



State of Delaware
**DEPARTMENT
OF TRANSPORTATION**

**Financial Statement Audit
June 30, 2020 and 2021**



**Kathleen K. McGuiness, RPh, CFE
DELAWARE STATE AUDITOR**



KATHLEEN
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Delaware Department of Transportation

*Financial Statement Audit
for Fiscal Years 2020 and 2021*

What Was Performed? A financial statement audit of the Delaware Department of Transportation (DelDOT) for Fiscal Years ended June 30, 2020 and 2021.

Why This Engagement? DelDOT is an agency of the state and operates primarily by using revenues generated by motor fuel taxes, motor fuel documents fees, registration fees, and other transportation-related fees that are imposed and collected by the State.

DelDOT operates as an enterprise fund, meaning it is self-supporting government fund that provides a service to the public for a fee.

In FY21, DelDOT had over \$199 million in toll revenue from the Delaware Turnpike, Delaware State Route 1, and U.S. 301 tolls. This was an increase of \$2.9 million in revenue over 2020.

This engagement was performed in accordance with accordance with 29 *Del. C.* § 2906.

What Was Found? It's my pleasure to report this audit contains an unmodified opinion.¹

The financial statement audit of the Delaware Department of Transportation for Fiscal Years ended June 30, 2020 and 2021, can be found on our website auditor.delaware.gov.

Please do not reply to this email. For any questions regarding the attached report, please contact State Auditor Kathleen K. McGuinness at Kathleen.Mcguinness@delaware.gov.

¹ An unmodified opinion is sometimes referred to as a "clean" opinion. It is one in which the auditor expresses an opinion that the financial statements present fairly, in all material respects, an entity's financial position, results of operation and cash flows in conformity with generally accepted accounting principles.

**State of Delaware
Department of Transportation**

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INDEPENDENT AUDITORS' REPORT

State of Delaware Department of Transportation
Dover, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of State of Delaware Department of Transportation (Department of Transportation), which is an enterprise fund of the State of Delaware as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Department of Transportation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 opinions 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Department of Transportation as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

During fiscal year ended June 30, 2021, the Department of Transportation adopted GASB Statement No. 84, *Fiduciary Activities*. Our auditors' opinion was not modified with respect to the implementation.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The consolidating statement of net position; consolidating statement of revenue, expenses, and changes in fund net positions; consolidating statement of cash flows; and Delaware Transportation Authority Transportation Trust Fund Schedules, as listed in the accompanying table of contents (collectively "Supplementary Information"), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

State of Delaware Department of Transportation
Dover, Delaware

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021, on our consideration of the Department of Transportation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Department of Transportation'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 Department of Transportation's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 20, 2021

State of Delaware
Department of Transportation
Management's Discussion and Analysis
June 30, 2021 and 2020

This section of the State of Delaware, Department of Transportation's (the Department) annual financial statements presents our discussion and analysis of the Department's financial performance during the Fiscal Years Ended June 30, 2021 and 2020.

Background

The mission of the Department is to provide a safe, efficient, and environmentally sensitive transportation network that offers a variety of convenient, cost-effective mobility opportunities for the movement of people and goods. The Department is responsible for the construction and maintenance of the State of Delaware's (the State) roadways, bridges, and public transportation systems, and for the coordination and development of the State's comprehensive, balanced transportation planning and policies.

Financial Highlights

- Operating revenues increased by \$33.1 million to \$616.6 million during the Fiscal Year Ended June 30, 2021, primarily due to: 1) increased motor vehicle related revenues as a result of an increase in vehicle purchases compared to the prior year, and 2) increased toll revenue due to increased traffic volumes realized over the prior year during the height of the COVID-19 pandemic.
- Operating expenses decreased by \$53.9 million to \$821.9 million during the Fiscal Year Ended June 30, 2021. The expense fluctuation is attributed to the increased capitalization of highway infrastructure projects during the fiscal years such as Georgetown East Gateway Improvements, SR24 Mainline Improvements, I-95 and SR896 Interchange, and Christina River Bridge.
- Total capital assets (net of depreciation) increased \$169.5 million to \$5,296.7 million during Fiscal Year 2021, primarily as a result of the following projects: Georgetown East Gateway Improvements, Elkton Road - Maryland Line to Casho Mill, I-95/Carr Road/Marsh Road Interchange, SR24 Mainline Improvements, North Millsboro Bypass, and US301 projects.
- Total outstanding debt increased \$238.3 million to \$1,361.2 million during Fiscal Year 2021, primarily due to the issuance of an additional Senior Revenue Bond (Series 2020) of \$217.3 million and GARVEE Bonds (Series 2020) of \$194.5 million. The increases were offset by the refunding of Senior Bonds of \$61.9 million, GARVEE Bonds of \$44.0 million, and debt payments on revenue bonds of \$74.2 million.

Overview of the Financial Statements

The Department is an agency of the State and operates as an enterprise fund. Included within the Department is the Delaware Transportation Authority (the Authority), which is a blended component unit of the Department. The Authority is made up of the activities of the Transportation Trust Fund and the Delaware Transit Corporation.

The financial section of this annual report consists of five parts: (1) management's discussion and analysis, (2) the basic financial statements, (3) notes to financial statements, (4) required supplementary information, and (5) supplementary information.

See independent auditors' report.

State of Delaware
Department of Transportation
Management's Discussion and Analysis
June 30, 2021 and 2020

The financial statements provide both long- and short-term information about the Department's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by required supplementary information and supplementary information that further explain and support the information in the financial statements.

The Department's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statement of revenues, expenses, and changes in net position. All assets and liabilities associated with the operation of the Department are included in the statements of net position.

Financial Analysis of the Department

Statements of Net Position

The Department's total assets were \$5,981.2 million at June 30, 2021, compared to \$5,537.0 million at June 30, 2020. Total liabilities were \$2,260.5 million at June 30, 2021, compared to \$1,850.4 million at June 30, 2020. Net position at June 30, 2021 was \$3,737.2 million, compared to \$3,659.6 million at June 30, 2020.

