

State of Delaware
Other Postemployment Benefits (OPEB) Fund Trust

Schedules of Employer Allocations and OPEB Amounts by Employer

As of and for the Years Ended June 30, 2017 and 2016

**State of Delaware
OPEB Fund Trust**

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INDEPENDENT AUDITORS' REPORT

The Honorable Governor and
Honorable Members of the State Legislature
State of Delaware Other Postemployment Benefits Fund Trust

Report on Schedule

We have audited the accompanying schedule of employer allocations of the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust, as of and for the years ended June 30, 2017 and 2016, and the related notes.

We have also audited the total for all entities of the columns titled net OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total employer OPEB expense as of and for the year ended June 30, 2017 and the net OPEB liability, as of and for the year ended June 30, 2016 (specified column totals), included in the accompanying schedule of OPEB amounts by employer, and the related notes.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of these schedules 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 the schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of OPEB amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and the specified column totals included in the schedule of OPEB amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the specified column totals included in the schedule of OPEB amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and the specified column totals included in the schedule of OPEB amounts by employer, 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 schedule of employer allocations and the specified column totals included in the schedule of OPEB amounts by employer 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.

The Honorable Governor and
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State of Delaware Other Postemployment Benefits Fund Trust

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 schedule of employer allocations and the specified column totals included in the schedule of OPEB amounts by employer.

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

Opinion

In our opinion, the Schedules referred to above present fairly, in all material respects, the employer allocations and the total for all OPEB participating entities of the columns titled net OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total employer OPEB expense of the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust as of and for the year ended June 30, 2017, and the net OPEB liability for the year ended June 30, 2016 in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, 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, the financial statements of the State of Delaware as of and for the year ended June 30, 2017, and our report thereon, dated December 22, 2017, expressed an unmodified opinion on those statements.

Restriction on Use

Our report is intended solely for the information and use of the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust, the Governor and Honorable Members of the Delaware State Legislature, the OPEB employers, and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018, on our consideration of the State of Delaware OPEB Fund Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the State of Delaware OPEB Fund Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Delaware OPEB Fund Trust's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
June 26, 2018

State of Delaware
OPEB Fund Trust
Schedule of Employer Allocations
As of and for the years ended June 30, 2017 and 2016

Reporting Unit	Employer's		Employer's	
	Employer Contributions	Proportionate Share	Employer Contributions	Proportionate Share
	2017	2017	2016	2016
<i>State of Delaware Entities:</i>				
Academia Antonia Alonso Charter	\$ 148,227	0.0625%	\$ 121,831	0.0560%
Academy of Dover Charter	137,103	0.0578%	140,752	0.0647%
Campus Community Charter	224,658	0.0947%	220,123	0.1011%
DE Academy Public Safety Charter	188,061	0.0793%	187,648	0.0862%
DE Aglands	12,430	0.0052%	10,552	0.0048%
DE College Prep Charter	-	0.0000%	109,130	0.0501%
DE Military Academy Charter	338,754	0.1428%	308,036	0.1415%
Delaware Design-Lab	134,161	0.0566%	71,866	0.0330%
Delaware Department of Transportation	8,167,249	3.4429%	7,513,270	3.4519%
Delaware Economic Development Office	296,457	0.1250%	282,795	0.1299%
Delaware State Housing Authority	65,589	0.0276%	79,968	0.0367%
Delaware State University	5,708,965	2.4066%	5,355,580	2.4605%
Delaware STEM Academy	261	0.0001%	17,007	0.0078%
Early College High School Charter	150,753	0.0635%	99,212	0.0456%
East Side Charter	373,845	0.1576%	342,248	0.1572%
Family Foundations Charter	475,901	0.2006%	421,969	0.1939%
First State Military Academy	154,480	0.0651%	85,574	0.0393%
First State Montessori Academy Charter	286,537	0.1208%	165,358	0.0760%
Freire Charter School	137,720	0.0581%	81,310	0.0374%
Gateway Lab Charter	219,755	0.0926%	193,236	0.0888%
General Gov't (State of DE)	205,707,986	86.7155%	189,362,689	87.0000%
Great Oaks Charter School	141,632	0.0597%	85,506	0.0393%
Kumba Charter	407,875	0.1719%	328,838	0.1511%
Las America Aspira Charter	442,791	0.1867%	370,385	0.1702%
Lottery	294,117	0.1240%	279,887	0.1286%
MOT Charter	644,383	0.2716%	502,091	0.2307%
Newark Charter	1,589,420	0.6700%	1,357,025	0.6235%
Odyssey Charter	767,535	0.3236%	582,010	0.2674%
Positive Outcomes Charter	171,864	0.0724%	150,808	0.0693%
Prestige Charter	104,539	0.0441%	174,190	0.0800%
Providence Creek Charter	344,791	0.1453%	307,936	0.1415%
Sussex Academy Charter	383,939	0.1618%	317,984	0.1461%
The Charter School of Wilmington	637,712	0.2688%	580,777	0.2668%
The Delaware Met Charter	-	0.0000%	45,728	0.0210%
Thomas Edison Charter	447,223	0.1885%	402,781	0.1851%
State of Delaware Entities Sub-Total	229,306,714	96.6635%	210,656,097	96.7830%
<i>Affiliated Entities:</i>				
Delaware Solid Waste Authority	703,745	0.2967%	624,195	0.2868%
Delaware State Education Association	10,429	0.0044%	11,916	0.0055%
University of Delaware	7,200,775	3.0355%	6,365,968	2.9248%
Total	\$ 237,221,663	100.0000%	\$ 217,658,176	100.0000%

