



**Delaware Public Employees'
Retirement System
County & Municipal Other Employees'
Pension Plan**

Schedule of Employer Allocations and
Schedule of Pension Amounts by Employer

June 30, 2018

Delaware Public Employees' Retirement System

County & Municipal Other Employees' Pension Plan

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Tel: 302-656-5500
Fax: 302-656-8024
www.bdo.com

4250 Lancaster Pike, Suite 120
Wilmington, DE 19805

Independent Auditor's Report

The Members of the Board of Pension Trustees
Delaware Public Employees' Retirement System
Dover, DE

Report on the Schedules

We have audited the accompanying schedule of employer allocations of the County & Municipal Other Employees' Pension Plan as of and for the year ended June 30, 2018, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions (specified column totals) included in the accompanying schedule of pension amounts by employer of the County & Municipal Other Employees' Pension Plan as of and for the year ended June 30, 2018, and the related notes.

Management's Responsibility for the Schedules

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.

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension 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 specified column totals included in the schedule of pension 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 specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the schedule of employer allocation and specified column totals included in the schedule of pension 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 specified column totals included in the schedule of pension 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.

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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 specified column totals included in the schedule of pension amounts by employer.

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions for the total of all participating entities for the County & Municipal Other Employees' Pension Plan as of and for the year ended June 30, 2018 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 Delaware Public Employees' Retirement System, which include the County & Municipal Other Employees' Pension Plan, as of and for the year ended June 30, 2018, and our report thereon, dated November 21, 2018, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of County & Municipal Other Employees' Pension Plan management, the Board of Pension Trustees, County & Municipal Other Employees' Pension Plan 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 May 29, 2019 on our consideration of the County & Municipal Other Employees' Pension Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the 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 the 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 County & Municipal Other Employees' Pension Plan's internal control over financial reporting and compliance.

BDO USA, LLP

May 29, 2019

Delaware Public Employees' Retirement System
County & Municipal Other Employees' Pension Plan
 Schedule of Employer Allocations
 As of and for the year ended June 30, 2018

Employer	Employer contributions	Employer's Proportionate share
Aetna Hose Hook and Ladder	\$ 68,136	2.4112 %
Bethany Beach Fire	34,290	1.2135
Cheswold Fire Co.	14,347	0.5077
City of Harrington	53,795	1.9037
City of Milford	284,307	10.0612
City of New Castle	62,342	2.2062
City of Wilmington	729,010	25.7987
Cranston Heights Fire Co.	27,919	0.9880
Delaware City Fire Co.	20,999	0.7431
Elsmere Fire Co.	15,632	0.5532
Felton Fire Co.	19,577	0.6928
Five Points Fire Co.	8,805	0.3116
Georgetown EMS	31,105	1.1008
Good Will Fire Co.	43,700	1.5465
Harrington Fire Co.	6,725	0.2380
Kent Conservation District	240,757	8.5200
Lewes Fire Co.	44,373	1.5703
Mill Creek Fire Co.	44,215	1.5647
Millville Fire Co.	51,543	1.8240
Minquadale Fire	29,705	1.0512
Port Penn Fire Co.	17,788	0.6295
Rehoboth Beach Fire	43,137	1.5266
Riverfront Development Corp	61,564	2.1787
Sussex Conservation District	120,903	4.2785
Talleyville Fire Co.	42,930	1.5192
Town of Bethany Beach	118,582	4.1964
Town of Blades	12,765	0.4517
Town of Camden	19,838	0.7020
Town of Cheswold	4,313	0.1526
Town of Clayton	37,014	1.3099
Town of Felton	12,749	0.4512
Town of Frederica	2,657	0.0940
Town of Georgetown	84,493	2.9901
Town of Laurel	61,703	2.1836
Town of Millsboro	64,534	2.2838
Town of Milton	35,088	1.2417
Town of Newport	17,235	0.6099
Town of Ocean View	53,028	1.8766
Town of Selbyville	42,642	1.5090
Town of Smyrna	72,568	2.5681
Town of South Bethany	28,199	0.9979
Town of Wyoming	7,356	0.2603
Townsend Fire Co.	4,342	0.1537
Vol. Hose Co. Middletown	29,061	1.0284
Total	\$ 2,825,771	100 %

See accompanying notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

Delaware Public Employees' Retirement System
County & Municipal Other Employees' Pension Plan
Schedule of Pension Amounts by Employer
As of and for the year ended June 30, 2018