Condensed Financial Information - Department of Transportation
Statements of Net Position as of June 30
(Dollars expressed in millions)

	2021	2020	2019	Percentage Change	
				2021-2020	2020-2019
Current assets	\$ 536.2	\$ 387.1	\$ 390.2	38.5 %	(0.8)%
Capital assets	5,296.7	5,127.2	5,010.6	3.3	2.3
Other noncurrent assets	148.3	22.7	31.5	553.3	(27.9)
Total assets	5,981.2	5,537.0	5,432.3	8.0	1.9
Deferred outflows of resources	160.3	92.2	67.3	73.9	37.0
Current liabilities	240.8	223.6	205.7	7.7	8.7
Noncurrent liabilities	2,019.7	1,626.8	1,501.1	24.2	8.4
Total liabilities	2,260.5	1,850.4	1,706.8	22.2	8.4
Deferred inflows of resources	143.8	119.2	101.7	20.6	17.2
Net position					
Net investment in capital assets	3,990.8	3,982.7	3,972.6	0.2	0.3
Restricted	158.4	152.7	149.6	3.7	2.1
Unrestricted	(412.0)	(475.8)	(431.1)	(13.4)	10.4
Total net position	\$ 3,737.2	\$ 3,659.6	\$ 3,691.1	2.1	(0.9)

See independent auditors' report.

State of Delaware
Department of Transportation
Management's Discussion and Analysis
June 30, 2021 and 2020

For Fiscal Year 2021, the increase in current and total assets is primarily a result of increased cash and investments related to unspent bond proceeds.

For Fiscal Year 2021, the increase in capital assets is primarily a result of the following spending: Elkton Road - Maryland Line to Casho Mill - \$16.0 million; US 301 - \$4.7 million; I-95 and SR896 Interchange - \$5.0 million; Christina River Bridge - \$8.0 million; Georgetown East Gateway Improvements - \$8.5 million; I-95/Carr Road/Marsh Road Interchange - \$6.7 million; and SR24 Mainline Improvements - \$4.8 million.

For Fiscal Year 2021, the increase in total liabilities is primarily due to increases in revenue bonds payable, bond issue premium, and the OPEB liability. The Department issued Senior Revenue Bond (Series 2020) of \$217.3 million and GARVEE Bonds (Series 2020) of \$194.5 million and the OPEB liability increased by \$78.8 million.

For Fiscal Year 2021, the net position increased due to increases in operating revenues due to activity returning from the COVID-19 pandemic and operating expenses decreasing.

Changes in Net Position

The Department's net position was \$3,737.2 million at June 30, 2021, compared to \$3,659.6 million at June 30, 2020. Operating revenues were \$616.6 million at June 30, 2021, compared to \$583.5 million at June 30, 2020. Total operating expenses were \$821.9 million at June 30, 2021, compared to \$875.9 million at June 30, 2020.

Condensed Financial Information - Department of Transportation
Changes in Net Position for the Years Ended June 30
(Dollars expressed in millions)

				<u>Percentage Change</u>	
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021-2020</u>	<u>2020-2019</u>
Operating revenues	\$ 616.6	\$ 583.5	\$ 642.3	5.7 %	(9.2)%
Operating expenses					
Operating expenses	789.3	843.6	668.8	(6.4)	26.1
Depreciation	<u>32.6</u>	<u>32.3</u>	<u>32.0</u>	0.9	0.9
Total operating expenses	<u>821.9</u>	<u>875.9</u>	<u>700.8</u>	(6.2)	25.0
Operating loss	(205.3)	(292.4)	(58.5)	(29.8)	399.8
Nonoperating revenues, net	<u>293.2</u>	<u>260.4</u>	<u>179.8</u>	12.6	44.8
Income (loss) before transfers	87.9	(32.0)	121.3	374.7	(126.4)
Transfers, net	<u>(10.3)</u>	<u>0.5</u>	<u>(9.1)</u>	(2,160.0)	(105.5)
Change in net position	77.6	(31.5)	112.2	346.3	(128.1)
Total net position - beginning of year	<u>3,659.6</u>	<u>3,691.1</u>	<u>3,578.9</u>	(0.9)	3.1
Total net position - end of year	<u>\$ 3,737.2</u>	<u>\$ 3,659.6</u>	<u>\$ 3,691.1</u>	2.1	(0.9)

See independent auditors' report.

State of Delaware
Department of Transportation
Management's Discussion and Analysis
June 30, 2021 and 2020

The increase in operating revenues from 2020 to 2021 is primarily attributed to activity returning from the COVID-19 pandemic.

The decrease in total operating expenses from 2020 to 2021 is primarily due to an increase in the capitalization of highway infrastructure project expenditures for the fiscal year.

The increase in nonoperating revenues from 2020 to 2021 is a result of increased federal grant revenues, which were offset by a decrease in investment income.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the Department had invested \$5,609.3 million in capital assets, including land, buildings, improvements, fixtures, vehicles, equipment, construction in progress, and infrastructure (such as roads and bridges). Net of accumulated depreciation, the Department's net capital assets at June 30, 2021 totaled \$5,296.7 million. This amount represents a net increase (including additions and disposals, and net of depreciation) of \$169.5 million over June 30, 2020. The increase is primarily a result of the following infrastructure and equipment spending: Elkton Road - Maryland Line to Casho Mill - \$16.0 million; US 301 - \$4.7 million; I-95 and SR896 Interchange - \$5.0 million; Christina River Bridge - \$8.0 million; Georgetown East Gateway Improvements - \$8.5 million; I-95/Carr Road/Marsh Road Interchange - \$6.7 million; and SR24 Mainline Improvements - \$4.8 million; truck, tractor, and equipment purchases - \$12.0 million; and building and land improvements - \$9.8 million.

The Department is using the "modified approach" related to depreciation on its roads and bridges. The modified approach requires that the Department initially set a percentage benchmark for maintaining the infrastructure in fair or better condition and report at least every three years on their condition assessment.