**State of Delaware
OPEB Fund Trust
Schedule of OPEB Amounts by Employer
As of and for the Years Ended June 30, 2017 and 2016**

Reporting Unit	Net OPEB Liability		Deferred Outflows of Resources				Deferred Inflows of Resources					OPEB Expense		
	2016	2017	Expected and Actual Experience Differences	Assumption Changes	Changes in Proportion	Total Deferred Outflows of Resources	Expected and Actual Experience Differences	Assumption Changes	Projected and Actual Plan Investment Differences	Changes in Proportion	Total Deferred Inflows of Resources	Employer's Proportion Share	Changes in Proportion	Total Employer OPEB Expense
<i>State of Delaware Entities:</i>														
Academia Antonia Alonso Charter	\$ 5,084,678	\$ 5,158,501	\$ -	\$ -	\$ 492,898	\$ 492,898	\$ -	\$ 602,216	\$ 10,214	\$ -	\$ 612,430	\$ 243,002	\$ 98,580	\$ 341,582
Academy of Dover Charter	5,874,366	4,771,392	-	-	-	-	-	557,024	9,447	520,138	1,086,609	224,766	(104,027)	120,739
Campus Community Charter	9,186,958	7,818,419	-	-	-	-	-	912,741	15,481	486,635	1,414,857	368,303	(97,327)	270,976
DE Academy Public Safety Charter	7,831,592	6,544,771	-	-	-	-	-	764,053	12,959	525,045	1,302,057	308,305	(105,009)	203,296
DE Aglands	440,394	432,595	-	-	29,676	29,676	-	50,503	856	-	51,359	20,378	5,935	26,313
DE College Prep Charter	4,554,617	-	-	-	-	-	-	-	-	3,795,514	3,795,514	-	(759,103)	(759,103)
DE Military Academy Charter	12,856,063	11,789,102	-	-	96,729	96,729	-	1,376,289	23,343	-	1,399,632	555,350	19,346	574,696
Delaware Design-Lab	2,999,356	4,668,988	-	-	1,781,803	1,781,803	-	545,069	9,245	-	554,314	219,943	356,361	576,304
Delaware Department of Transportation	313,570,888	284,231,597	-	-	-	-	-	33,181,901	562,788	680,567	34,425,256	13,389,327	(136,114)	13,253,213
Delaware Economic Development Office	11,802,620	10,317,124	-	-	-	-	-	1,204,447	20,428	375,144	1,600,019	486,010	(75,029)	410,981
Delaware State Housing Authority	3,337,507	2,282,581	-	-	-	-	-	266,475	4,519	688,224	959,218	107,526	(137,645)	(30,119)
Delaware State University	223,518,401	198,679,926	-	-	-	-	-	23,194,387	393,393	4,084,138	27,671,918	9,359,236	(816,828)	8,542,408
Delaware STEM Academy	709,800	9,076	-	-	-	-	-	1,060	18	583,177	584,255	428	(116,636)	(116,208)
Early College High School Charter	4,140,686	5,246,430	-	-	1,360,186	1,360,186	-	612,481	10,388	-	622,869	247,144	272,037	519,181
East Side Charter	14,283,918	13,010,331	-	-	26,666	26,666	-	1,518,858	25,761	-	1,544,619	612,879	5,333	618,212
Family Foundations Charter	17,611,114	16,562,006	-	-	510,739	510,739	-	1,933,490	32,793	-	1,966,283	780,188	102,148	882,336
First State Military Academy	3,571,486	5,376,130	-	-	1,953,448	1,953,448	-	627,623	10,645	-	638,268	253,254	390,690	643,944
First State Montessori Academy Charter	6,901,323	9,971,884	-	-	3,392,699	3,392,699	-	1,164,142	19,745	-	1,183,887	469,747	678,540	1,148,287