Employer	Deferred outflows of resources					Deferred inflows of resources					Pension expense excluding that attributable to employer-paid member contributions			
	Net Pension Liability	Differences between expected and actual experience	Changes of assumptions	Net difference between projected and actual investment earnings on pension plan investments	Changes in proportion	Total deferred outflows of resources	Differences between expected and actual experience	Changes of assumptions	Net difference between projected and actual investment earnings on pension plan investments	Changes in proportion	Total deferred inflows of resources	Proportionate share of allocated plan pension expense	Net amortization of deferred amounts from changes in proportion	Total pension expense excluding that attributable to employer paid member contributions
Atena Hose Hook and Ladder	\$ 75,879	36,498	43,320	-	23,495	103,313	43,543	-	13,714	-	57,257	64,799	3,800	68,599
Bethany Beach Fire	38,187	18,369	21,801	-	12,373	52,543	21,914	-	6,902	2,415	31,231	32,611	2,070	34,681
Cheswold Fire Co.	15,977	7,685	9,121	-	8,218	25,024	9,168	-	2,888	-	12,056	13,644	1,197	14,841
City of Harrington	59,909	28,817	34,202	-	25,538	88,557	34,378	-	10,827	4,129	49,334	51,162	3,007	54,169
City of Milford	316,616	152,296	180,758	-	-	333,054	181,688	-	57,223	57,279	296,190	270,386	(13,898)	256,488
City of New Castle	69,427	33,396	39,636	-	1,452	74,484	39,840	-	12,548	27,890	80,278	59,290	(5,888)	53,402
City of Wilmington	811,857	390,510	463,494	-	178,662	1,032,666	465,878	-	146,729	1,728	614,335	693,313	44,887	738,200
Cranston Heights Fire Co.	31,092	14,956	17,751	-	4,534	37,241	17,842	-	5,619	2,486	25,947	26,552	1,109	27,661
Delaware City Fire Co.	23,385	11,248	13,351	-	3,306	27,905	13,419	-	4,226	3,837	21,482	19,971	(581)	19,390
Elsmere Fire Co.	17,409	8,374	9,939	-	390	18,703	9,990	-	3,146	1,649	14,785	14,867	(188)	14,679
Felton Fire Co.	21,802	10,487	12,447	-	2,732	25,666	12,511	-	3,940	6,158	22,609	18,619	(811)	17,808
Five Points Fire Co.	9,805	4,716	5,598	-	55	10,369	5,627	-	1,772	2,615	10,014	8,373	(747)	7,626
Georgetown EMS	34,640	16,662	19,776	-	12,176	48,614	19,878	-	6,261	3,085	29,224	29,582	1,516	31,098
Good Will Fire Co.	48,667	23,409	27,784	-	1,218	52,411	27,927	-	8,796	7,469	44,192	41,561	(2,109)	39,452
Harrington Fire Co.	7,490	3,603	4,276	-	38	7,917	4,298	-	1,354	35,015	40,667	6,396	(5,759)	637
Kent Conservation District	268,117	128,967	153,069	-	-	282,036	153,857	-	48,457	56,242	258,556	228,967	(10,372)	218,595
Lewes Fire Co.	49,415	23,769	28,211	-	4,092	56,072	28,357	-	8,931	2,376	39,664	42,200	830	43,030
Mill Creek Fire Co.	49,241	23,685	28,111	-	5,388	57,184	28,256	-	8,899	7,363	44,518	42,050	(461)	41,589
Millville Fire Co.	57,401	27,610	32,770	-	7,634	68,014	32,939	-	10,374	5,091	48,404	49,019	(102)	48,917
Minquedale Fire	33,081	15,912	18,886	-	10,341	45,139	18,983	-	5,979	2,321	27,283	28,251	1,388	29,639
Port Penn Fire Co.	19,809	9,529	11,309	-	799	21,637	11,368	-	3,580	2,096	17,044	16,917	(498)	16,419
Rehoboth Beach Fire	48,040	23,107	27,426	-	15,688	66,221	27,567	-	8,682	1,121	37,370	41,025	3,185	44,210
Riverfront Development Corp	68,560	32,978	39,141	-	22	72,141	39,343	-	12,391	14,471	66,205	58,549	(2,417)	56,132
Sussex Conservation District	134,642	64,764	76,868	-	10,408	152,040	77,263	-	24,334	6,662	108,259	114,982	272	115,254
Talleyville Fire Co.	47,809	22,997	27,294	-	5,191	55,482	27,435	-	8,641	6,989	43,065	40,828	(1,166)	39,662
Town of Bethany Beach	132,058	63,521	75,393	-	1,238	140,152	75,780	-	23,867	15,094	114,741	112,775	(2,157)	110,618
Town of Blades	14,216	6,838	8,116	-	230	15,184	8,158	-	2,569	2,832	13,559	12,140	(609)	11,531
Town of Camden	22,093	10,627	12,613	-	2,311	25,551	12,678	-	3,993	5,789	22,460	18,867	(627)	18,240
Town of Cheswold	4,803	2,310	2,742	-	698	5,750	2,756	-	868	574	4,198	4,102	(77)	4,025
Town of Clayton	41,221	19,827	23,533	-	-	43,360	23,654	-	7,450	5,234	36,338	35,202	(1,198)	34,004
Town of Felton	14,198	6,829	8,106	-	58	14,993	8,147	-	2,566	3,462	14,175	12,125	(756)	11,369
Town of Frederica	2,959	1,423	1,689	-	1,933	5,045	1,698	-	535	-	2,233	2,527	276	2,803
Town of Georgetown	94,095	45,261	53,720	-	261	99,242	53,996	-	17,006	17,284	88,286	80,356	(4,198)	76,158
Town of Laurel	68,715	33,053	39,230	-	4,934	77,217	39,432	-	12,419	13,048	64,899	58,682	(2,044)	56,638
Town of Millsboro	71,868	34,569	41,030	-	-	75,599	41,241	-	12,989	13,400	67,630	61,374	(2,949)	58,425
Town of Milton	39,076	18,796	22,309	-	3,736	44,841	22,423	-	7,062	6,137	35,622	33,700	(979)	32,391
Town of Newport	19,194	9,232	10,958	-	-	20,190	11,014	-	3,469	3,270	17,753	16,391	(695)	15,696
Town of Ocean View	59,054	28,406	33,715	-	2,299	64,420	33,888	-	10,673	2,710	47,271	50,432	(433)	49,999
Town of Selbyville	47,488	22,842	27,111	-	168	50,121	27,251	-	8,583	11,847	47,681	40,554	(2,735)	37,819
Town of Smyrna	80,815	38,873	46,138	-	26,091	111,102	46,375	-	14,606	52	61,033	69,015	4,727	73,742
Town of South Bethany	31,404	15,106	17,929	-	-	33,035	18,021	-	5,676	5,153	28,850	26,818	(1,090)	25,728
Town of Wyoming	8,192	3,940	4,677	-	751	9,368	4,701	-	1,480	2,684	8,865	6,996	(391)	6,605
Townsend Fire Co.	4,835	2,326	2,761	-	45	5,132	2,775	-	874	3,249	6,898	4,129	(637)	3,492
Vol. Hose Co. Middletown	32,364	15,567	18,477	-	83	34,127	18,572	-	5,849	6,280	30,701	27,639	(1,692)	25,947
Total	\$ 3,146,905	1,513,690	1,796,586	-	378,586	3,688,862	1,805,829	-	568,747	378,586	2,753,162	2,687,408	-	2,687,408

