,042
Mid Cap Growth	-	181,537
Inflat Prot Bond	437,253	739,559
Ultrashort Bond	87,676	73,461
Float Rt Hi Inc	239,188	68,907
International Small Cap	616,236 **	448,123 **
Total Bond	857,913	858,692
Value Discov	476,826	328,812
Real Estate Inc	452,775	317,253
Select Wireless	823,418	648,193
Blue Chip Value	418,413	295,839
Nasdaq Comp Indx	316,963	174,532
Freedom 2005	1,657,836	1,540,973
Freedom 2015	21,853,126	19,123,443
Freedom 2025	22,916,151	18,245,511
Freedom 2035	13,099,107	9,423,453
Strategic Div & Inc	276,772	185,449
Focused High Inc	173,619	129,804
Fidelity International Real Estate	378,620 **	264,554 **
Fidelity Small Cap Growth	333,585	224,463
Fidelity Small Cap Value	453,756	224,970
Fidelity International Sm Cap Opp	157,268 **	124,949 **
Fidelity Strat Real Ret	117,119	164,609
Spartan Tot Mkt Idx Adv	2,115,123	1,210,504
Spartan Ext Mkt Idx Adv	1,157,080	765,035
Spartan International Index Adv	1,316,946 **	955,985 **
Spartan 500 Index Adv	3,229,827	2,267,171
Spartan St Tr Idx Adv	437,785	541,908
Spartan Int Tr Idx Adv	508,392	528,166
Spartan Lt Tr Idx Adv	197,891	458,714
International Value	31,772 **	23,472 **
Freedom 2045	5,239,621	3,725,822
Freedom 2050	3,051,159	2,110,115
LC Core Enh Indx	24,476	6,849
LC Val Enh Indx	58,663	23,702
LC Gro Enh Indx	339,734	46,817
Asset Mgr 30%	151,713	99,343

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Auditors' Report)

	Fair Value	
	2013	2012
Fidelity Variable Earnings Investments - Continued:		
Asset Mgr 40%	\$ 8,744	\$ 5,930
Asset Mgr 60%	89,363	97,356
Global Strat	21,514 **	17,077 **
Total International Eq	3,831 **	3,375 **
International Growth	75,031 **	35,384 **
International Enh Index	1,309 **	-
Sm Cap Enh Indx	96,105	36,014
Mid Cap Enh Indx	194,493	56,814
EMEA	132,133 **	108,693 **
130/30 Lg Cap	-	2,574
Global Comdty Stk	129,590 **	112,388 **
Corporate Bond	34,855	169,170
Consv Inc Bd	7	-
Global High Income	27,048 **	8,142 **
Spartan Us Bond Idx Adv	1,125,167	1,132,228
Fidelity Freedom 2055	242,665	71,661
Spartan Em Mkts Idx Adv	62,211	9,014
Spartan Global Xus Idx Adv	47,509 **	-
Spartan Mid Cap Idx Adv	68,300	570
Spartan Real Es Idx Adv	43,420	27,139
Spartan Sm Cap Idx Adv	40,590	4,912
Fidelity Total Emerg Mkts	19,618 **	11,971 **
Fidelity Emerg Mkts Disc	21,486 **	4,370 **
SA Core Multi Mgr	9,399	2,214
SA Growth Multi Mgr	125	-
SA Value Multi Mgr	1,825	-
SA Smid Multi Mgr	2,009	-
Fidelity Global Eq Income	24,910 **	9,668 **
Fidelity Stk Select Mid Cap	242,736	-
Spartan Infl Pr Idx Adv	798	9,045
Fidelity Global Bond	1,566 **	6,213 **
Fidelity International Bond	8,078 **	5,412 **
SA Income Oppty Fof	1	-
SA Multi Mgr 2010	47,197	-
SA Multi Mgr 2020	44,347	-
SA Multi Mgr 2025	307	-
SA Multi Mgr 2030	510	-
SA Multi Mgr 2035	2,150	-
SA Multi Mgr 2040	1,130	-
SA Multi Mgr 2050	1,343	-

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Auditors' Report)