It is the Department's policy to maintain at least 85% of its highway system at a fair or better condition rating and 95% of its national bridge inventory (combined structural and deck ratings) at a fair or better condition rating as follows:

The condition of road pavement is measured using the Overall Pavement Condition (OPC) system, which is based on the extent and severity of various pavement distresses that are observed either visually or through automated systems. The OPC system uses a measurement scale that is based on a condition index ranging from 0 for poor pavement to 5 for pavement in excellent condition.

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

See independent auditors' report.

State of Delaware
Department of Transportation
Management's Discussion and Analysis
June 30, 2021 and 2020

The Department performs condition assessments of eligible infrastructure assets at least every three years. Of the Department's 844 bridge structures that were rated in 2021, 81.4% received a good or better BCR rating, 17.1% were rated fair, and 1.5% received a substandard rating. Of the 8,916,909 square feet of bridge deck that was rated, 63.6%, or 5,671,539 square feet, received an OPC condition rating of good or better, 35.1% received a fair rating, and 1.3% received a substandard deck rating. Of the 4,587 center-line miles that were rated in 2021, 89.0% received a fair or better OPC rating, and 10.8% received a poor rating. For 2021, the estimated and actual expenditures to maintain and preserve the Department's infrastructure were \$398.9 million and \$470.7 million, respectively.

Debt Administration

Transportation Systems Revenue Bonds are issued with the approval of the State and the State's Bond Issuing Officers (the Governor, the Secretary of Finance, the Secretary of State, and the State Treasurer) to finance improvements to the State's transportation systems. Approval by the General Assembly of the State is not required for the Authority to issue bonds to refund any of its bonds provided that a present value debt service savings is achieved in such refunding. The sales must comply with the rules and regulations of the United States Treasury Department and the United States Securities and Exchange Commission.

At June 30, 2021, the Authority had \$1,131.6 million in revenue bonds outstanding, a 25.7% increase from June 30, 2020. During Fiscal Year 2021, the Department issued \$217.3 million of Transportation System Senior Revenue Bonds, 2020 Series, to provide for additional project funding and a refunding of \$61.8 million prior Transportation System Senior Revenue Bonds. Additionally, the Department issued GARVEE Bonds, 2020 Series, in the amount of \$194.5 million, to provide for additional project funding and a refunding of \$65.2 million prior GARVEE bonds. The GARVEE bonds are limited obligations of the Authority payable solely from certain pledged federal aid available to the State.

At June 30, 2021, the Authority had a total of \$216.4 million in authorized but unissued revenue bonds and \$56.0 million in authorized but unissued GARVEE bonds.

Of the six outstanding Senior Bond Issues, all bonds are rated AA+ and Aa1 by Standard and Poor's and Moody's Investors Service, respectively. The GARVEE Bond, 2020 Series, is rated AA and A1 by Standard and Poor's and Moody's Investors Service, respectively. The US 301 Project Revenue Bonds and the US 301 TIFIA loan are rated A1 and Aa3 by Standard and Poor's and Moody's Investors Service, respectively.

The Department's investment portfolio is actively managed by Wilmington Trust Company and primarily consists of U.S. government securities, U.S. government agency securities, and high-grade commercial paper. The majority of these investments have maturities of less than one year. The Department's bond ratings have allowed continued access to the municipal bond market at favorable interest rates.

Factors Expected to Have an Effect on Future Operations

On November 15, 2021, the Infrastructure Investment and Jobs Act was signed into law. As a result, the Department expects Federal funding to increase from a total of approximately \$1.1 billion over the next five-year period to approximately \$1.6 billion over the same period, for an annual increase of approximately \$100 million.

See independent auditors' report.

State of Delaware
Department of Transportation
Management's Discussion and Analysis
June 30, 2021 and 2020

Contacting the Department's Financial Management

This financial report is designed to provide bondholders, patrons, and other interested parties with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the State of Delaware, Department of Transportation, Finance Division, P.O. Box 778, Dover, Delaware 19903.

State of Delaware
Department of Transportation
Statements of Net Position
June 30, 2021 and 2020

	2021	2020
Current assets		
Cash and cash equivalents		
Unrestricted	\$ 123,086,167	\$ 31,874,338
Restricted	80,207,116	69,665,501
Pooled cash and investments	10,722,865	11,075,757
Investments - at fair value		
Unrestricted	61,799,911	63,343,802
Restricted	153,531,499	90,674,438
Accounts receivable, net		
Trade	30,237,559	22,547,809
Federal grants	40,024,738	54,629,687
Interest	371,443	357,611
Due from State General Fund	14,382,000	19,895,960
Inventory	21,730,752	23,022,133
Other assets	112,472	70,463
Total current assets	536,206,522	387,157,499
Noncurrent assets		
Capital assets, net	5,296,742,530	5,127,213,601
Investments - at fair value, net of current portion		
Unrestricted	19,442,235	1,045,580
Restricted	128,838,266	21,609,405
Total noncurrent assets	5,445,023,031	5,149,868,586
Total assets	5,981,229,553	5,537,026,085
Deferred outflows of resources		
Loss on refundings of debt	18,903,708	21,502,236
Changes in assumptions - pension plans and OPEB plans	96,929,742	38,572,486
Net differences between projected and actual earnings on investments - pension and OPEB plans	-	629,546
Changes in employer proportionate share of net pension liability	259,703	327,199
Changes in employer proportionate share of net OPEB liability	1,710,244	2,137,806
Difference between expected and actual experience - pension and OPEB plans	17,886,766	4,665,200
Contributions made subsequent to the measurement date - pension and OPEB plans	24,621,118	24,318,055
Total deferred outflows of resources	160,311,281	92,152,528

(Continued)

State of Delaware
Department of Transportation
Statements of Net Position
June 30, 2021 and 2020