Freire Charter School	3,393,529	4,792,833	-	-	1,566,887	1,566,887	-	559,527	9,490	-	569,017	225,777	313,377	539,154
Gateway Lab Charter	8,064,814	7,647,788	-	-	292,024	292,024	-	892,822	15,143	-	907,965	360,265	58,405	418,670
General Gov't (State of DE)	7,903,167,055	7,158,923,757	-	-	-	-	-	835,750,493	14,174,908	21,538,396	871,463,797	337,236,165	(4,307,679)	332,928,486
Great Oaks Charter School	3,568,637	4,928,975	-	-	1,545,800	1,545,800	-	575,420	9,760	-	585,180	232,190	309,160	541,350
Kumba Charter	13,724,256	14,194,620	-	-	1,578,993	1,578,993	-	1,657,115	28,106	-	1,685,221	668,667	315,799	984,466
Las America Aspira Charter	15,458,236	15,409,745	-	-	1,248,230	1,248,230	-	1,798,972	30,512	-	1,829,484	725,909	249,646	975,555
Lottery	11,681,265	10,235,689	-	-	-	-	-	1,194,939	20,267	348,689	1,563,895	482,174	(69,738)	412,436
MOT Charter	20,955,062	22,425,436	-	-	3,100,638	3,100,638	-	2,618,001	44,403	-	2,662,404	1,056,397	620,127	1,676,524
Newark Charter	56,636,257	55,314,027	-	-	3,523,772	3,523,772	-	6,457,496	109,524	-	6,567,020	2,605,684	704,754	3,310,438
Odyssey Charter	24,290,544	26,711,281	-	-	4,251,010	4,251,010	-	3,118,341	52,889	-	3,171,230	1,258,291	850,202	2,108,493
Positive Outcomes Charter	6,294,060	5,981,122	-	-	239,388	239,388	-	698,251	11,843	-	710,094	281,753	47,878	329,631
Prestige Charter	7,269,905	3,638,118	-	-	-	-	-	424,723	7,204	2,722,252	3,154,179	171,381	(544,450)	(373,069)
Providence Creek Charter	12,851,912	11,999,194	-	-	292,832	292,832	-	1,400,815	23,759	-	1,424,574	565,247	58,567	623,814
Sussex Academy Charter	13,271,252	13,361,601	-	-	1,192,654	1,192,654	-	1,559,867	26,456	-	1,586,323	629,426	238,531	867,957
The Charter School of Wilmington	24,239,082	22,193,246	-	-	151,046	151,046	-	2,590,895	43,943	-	2,634,838	1,045,460	30,209	1,075,669
The Delaware Met Charter	1,908,474	-	-	-	-	-	-	-	-	1,590,396	1,590,396	-	(318,079)	(318,079)
Thomas Edison Charter	16,810,307	15,563,982	-	-	262,933	262,933	-	1,816,978	30,817	-	1,847,795	733,174	52,586	785,760
State of Delaware Entities Sub-Total	8,791,860,414	7,980,192,269	-	-	28,891,051	28,891,051	-	931,627,414	15,801,047	37,938,315	985,366,776	375,923,746	(1,809,453)	374,114,293
<i>Affiliated Entities:</i>														
Delaware Solid Waste Authority	26,051,179	24,491,313	-	-	748,196	748,196	-	2,859,176	48,494	-	2,907,670	1,153,715	149,639	1,303,354
Delaware State Education Association	497,301	362,947	-	-	-	-	-	42,371	719	81,610	124,700	17,097	(16,322)	775
University of Delaware	265,687,538	250,596,973	-	-	8,380,678	8,380,678	-	29,255,312	496,190	-	29,751,502	11,804,898	1,676,136	13,481,034
Total	\$9,084,096,432	\$8,255,643,502	\$ -	\$ -	\$ 38,019,925	\$ 38,019,925	\$ -	\$ 963,784,273	\$ 16,346,450	\$ 38,019,925	\$ 1,018,150,648	\$ 388,899,456	\$ -	\$ 388,899,456