See accompanying notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

Delaware Public Employees' Retirement System
County & Municipal Other Employees' Pension Plan
Schedule of Pension Amounts by Employer
As of and for the year ended June 30, 2018

1. Plan Description

The County & Municipal Other Employees' Pension Plan (the Plan) is a cost sharing multiple-employer defined-benefit pension plan established in the Delaware Code. The Plan is administered by the Delaware Public Employees' Retirement System (DPERS).

The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board).

The management of the Plan is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex officio members. The daily operation is the responsibility of the Office of Pensions. Although Plan assets are comingled with assets of other Plans and Funds for investment purposes, 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.

The following are brief descriptions of the Plan in effect as of June 30, 2018. For a more complete description, please refer to the DPERS Comprehensive Annual Financial Report.

Separately issued financial statements for DPERS are available from the pension office at:

McArdle Building, Suite 1
860 Silver Lake Blvd.
Dover, DE 19904

(a) Plan Description and Eligibility

The Plan covers employees of counties or municipalities that have joined the Plan.

(b) 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.

(c) Vesting

Five years of credited service.

(d) Retirement

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

(e) Disability benefits

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

Delaware Public Employees' Retirement System
County & Municipal Other Employees' Pension Plan
Schedule of Pension Amounts by Employer
As of and for the year ended June 30, 2018

(f) 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.

2. Basis of Presentation

The Schedules of Employer Allocations and Pension Amounts by Employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of DPERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of DPERS or the participating employers. The accompanying schedules have been prepared in conformity with accounting principles generally accepted in the United States of America 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 estimates.

3. Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in the Plan to recognize their proportionate share of the collective net pension liability, collective deferred inflows of resources, collective deferred outflows of resources and collective pension expense. The allocation percentages presented in the Schedule of Employer Allocations and applied to the amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of each employer's contribution to the Plan's total employer contributions during the measurement period July 1, 2017 through June 30, 2018, adjusted to remove contributions to separately finance specific liabilities of an individual employer. Employer contributions to the plan are recognized when due pursuant to legal requirements. The Board of Pension Trustees determines employer contributions. Employer contributions were 7.1% of earnings for the Fiscal Year 2018.