	2021	2020
Current liabilities		
Accounts payable and other accrued expenses	\$ 73,802,318	\$ 79,837,691
Accrued payroll and related expenses	10,257,652	7,949,299
Escrow deposits	10,722,865	11,075,757
Customer toll deposits	11,285,330	11,422,209
Interest payable	23,650,073	17,532,318
Due to General Fund	3,518,395	-
Pollution remediation obligations	80,000	49,780
Insurance loss reserve	1,850,981	1,653,034
Compensated absences	2,270,681	2,089,584
Revenue bonds payable	77,345,000	78,740,000
Bond issue premium - net of accumulated amortization	26,007,013	13,242,469
Total current liabilities	240,790,308	223,592,141
Noncurrent liabilities		
Compensated absences - net of current portion	13,481,700	12,142,361
Insurance loss reserve - net of current portion	5,821,019	7,595,966
Pollution remediation obligations - net of current portion	77,000	82,000
TIFIA loan payable	229,643,474	223,046,815
Revenue bonds payable - net of current portion	1,054,245,000	821,170,000
Bond issue premium - net of accumulated amortization	126,597,904	43,287,214
Net pension liability	55,573,435	64,016,323
Net other post-employment benefits liability	534,246,789	455,467,870
Total noncurrent liabilities	2,019,686,321	1,626,808,549
Total liabilities	2,260,476,629	1,850,400,690
Deferred inflows of resources		
Service concession arrangement	15,154,284	15,785,713
Changes in employer proportionate share of net pension liability	512,985	730,228
Changes in employer proportionate share of net OPEB liability	1,610,730	579,152
Differences between expected and actual experience - pension and OPEB plans	77,851,999	54,347,029
Net differences between projected and actual earnings on investments - pension and OPEB plans	15,451,237	3,198,862
Changes in assumptions - OPEB plans	33,261,946	44,563,376
Total deferred inflows of resources	143,843,181	119,204,360
Net position		
Net investment in capital assets	3,990,854,987	3,982,682,766
Restricted	158,375,458	152,710,204
Unrestricted	(412,009,421)	(475,819,407)
Total net position	\$ 3,737,221,024	\$ 3,659,573,563

See independent auditors' report and accompanying notes to financial statements.

State of Delaware
Department of Transportation
Statements of Revenues, Expenses, and Changes in Net Position
Fiscal Years Ended June 30, 2021 and 2020

	2021	2020
Operating revenues		
Pledged revenue - senior revenue bonds		
Turnpike revenue	\$ 121,585,674	\$ 116,164,785
Motor fuel tax revenue	124,842,445	136,824,016
Motor vehicle document fee, registration fee, and other revenue	242,993,357	206,793,521
International Fuel Tax Agreement revenue	2,353,617	1,919,003
Pledged revenue - project revenue bonds		
Toll revenue - US 301	22,548,964	25,833,431
Toll revenue - Delaware SR-1	55,026,929	54,211,068
Passenger fares	7,131,331	13,006,999
Miscellaneous	40,089,059	28,732,619
Total operating revenues	616,571,376	583,485,442
Operating expenses		
Road maintenance, preservation, and repairs	176,351,264	260,962,081
Payroll expense	243,929,641	227,354,694
Professional fees and services	323,734,240	303,137,162
Materials, supplies, and other	45,214,352	52,108,528
Bad debt expense	110,000	-
Depreciation	32,588,257	32,296,699
Total operating expenses	821,927,754	875,859,164
Operating loss	(205,356,378)	(292,373,722)
Nonoperating revenues (expenses)		
Income from investments - pledged	641,473	5,909,992
Income from investments	30,398	425,011
Federal grant revenues	336,417,986	298,705,051
Pass-through grant expenses	(9,130,013)	(10,382,203)
Interest expense	(35,357,612)	(34,863,880)
Service concession arrangement	631,429	631,429
Excess of nonoperating revenues over nonoperating expenses	293,233,661	260,425,400
Income (loss) before transfers	87,877,283	(31,948,322)
Transfers to other governmental agencies	(6,860,261)	(8,208,907)
Transfers to State General Fund	(6,000,000)	(6,000,000)
Transfers from State General Fund	2,630,439	14,653,373
Increase (decrease) in net position	77,647,461	(31,503,856)
Net position - beginning of year	3,659,573,563	3,691,077,419
Net position - end of year	\$ 3,737,221,024	\$ 3,659,573,563

See independent auditors' report and accompanying notes to financial statements.

State of Delaware
Department of Transportation
 Statements of Cash Flows
 Fiscal Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Receipts from customers	\$ 604,972,087	\$ 579,389,427
Payments to suppliers	(537,694,141)	(597,602,792)
Payments to employees	(213,739,562)	(208,802,213)
Insurance claims paid	(6,377,000)	(4,589,781)
Other receipts	3,331,582	3,311,740
Net cash used in operating activities	(149,507,034)	(228,293,619)
Cash flows from noncapital financing activities		
Transfers from State General Fund	2,630,439	14,653,373
Transfers to State General Fund	(6,000,000)	(6,000,000)
Federal receipts for operating activities	67,428,936	6,194,460
Pass-through grant payments	(9,130,013)	(10,382,203)
Transfers to other governmental agencies	(6,860,261)	(8,208,907)
Net cash provided by (used in) noncapital financing activities	48,069,101	(3,743,277)
Cash flows from capital and related financing activities		
Payments of revenue bond principal	(74,245,000)	(75,440,000)
Proceeds from TIFIA loan	-	24,979,629
Proceeds from revenue bond sales	411,805,000	137,135,000
Premium from revenue bond sales	120,529,645	23,285,445
Amounts paid to escrow agent for refunding	(107,217,369)	-
Federal receipts for capital and related financing activities	283,594,000	259,051,839
Acquisition of capital assets	(202,139,000)	(148,979,487)
Payments of interest	(43,161,713)	(37,233,638)
Net cash provided by capital and related financing activities	389,165,563	182,798,788
Cash flows from investing activities		
Purchase of investments	(4,097,611,083)	(3,975,370,974)
Proceeds from sale of investments	3,910,672,397	4,051,893,384
Escrow insurance deposits	(46,431)	(13,292)
Interest received	658,039	6,764,947
Net cash provided by (used in) investing activities	(186,327,078)	83,274,065
Net increase in cash and cash equivalents	101,400,552	34,035,957
Cash and cash equivalents - beginning of year	112,615,596	78,579,639
Cash and cash equivalents - end of year	\$ 214,016,148	\$ 112,615,596