**State of Delaware
OPEB Fund Trust**

Notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer
As of and for the Years Ended June 30, 2017 and 2016

Note 1: Description of the Plan

The State of Delaware’s Other Postemployment Benefit (OPEB) Fund Trust (the Plan) is a cost-sharing multiple-employer defined-benefit plan established in Delaware Code. The Plan is administered by the Delaware Public Employees’ Retirement System (DPERS). The State of Delaware (the State) is responsible for the policy and management of the OPEB benefits provided to retirees. The Plan’s assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan. Additional financial and actuarial information with respect to the Plan may be found in the State of Delaware Comprehensive Annual Financial Report available online at <https://accounting.delaware.gov/>.

The Plan provides medical coverage to pensioners and their eligible dependents covered under the following pension plans: State Employees’, New State Police, Judiciary and Closed State Police Pension Plans. This includes the employees of the State as well as employees of the State’s component units and affiliated agencies which are part of the State Employees’ Pension Plan. Those employers are Delaware State University, Delaware State Housing Authority, Delaware Charter Schools, University of Delaware, Delaware Solid Waste Authority and the Delaware State Education Association. The participant’s cost of Plan benefits is variable based on years of service within those pension plan categories. Pensioners who retire after July 1, 2012 and who become eligible for Medicare will pay an additional 5% of the Medicare Supplement offered by the State. Surviving spouses are eligible for coverage after a retiree’s death.

Participating employers fund the Plan 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. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members and the government are established and may not be amended by the State Legislature. Funds are recorded in the Plan for the payment of retiree healthcare claims, administrative and investment expenses. Administrative costs are financed through investment earnings. State appropriations, other employer contributions, and retiree contributions for healthcare are recorded in the Plan. The funds available are invested under the management of the DPERS Board of Pension Trustees, which acts as the Board of Trustees for the Plan and is responsible for the financial management of the Plan.

Membership data for each year is as follows:

	June 30, 2017^a	June 30, 2016^b
Retirees and Beneficiaries Receiving Benefits:	21,689	20,970
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	3,384	3,205
Active Eligible Plan Members	36,950	36,748
Total Members	62,023	60,923

^a Based on census data as of July 1, 2016

^b Based on census data as of July 1, 2015

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Notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer
As of and for the Years Ended June 30, 2017 and 2016

Note 2: Basis of Presentation

The Schedules of Employer Allocations and OPEB Amounts by Employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of the Plan or of its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the Plan or the participating employers. The accompanying schedules have been prepared in conformity with United States generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Note 3: Allocation Methodology

The amounts assigned to each employer in the Schedule of OPEB Amounts by Participating Employer is each employer's proportionate share of the Net OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense (the Collective OPEB Amounts) determined in accordance with the Governmental Accounting Standards Board's Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Management has elected to allocate the employer's proportionate shares of the Collective OPEB Amounts based on the percentage of actual employer contributions during the periods July 1, 2015 through June 30, 2017.