	Fair Value	
	2013	2012
Fidelity Variable Earnings Investments - Continued:		
Fidelity Treasury Mmkt	\$ 9,204	\$ -
Janus Global Research T	3,431,206 **	2,943,516 **
Neuberger Guardian Trust	16,113	11,198
Pimco Total Rt Inst	10,710,882	12,159,980
Domini Social Eq Inv	1,841,180	1,389,975
Janus Forty S	704,356	537,967
DWS Core Equity S	66,208	41,802
American Century Ultra Inv	56,277	32,732
ABF Balanced Inv	270,662	155,649
ABF International Equity Inv	101,683 **	68,171 **
ABF Sh Term Bond Inv	49,477	46,021
MSIF Growth I	166,114	86,094
Tmpl Frgn Sm Co A	79,919 **	61,736 **
Mutual Gbl Discvry A	808,508 **	695,737 **
Baron Growth	2,210,277	1,540,815
Baron Asset Fund	222,678	153,388
Calvert Balanced A	58,305	46,534
Calvert Equity A	73,516	56,198
Calvert Cap Acc A	46,041	14,451
Calvert International Eq A	15,103 **	3,417 **
Loomis Sm Cap Val R	30,644	18,372
JH Small Company A	54,583	82,555
FPA Crescent	911,722	738,198
RHJ Micro Cap	167,182	102,650
Mckee International Eq	32,623 **	25,889 **
Ariel Fund	383,851	240,962
Ariel Appreciation	590,420	399,362
Neuberger Core Bond Inv	26,514	28,495
Alger Cap Apprec I	1,537,497	1,266,777
Alger Midcap Grth I	878,043	646,132
Alger Sm Cap Gr Is I	159,337	110,428
Drey Mid-cap Grth F	64,233	46,557
Fkln Smmidcap Grth A	394,627	246,443
Harbor Cap Appr Inst	381,828	296,950
Invesco Constellation A	-	82,878
Janus Flexible Bd T	712,343	678,679
Templeton Foreign A	755,937 **	533,544 **
MSIF Global Strat A	11,339 **	8,852 **
MSIF Cp Fx Inc A	68,281	62,955
MSIF Mid Cap Grth A	266,638	191,566

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Auditors' Report)

	Fair Value	
	2013	2012
Fidelity Variable Earnings Investments - Continued:		
MSIF Sm Co Grth A	\$ 97,049	\$ 101,150
MSIF Active International A	33,027 **	30,631 **
MSIF Emerging Mkts A	165,209 **	205,543 **
Mutual Shares A	680,378	526,470
AMG M Special Eq Srv	52,772	28,251
Neuberger Focus Trust	33,932	29,343
Neuberger Genesis - Tr Cl	963,543	942,267
Neuberger Mdcpr Grth Trust	10,346	7,752
Neuberger Lg Cap Val Tr	100,242	100,592
Neuberger Socially Resp Tr	127,931	81,133
Oakmark Selectect I	680,260	545,905
Oakmark Eq & Inc I	3,046,906	2,553,650
Oakmark Fund I	889,435	620,913
AMG Mc Cap Appr Srv	69,299	75,007
AMG Mc Mid Cap Srv	7,353	14,401
Pimco Globalbnd Ad Unhdgd	474,376 **	524,761 **
Pimco High Yield Adm	621,380	583,566
Pimco Low Dur Adm	1,024,252	535,893
Pimco Lt Us Govt Adm	700,336	1,157,423
CB Value Tr I	3,559,266	2,760,973
WFA Ultra St Inc Inv	26,304	29,274
WFA Shrtterm Bnd Inv	36,229	1,147
WFA Discovery Inv	86,811	39,564
WFA Growth Inv	1,309,472	926,783
WFA Common Stock Inv	75,141	62,902
WFA Opportunity Inv	144,116	105,410
WFA Lg Cap Grth Inv	133,539	39,832
WFA Govt Securty Inv	84,194	144,632
Templeton Dev Mkts A	245,766 **	298,579 **
Templeton Growth A	418,279	279,489
Templeton Global Bond A	1,729,561 **	1,912,804 **
Templeton World A	505,811 **	410,786 **
USAA Crnstn Mod Aggr	141,871	109,903
USAA Govt Sec	56,734	97,242
USAA Income Fund	905,000	775,082
USAA Income Stock	136,234	92,882
USAA International	145,314 **	110,453 **
USAA Growth Fund	315,051	187,976
USAA Emerging Mkts	139,727 **	128,405 **
Invesco Constellation A	-	48,609