(Continued)

State of Delaware
Department of Transportation
Statements of Cash Flows
Fiscal Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (205,356,378)	\$ (292,373,722)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	32,588,257	32,296,699
Bad debt expense	110,000	-
Loss on disposals of fixed assets	21,814	-
Changes in assets and deferred outflows of resources		
(Increase) decrease in accounts receivable - trade	(7,799,750)	487,523
Decrease in due from State General Fund	5,513,960	2,983,586
(Increase) decrease in inventory	1,291,381	(1,024,385)
Decrease in prepaid expenses	4,422	37,045
Increase in deferred outflows of resources	(70,757,281)	(28,018,290)
Changes in liabilities and deferred inflows of resources		
Increase (decrease) in accounts payable and other accrued expenses	(6,035,373)	13,189,982
Decrease in escrow deposits	(352,892)	(427,540)
Increase (decrease) in insurance loss reserve	(1,577,000)	183,000
Increase in due to State General Fund	3,518,395	-
Increase in compensated absences	1,520,436	1,574,118
Increase (decrease) in accrued payroll and related expenses	2,308,353	(850,664)
Decrease in customer toll deposits	(136,879)	(844,258)
Increase in pollution remediation obligations	25,220	118,030
Increase (decrease) in net pension liability	(8,442,888)	5,222,503
Increase in net other post-employment benefits liability	78,778,919	21,723,617
Increase in deferred inflows of resources	25,270,250	17,429,137
Net cash used in operating activities	<u>\$ (149,507,034)</u>	<u>\$ (228,293,619)</u>
Supplemental disclosure of noncash capital financing activities		
Interest capitalized on TIFIA loan	<u>\$ 6,596,659</u>	<u>\$ 6,130,488</u>

See independent auditors' report and accompanying notes to financial statements.

State of Delaware
Department of Transportation
Statement of Fiduciary Net Position -
DTC Pension and DTC OPEB Trust Fiduciary Funds
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 1,259,969	\$ 1,316,698
Accounts receivable		
Accrued interest and dividends	3	878
Other receivable	-	18,619
Member contributions receivable	59,090	29,637
Employer contributions receivable	182,973	17,788
Total current assets	1,502,035	1,383,620
Noncurrent assets		
Investments, at fair value		
Fixed income	35,468,153	31,947,623
Domestic equities	53,741,361	40,435,530
International equities	23,796,938	20,974,938
Total noncurrent assets	113,006,452	93,358,091
Total assets	114,508,487	94,741,711
Liabilities		
Current liabilities		
Accrued expenses	85,936	82,768
Total current liabilities	85,936	82,768
Net position restricted for DTC pension/DTC OPEB	\$ 114,422,551	\$ 94,658,943

See independent auditors' report and accompanying notes to financial statements.

State of Delaware
Department of Transportation
Statement of Changes in Fiduciary Net Position -
DTC Pension and DTC OPEB Trust Fiduciary Funds
For the Fiscal Years Ended June 30, 2021 and 2020

	2021	2020
Additions		
Contributions		
Employer contributions	\$ 5,956,985	\$ 5,595,838
Member contributions	<u>1,861,605</u>	<u>1,801,510</u>
Total contributions	7,818,590	7,397,348
Investment income (expenses)		
Net realized and unrealized gain on investments	17,778,429	9,784,020
Interest and dividends	2,183,876	2,112,339
Investment expenses	<u>(264,196)</u>	<u>(213,908)</u>
Net investment income	<u>19,698,109</u>	<u>11,682,451</u>
Total additions	27,516,699	19,079,799
Deductions		
Benefits paid	7,191,031	6,446,566
Refunds of contributions to members	391,671	218,926
Administrative expenses	<u>170,389</u>	<u>231,022</u>
Total deductions	<u>7,753,091</u>	<u>6,896,514</u>
Increase in net position	19,763,608	12,183,285
Net position restricted for DTC pension/DTC OPEB		
Net position - beginning of year	<u>94,658,943</u>	<u>82,475,658</u>
Net position - end of year	<u>\$ 114,422,551</u>	<u>\$ 94,658,943</u>

See independent auditors' report and accompanying notes to financial statements.

State of Delaware
Department of Transportation
Notes to Financial Statements
June 30, 2021 and 2020

(1) Organization

The Delaware Department of Transportation (the Department) is a major proprietary fund and a component unit of the State of Delaware (the State). The Department has the overall responsibility for coordinating and developing comprehensive, balanced transportation planning and policies for the State. In addition, the Department has overall responsibility for maintenance and operation of roadways and bridges that fall under its jurisdiction. To assist the Department in their mission, the State and the Department created the Delaware Transportation Authority (the Authority), which includes the activities of the Transportation Trust Fund (the Trust Fund) and the Delaware Transit Corporation (DTC). The Authority is a body politic and corporate whose actions are overseen by the Secretary of Transportation (the Secretary), the Director of the Office of Financial Management and Budget, and the Administrator of the Trust Fund. The Authority's principal role is to provide financing to the Department and, as a result, is a blended component unit of the State and is included in these financial statements on a blended basis.

The Trust Fund was created by the State as a special fund with its corporate powers held by the Authority, under the Transportation Trust Fund Act of 1987 (the TTF Act). The underlying purpose of the TTF Act and the Trust Fund is to address the growing urgency to provide additional means to finance the maintenance and development of the integrated highway, air, and water transportation system in the State for the economic benefit of the State and for the welfare and safety of the users of the transportation system. The primary funding of the Trust Fund comes from motor fuel taxes, motor vehicle document fees, motor vehicle registration fees, and other transportation-related fees, which are imposed and collected by the State and transferred to the Trust Fund. The State has irrevocably pledged, assigned, and continuously appropriated to the Trust Fund these taxes and fees. The other major sources of revenue for the Trust Fund are the Delaware Turnpike and the Delaware SR-1 and US 301 Toll Roads. The Authority may apply Trust Fund revenue for transportation projects, subject to the approval of the State, and may pledge any or all of this revenue to secure financing for these projects. The TTF Act also granted the Authority the power to issue bonds payable from and secured by the revenues pledged and assigned to the Trust Fund.