4. Collective Net Pension Liability and Actuarial Information

The components of the collective net pension liability of the participating employers at June 30, 2018 were as follows (in thousands):

Employers' total pension liability	\$ 56,269
Plan net position	(53,122)
Employers' net pension liability	\$ 3,147

Delaware Public Employees' Retirement System
County & Municipal Other Employees' Pension Plan
 Schedule of Pension Amounts by Employer
 As of and for the year ended June 30, 2018

Actuarial Assumptions

The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Actuarial assumptions:

Investment rate of return / discount rate (1)	7.0%
Projected salary increases (1)	2.5% + Merit
Cost of living adjustments	0.0%

(1) Inflation is included at 2.5%.

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. 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.

Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

Projected benefit payments do not include the effects of projected ad hoc cost of living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Plan's current and expected asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Long-term expected real rate of return	Asset allocation
Domestic equity	5.7%	30.7%
International equity	5.7	13.9
Fixed income	2.0	23.3
Alternative investments	7.8	24.4
Cash and equivalents	-	7.7

**Delaware Public Employees' Retirement System
County & Municipal Other Employees' Pension Plan**

Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the collective net pension liability, calculated using the discount rate of 7.0%, as well as what the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (in thousands):

	1% Decrease	Discount Rate	1% Increase
Collective net pension liability (asset)	\$ 11,893	3,147	(3,917)

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Delaware Public Employees' Retirement System County & Municipal Other Employees' Pension Plan

Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

5. Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2018:

	Measurement period ending June 30	Amortization Period	Beginning of year balance	Additions	Deductions	End of year balance
Deferred Outflows of Resources:						
Difference between expected and actual experience	2017	9 years	\$ 287,669	\$ -	\$ (35,959)	\$ 251,710
	2016	9 years	1,472,310	-	(210,330)	1,261,980
Subtotal			1,759,979	-	(246,289)	1,513,690
Changes of assumptions	2017	9 years	1,277,343	-	(159,668)	1,117,675
	2016	9 years	792,063	-	(113,152)	678,911
Subtotal			2,069,406	-	(272,820)	1,796,586
Total			\$ 3,829,385	\$ -	\$ (519,109)	\$ 3,310,276
Deferred Inflows of Resources:						
Difference between expected and actual experience	2018	8 years	\$ -	\$ (1,664,538)	\$ 208,067	\$ (1,456,471)
	2015	8 years	(436,698)	-	87,340	(349,358)
Subtotal			(436,698)	(1,664,538)	295,407	(1,805,829)
Net difference between projected and actual earnings on pension plan investments	2018	5 years	-	(1,560,835)	312,167	(1,248,668)
	2017	5 years	(1,218,565)	-	304,641	(913,924)
	2016	5 years	2,009,156	-	(669,719)	1,339,437
	2015	5 years	508,816	-	(254,408)	254,408
	2014	5 years	(562,355)	-	562,355	-
Subtotal			737,052	(1,560,835)	255,036	(568,747)
Total			\$ 300,354	\$ (3,225,373)	\$ 550,443	\$ (2,374,576)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows (in thousands):

<i>Year ending June 30</i>	
2019	\$ 531
2020	277
2021	(393)
2022	(89)
2023	311
Thereafter	299
Total	\$ 936

Delaware Public Employees' Retirement System County & Municipal Other Employees' Pension Plan

Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 8 years for the 2018 amounts.

6. Collective Pension Expense

The components of collective pension expense for the year ending June 30, 2018 (excluding that attributable to employer-paid member contributions) are as follows (in thousands):

Service cost	\$	3,238
Interest on total pension liability		3,727
Member contributions		(1,032)
Administrative expense		79
Projected earnings on plan investments		(3,294)
Recognition of deferred outflows and inflows of resources:		
Difference between projected and actual earnings on plan investments		(255)
Difference between expected and actual experiences with regards to factors or other inputs in the measurement of total pension liability		(49)
Changes in assumptions with regards to factors or other inputs in the measurement of total pension liability		273
Pension Expense	\$	2,687



Tel: 302-656-5500
Fax: 302-656-8024
www.bdo.com

4250 Lancaster Pike, Suite 120
Wilmington, DE 19805

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

Members of the Board of Pension Trustees
Delaware Public Employees' Retirement System
Dover, DE

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 and the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions as of and for the year ended June 30, 2018 (specified column totals), included in the schedule of pension amounts by employer of the Delaware Public Employees' Retirement System - County & Municipal Other Employees' Pension Plan (the Plan) (hereafter collectively referred to as the Schedules) and the related notes and have issued our report thereon dated May 29, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedules, we considered the 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 our opinion on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

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

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



Tel: 302-656-5500
Fax: 302-656-8024
www.bdo.com

4250 Lancaster Pike, Suite 120
Wilmington, DE 19805

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's Schedules 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 Schedules 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 Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

May 29, 2019