Note 4: Collective Net OPEB Liability and Actuarial Information

The components of the collective net OPEB liability of the participating employers are as follows (expressed in thousands):

	June 30, 2017	June 30, 2016
Total OPEB Liability	\$ 8,610,858	\$ 9,394,071
Fiduciary Net Position	355,214	309,975
Net OPEB Liability	\$ 8,255,644	\$ 9,084,096

Actuarial Assumptions

The collective total OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total OPEB liability to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

<i>Actuarial assumptions:</i>	June 30, 2017	June 30, 2016
Discount rate	3.58%	2.85%
Projected salary increases	3.25% + Merit	3.25% + Merit
Healthcare cost trend rates	7.00%	*

*Rate not available for years prior to GASB 74/75 measurement. The rate was 7.0% for 2017, decreasing 0.2% per year to an ultimate rate of 4.0% for 2032 and later years.

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Notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer
As of and for the Years Ended June 30, 2017 and 2016

Mortality rates were based on the sex-distinct RP-2014 Total Dataset Healthy Annuitant Mortality Table, including adjustments for healthy annuitant and disabled annuitant factors for each covered pension plan. Future mortality improvements are projected to 2020.

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, health costs, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.85 percent at the beginning of the current measurement period and 3.58 percent at the end, based on the Bond Buyer GO 20-Bond Municipal Bond Index, an index satisfying the GASB requirement of an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rates used at the June 30, 2017 and 2016 measurement dates are equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of the Collective Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (dollar amounts expressed in thousands):

	1% Decrease	Discount Rate	1% Increase
	(2.58%)	(3.58%)	(4.58%)
Collective Net OPEB Liability	\$ 9,898,874	\$ 8,255,644	\$ 6,975,143

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liabilities would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates (dollar amounts in thousands):

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Notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer
As of and for the Years Ended June 30, 2017 and 2016

	1% Decrease (6.0%)	Healthcare Trend (7.0%)	1% Increase (8.0%)
Collective Net OPEB Liability	\$ 6,990,016	\$ 8,255,644	\$ 9,805,924

Note 5: Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The components of collective deferred outflows of resources and deferred inflows of resources are amortized into OPEB expense over a six-year closed period beginning the year in which the difference occurs. The cumulative amounts of collective net deferred outflows (inflows) of resources and deferred inflows of resources will be recognized in OPEB expense as follows (expressed in thousands):

Year ending June 30:	
2018	\$ 196,843
2019	196,843
2020	196,843
2021	196,843
2022	192,757

Note 6: Collective OPEB Expense

The components of collective OPEB expense for the year ending June 30, 2017 are as follows (expressed in thousands):

Service Cost	\$ 340,456
Interest Cost	269,204
Contributions	(12,139)
Administrative Expenses	86
Expected Return on Assets	(11,864)
Recognition of deferred outflows and inflows of resources:	
Differences between projected and actual earnings on plan investments	(4,087)
Changes in assumption with regards to factors or other inputs in the measurement of total OPEB liability	(192,757)
OPEB Expense	\$ 388,899

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Governor and
Honorable Members of the State Legislature
State of Delaware Other Postemployment Benefits Fund Trust

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 schedule of employer allocations of the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust as of and for the years ended June 30, 2017 and 2016, and the related notes to the Schedule, and have issued our report thereon dated June 26, 2018.

We have also audited the total for all entities of the columns titled net OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total employer OPEB expense as of and for the year ended June 30, 2017 and the net OPEB liability, as of and for the year ended June 30, 2016 (specified column totals), included in the accompanying schedule of OPEB amounts by employer, and the related notes.

We have issued our report thereon dated June 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the schedule of employer allocations and the specified column totals included in the schedule of OPEB amounts by employer, we considered the State of Delaware OPEB Fund Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the schedule of employer allocations and the specified column totals included in the schedule of OPEB amounts by employer, but not for the purpose of expressing an opinion on the effectiveness of the State of Delaware OPEB Fund Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Delaware OPEB Fund Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's schedule of employer allocations and the specified column totals included in the schedule of OPEB amounts by employer will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Honorable Governor and
Honorable Members of the State Legislature
State of Delaware Other Postemployment Benefits Fund Trust

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 OPEB Fund Trust's schedule of employer allocations and the specified column totals included in the schedule of OPEB amounts by employer are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the schedule of employer allocations and the specified column totals in the schedule of OPEB amounts by employer. 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 result of that testing, and not to provide an opinion on the effectiveness of the State of Delaware OPEB Fund Trust'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 State of Delaware OPEB Fund Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
June 26, 2018