The trust agreements in effect are the Motor Fuel Tax Revenue Bond Trust Agreement (the Motor Fuel Tax Agreement), dated September 1, 1981, as supplemented, and the Transportation Trust Fund Agreement (the Trust Agreement), dated August 1, 1988, as supplemented. The Trust Agreement is a bond indenture, intended to ensure payment to bondholders through assets and revenues pledged to the Trust Fund. Pledged revenues fund certain accounts created under Section 4.02 of the Trust Agreement and, to the extent those revenues are not needed for that purpose, they are deposited, lien-free, to the Trust Fund. Surplus pledged revenues and nonpledged revenues of the Trust Fund may be used to fund the operations of the Department. The provisions of the Motor Fuel Tax Agreement and the Trust Agreement govern the disposition of revenues and other income and prescribe certain accounting practices, including the conditions for transfer of monies among the various funds and accounts held by the Authority or the Trustee and the use of such funds.

Pursuant to Title 2 of the Delaware Code, Sections 1304(a) and 1307(a) as enacted by 69 Delaware Law Chapter 435, DTC was created on November 17, 1994 as a subsidiary public benefit corporation of the Authority. With approval of the Governor, the Secretary appoints the Director

State of Delaware
Department of Transportation
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of DTC, who serves at the pleasure of the Secretary. The Authority provides significant operational subsidies to DTC annually. DTC is authorized to operate the public transportation system within the State and provides services directly to the public. As a result, it is a blended component unit of the Authority. Separate financial statements for DTC are available by writing to the State of Delaware, Department of Transportation, 800 Bay Road, Dover, Delaware 19903.

(2) Summary of Significant Accounting Policies

(a) Measurement Focus and Basis of Accounting

The Department, which is comprised of DelDOT, the Trust Fund, and DTC, operates as an enterprise fund. The Department's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

Fiduciary funds account for assets held by the Department in a trustee capacity or as an agency for other individuals or organizations. Fiduciary funds are not reflected in the Department's business-type statements because the resources of those funds are not available to support the Department's operations. However, the Department is considered either financially accountable or the nature and the significance of the fiduciary fund's relationship with the Department are such that exclusion would cause the Department's financial statements to be misleading. The fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The decision to include and how to report a component unit in the Department's reporting entity is based on several criteria, including legal standing, debt responsibility, fiscal dependency, and financial accountability. The Department is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and: (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Department. The Department may also be financially accountable if an organization is fiscally dependent on the Department and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Department, regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. The Department reports the following component units, which are included in the fiduciary fund financial statements:

- Delaware Transit Corporation Pension Plan (DTC Plan) - The DTC Plan is a single-employer, defined benefit, contributory plan covering noncollectively bargained employees of DTC, DART, and Delaware Administration for Specialized Transit. The DTC Plan is a legally separate entity. It provides retirement, disability, and death benefits exclusively to DTC. The DTC Plan reports may be obtained by writing DTC at 900 Public Safety Boulevard, Dover, Delaware 19901-4503.

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The plan years reported in the statements of fiduciary net position are as of June 30, 2021 and 2020 and the related statements of changes in fiduciary net position are for the years then ended.

- Delaware Administration for Regional Transit (DART) Contributory Pension Plan (DART Plan) - The DART Plan is a single-employer, defined benefit, contributory plan covering members of Local 32, Office and Professional Employees International Union AFL-CIO, and Local 842, Amalgamated Transit Union AFL-CIO and its collective bargaining units: the North District Fixed Route and Maintenance Employees and the Paratransit and Greater Dover Area Fixed Route Drivers, who are employed by DTC. The DART Plan is a legally separate entity. It provides retirement, disability, and death benefits exclusively to DTC. The DART Plan reports may be obtained by writing DTC at 900 Public Safety Boulevard, Dover, Delaware 19901-4503. The plan years reported in the statements of fiduciary net position are as of December 31, 2021 and 2020 and the related statements of changes in fiduciary net position are for the years then ended.
- Delaware Transit Corporation OPEB Fund Trust (the DTC OPEB Trust) - The DTC OPEB Trust is a single-employer, defined benefit plan administered by DTC. The DTC OPEB Trust provides retirement medical and life insurance coverage to retired employees and their eligible dependents. The DTC OPEB Trust is a legally separate entity. Policy for and management of the DTC OPEB Trust benefits provided to retirees are the responsibility of DTC. The plan years reported in the statements of fiduciary net position are as of June 30, 2021 and 2020 and the related statements of changes in fiduciary net position are for the years then ended.

See Note 12 and Note 13 for further information regarding DTC's pension plans and DTC's OPEB Trust, respectively.

(b) Cash and Cash Equivalents

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

The Department maintains cash escrow accounts for administrative purposes and has classified these cash balances as restricted. An offsetting liability is recorded in the accompanying statements of net position.

(c) Allowance for Doubtful Accounts

Accounts receivable consist of short-term receivables that arise in the normal course of business. Accounts are generally considered past due after 30 days and do not accrue interest. Management determines the allowance for doubtful accounts based upon prior experience and its assessment of the collectibility of specific accounts. At June 30, 2021 and 2020, the

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allowance for doubtful accounts receivable was \$38,612 and \$178,497, respectively. Uncollectible accounts receivable are charged off when management determines that all reasonable collection efforts have been exhausted.

(d) Inventory

Inventory is accounted for at the lower of cost or market. Cost is determined using the average cost method.