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Auditors' Report)

	Fair Value	
	2013	2012
Fidelity Variable Earnings Investments - Continued:		
Aberdeen Global Fx Inc Is	\$ 4,977 **	\$ 11,551 **
Artisan International	716,580 **	274,508 **
MSIF International Equity A	60,773 **	49,221 **
Royce Low Pr Stk Is	644,362	608,509
Invesco Smcp Grth Inv	152,879	102,127
Dreyfus Strategic Val I	276,190	162,166
Dreyfus Research Grth Z	93,265	64,273
Invesco Value Opps A	209,038	147,227
Tchstn Focused Y	152,060	106,732
Invesco Am Franchise A	86,399	4,262
TCW Sm Cap Grth N	15,307	10,398
Vanguard Inst Index	25,301,298	19,178,226
Invesco Global Smmdep Gr A	55,520 **	46,811 **
AMG Mgrs Bond S	1,034,527	798,942
Tcw Selectect Equity N	135,691	88,606
Aberdeen Us Equity Ii A	-	26,920
Ld Abt Mid Cap Stk A	441,577	519,627
Artisan Mid Cap Inv	830,754	510,574
Tchstn International Smcap Y	25,911 **	16,457 **
WFA Sm Cap Val Inv	390,363	493,882
Invesco Grth & Inc A	495,504	353,195
DWS Equity Div A	87,418	100,960
Vang Morgan Grth Adm	1,249,527	920,866
Invesco Mid Cap Grth A	121,221	-
Invesco Equity & Inc A	257,810	339,736
Invesco Mdep Core Eq A	67,858	50,337
Perkins Mid Cp Val T	1,204,886	1,050,296
Wa Core Bond Fi	243,932	197,425
Vang Windsor Adm	5,737,781	4,464,621
Alzgi NFJ Smcpvl Adm	971,124	787,023
AF New Perspect R5	389,514	425,181
Aberdeen Us Equity I A	179,406	61,874
ABF Sm Cap Val Inv	71,390	77,429
American Century Lg Co Val Inv	110,886	83,814
American Century Sm Comp Inv	66,522	42,159
ABF Lg Cap Val Inst	1,540,951	955,279
Calvert Small Cap A	56,503	7,897
Invesco Divrs Divd Inv	109,549	72,041
Tchstn Mdep Val Op Y	98,442	60,149
Janus Balanced S	197,044	117,167

State of Delaware Deferred Compensation Plan

Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Auditors' Report)

	Fair Value	
	2013	2012
Fidelity Variable Earnings Investments - Continued:		
Janus Flexible Bd S	\$ 115,195	\$ 111,857
Janus Overseas S	269,668 **	319,853 **
Janus S	36,117	27,669
Janus Global Research S	91,265 **	52,914 **
Aberdeen International Eq Inst Sv	148,963 **	77,681 **
MSIF Global Franchise A	321,601 **	236,521 **
Drey/BC S/md Cp Gr A	215,884	125,853
Dreyfus Research Grth A	146,195	99,869
Aberdeen US Equity I	65,430	67,591
Brokeragelink	10,354,297	6,553,842
	<u>\$ 507,910,813</u>	<u>\$ 419,695,742</u>



*Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards*

To the Deferred Compensation Council
State of Delaware Deferred Compensation Plan
Dover, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Delaware Deferred Compensation Plan as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the State of Delaware Deferred Compensation Plan basic financial statements and have issued our report thereon dated July 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Delaware Deferred Compensation Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Delaware Deferred Compensation Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Delaware Deferred Compensation Plan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Plan's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a

To the Deferred Compensation Council
State of Delaware Deferred Compensation Plan
Dover, Delaware

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Delaware Deferred Compensation Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Belfint, Lyons & Shuman, P.A.

July 25, 2016
Wilmington, Delaware