(e) Investments

Investments are recorded at fair value. Fair value is determined using quoted market prices in an active market, if available. For certain U.S. government securities, U.S government agency securities, and commercial paper, for which an active market does not exist, fair value is determined using a discounted cash flow model. Significant inputs to the discounted cash flow model are the coupon, yield, and expected maturity date of the security.

(f) Restricted Assets

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, and then unrestricted resources as needed.

(g) Management 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 disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(h) Capital Assets

Capital assets, which include land, buildings, improvements, fixtures, vehicles, equipment, construction in progress, and infrastructure assets (such as roads and bridges, which are normally immovable and of value only to the State) are reported in the Department's financial statements.

Capital assets are defined by the State as assets with an initial individual acquisition cost of more than \$25,000 at the date of acquisition and an estimated useful life in excess of one year. It is the policy of the Department, with the exception of DTC, to capitalize all buildings and land regardless of cost, improvements to land and buildings when the cost of projects exceed \$100,000, and infrastructure when the cost of individual items or projects exceeds \$1,000,000. Such assets are recorded at historical cost, or estimated historical cost, if the original cost is not determinable. Donated capital assets are recorded at estimated fair market value at the time of the donation.

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Buildings, improvements, fixtures, vehicles, and equipment are depreciated on a straight-line basis.

Capital assets are defined by DTC as all assets purchased with State and federal grant funds, as well as any asset with an individual acquisition cost greater than \$5,000 purchased with operating funds.

For assets not part of infrastructure, the costs of normal preservation, maintenance, and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

The Department maintains two asset management systems, one for the roads and one for the bridges. In addition, the Department completes condition assessments on its roads and bridges at least every three years.

Buildings, improvements, fixtures, vehicles, and equipment, other than those associated with service concession agreements, are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 - 40 years
Revenue vehicles	4 - 25 years
Service vehicles and equipment	3 - 20 years
Communications equipment	10 - 40 years
Furniture and fixtures	3 - 10 years
Bus signs and shelters	10 years

(i) *Compensated Absences*

Compensated absences are absences for which Department employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Department and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Department and its employees are accounted for in the period in which such services are rendered or such events take place.

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(j) Line of Credit

The Trust Fund has a line of credit agreement with M&T Bank for \$100,000,000, which matures in June 2023. There were no borrowings against the line at June 30, 2021. The line bears interest on the amount that has been advanced from time to time pursuant to the bank loan agreement at an annual rate equal to 80% of the daily LIBOR rate plus .67%. At June 30, 2021, the interest rate was equal to 0.7392%.

(k) Revenue Recognition

Turnpike/Toll Revenue - Turnpike/Toll revenues consist primarily of fees for the usage of the Delaware Turnpike and the toll portion of Delaware SR-1 and US 301 and are recognized at the time vehicles pass through the toll plazas.

Motor Fuel Tax Revenue - Motor fuel tax revenues are generally recognized at the time fuel is dispensed to the ultimate user.

Motor Vehicle Revenue - Motor vehicle revenues are recognized at the time services are provided to customers.

Passenger Fares - Passenger fare revenues are recorded at the time services are provided. Revenues from DART cards are recognized at the point of sale.

(l) Bond Issue Premiums/Discounts

Amortization of bond issue premiums/discounts is provided using the effective interest method over the life of the bond issue. Net amortization resulted in a reduction in interest expense of \$24,482,101 and \$15,146,796 in 2021 and 2020, respectively.

(m) Revenues and Expenses

The Department defines nonoperating revenues as federal grant revenues and investment income. Pledged revenue represents taxes, fees, and investment income committed to repayment of revenue bonds. All other revenues are derived from normal operations of the Department. Nonoperating expenses are defined as grant expenses and interest expense. All other expenses are a result of normal operations.

(n) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to future reporting periods. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to future reporting periods. Deferred outflows increase net position, similar to assets, and deferred inflows decrease net position, similar to liabilities.

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(o) Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(p) Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the DTC OPEB Trust and additions to/deductions from the DTC OPEB Trust's fiduciary net position have been determined on the same basis as they are reported by the DTC OPEB Trust. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(q) Adoption of Government Accounting Standards Board (GASB) Statements

In Fiscal Year 2021, the Department adopted a new accounting standard. This standard was adopted as of July 1, 2019, the earliest period practical.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The primary objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement is also intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective date of Statement No. 84 one year, making it effective for reporting periods beginning after December 15, 2019. The adoption did not impact prior period net position.

(r) GASB Statement Not Yet Adopted

The following statement was issued by GASB, which management believes may impact the financial reporting of the Department.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset.

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Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective date of Statement No. 87 by 18 months, making it effective for reporting periods beginning after December 15, 2020. The Department has not adopted GASB Statement No. 87 as of June 30, 2021.

(3) Deposits and Investments

(a) Cash Management Policy and Investment Guidelines

The Department follows the *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* (the Policy) of the State's Cash Management Policy Board (the Board). The Board, created by State law, establishes policies for investment of all money belonging to the State or on deposit from its political subdivisions, other than money deposited in any State Pension Fund or the State Deferred Compensation Program, and to determine the terms, conditions, and other matters relating to those investments, including the designation of permissible investments [29 Del.C. §2716(a)]. By law, all deposits and investments belonging to the State are under the control of the State Treasurer in various pooled investment funds (State Investment Pool) except for those that, by specific authority, are under the control of other agencies or component units, as determined by the Board. As mandated by State statutes, the State's funds shall be invested pursuant to the prudent person standard as defined in the Policy. The prudent person standard allows the Board to establish investment policies based on investment criteria that it defines, and it allows the Board to delegate investment authority to investment professionals. This standard of care not only permits, but also encourages, diversifying investments across various asset classes.

Investment Guidelines and Management

The Policy requires State funds to be allocated and held in the following categories of accounts:

- Collection and disbursement accounts
- Liquidity accounts
- Reserve accounts
- Endowment accounts
- Operating accounts
- Settlement accounts

The Department's accounts are considered operating accounts. State agencies and other public authorities maintain various operating accounts with the intent of segregating such funds for accounting and reporting purposes. In addition, operating accounts may be created to meet particular purposes and/or to comply with State statutes, bond trust agreements, and/or federal guidelines.

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The investment objectives of such funds are to ensure safety and maximize return while providing for the liquidity requirements specifically identifiable to the use of such funds.

The Policy specifies the type of investments that investment managers can make; the maximum percentage of assets that may be invested in particular instruments; the minimum credit quality of these investments; and the maximum length of time the assets can be invested.

The following investments are permissible for operating accounts, subject to the percentage limitations of the account:

- U.S. Treasury obligations
- U.S. government agency obligations
- Certificates of deposit and time deposits
- Corporate debt instruments
- Repurchase agreements
- Money market funds
- Canadian treasury bills
- Canadian agency securities
- Mortgage-backed and asset-backed securities
- Supranational organizations or international agencies

The Policy is available on the Office of the State Treasurer's website at <http://treasury.delaware.gov>.

(b) Custodial Credit Risk

Cash and Cash Equivalents

The Department's cash and cash equivalents held at external financial institutions at June 30, 2021 and 2020 were \$203,293,283 and \$101,539,839, respectively, and the bank balances were \$203,437,042 and \$101,890,669, respectively. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits-in-transit. Of the bank balances, \$29,986,628 and \$29,066,077 were covered by federal depository insurance or by collateral held by the Department's agent, in the Department's name, at June 30, 2021 and 2020, respectively. The remaining bank balances of \$173,450,414 and \$72,824,592 were neither insured nor collateralized at June 30, 2021 and 2020, respectively.

As of June 30, 2021 and 2020, the Department also had \$10,722,865 and \$11,075,757, respectively, held in the State Investment Pool by the State Treasurer's Office. The State Treasurer's Office controls these funds and any investment decisions are made by the State Treasurer's Office. The State Investment Pool includes deposit accounts and short- and long-term investments. The deposits held in the State Investment Pool are allocated to the Department, but the custodial credit risk cannot be categorized for these deposits.

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Investments

At June 30, 2021 and 2020, all of the Department's investments were insured or registered with securities held by the Department or the counterparty in the Department's name. The Department measures and records its investments using fair value measurement guidelines. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

Description	Investments at Fair Value at June 30, 2021			
	Level 1	Level 2	Level 3	Total
Investments measured at fair value				
U.S. government securities	\$ -	\$ 102,235,870	\$ -	\$ 102,235,870
U.S. government agency securities	-	107,661,766	-	107,661,766
Commercial paper	-	<u>153,714,275</u>	-	<u>153,714,275</u>
Total investments	<u>\$ -</u>	<u>\$ 363,611,911</u>	<u>\$ -</u>	<u>\$ 363,611,911</u>

Description	Investments at Fair Value at June 30, 2020			
	Level 1	Level 2	Level 3	Total
Investments measured at fair value				
U.S. government securities	\$ -	\$ 73,590,402	\$ -	\$ 73,590,402
U.S. government agency securities	-	65,727,763	-	65,727,763
Commercial paper	-	<u>37,355,060</u>	-	<u>37,355,060</u>
Total investments	<u>\$ -</u>	<u>\$ 176,673,225</u>	<u>\$ -</u>	<u>\$ 176,673,225</u>

Investments categorized as Level 2 are valued through several industry accepted methodologies, including yield to maturity and benchmark yields. Standard inputs in the valuation methodologies include reported trades, broker/dealer quotes, issuer spreads, and market publications.

(c) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the value of an investment. The Policy provides that maximum maturity for investments in Department accounts, at the time of purchase, shall not exceed two years, except when it is prudent to match a specific investment instrument with a known specific future liability, in which case the maturity limitation shall match the maturity of the corresponding liability.

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The following table presents a listing of directly held investments and related maturities at June 30, 2021:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
U.S. government securities	\$ 102,235,870	\$ 46,485,561	\$ 55,750,309	\$ -
U.S. government agency securities	107,661,766	43,690,871	63,970,895	-
Commercial paper	<u>153,714,275</u>	<u>125,154,978</u>	<u>28,559,297</u>	<u>-</u>
Total investments	\$ <u>363,611,911</u>	\$ <u>215,331,410</u>	\$ <u>148,280,501</u>	\$ <u>-</u>

The following table presents a listing of directly held investments and related maturities at June 30, 2020:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
U.S. government securities	\$ 73,590,402	\$ 72,544,822	\$ 1,045,580	\$ -
U.S. government agency securities	65,727,763	44,118,358	21,609,405	-
Commercial paper	<u>37,355,060</u>	<u>37,355,060</u>	<u>-</u>	<u>-</u>
Total investments	\$ <u>176,673,225</u>	\$ <u>154,018,240</u>	\$ <u>22,654,985</u>	\$ <u>-</u>

(d) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Department follows the Policy and the Trust Agreement by investing only in authorized securities. The Department's general investment policy for credit risk is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments.

The Policy requires that investments in:

- Certificates of deposit and time deposits be with a banking institution with assets of not less than \$100 billion that is rated not lower than A1/P-1/F1 short term by at least two rating agencies;
- Money market funds be invested solely in government securities that are rated in the highest rating category by at least one rating agency;
- Asset-backed securities have the highest credit rating from at least two rating agencies; and
- Corporate debt instruments must be rated by Standard and Poor's Ratings Services (S&P) and/or Moody's Investor Service (Moody's) and/or Fitch Ratings (Fitch) as follows:

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<u>Investment</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fitch</u>
Commercial paper	A-2	P-2	F2
Senior long-term debt	A-	A3	A-*
Corporate bonds and debentures	A-	A3	A-

*Excluding asset-backed commercial paper that is rated A1 or better

In addition, the Trust Agreement limits investments in commercial paper to those with a Moody's rating of P-1 or an S&P rating of A-1 for short-term investments. The Department had investments in commercial paper of \$153,714,275 and \$37,355,060 at June 30, 2021 and 2020, respectively. All commercial paper held matures within five years and is rated in accordance with the Trust Agreement. The investments in U.S. government and government agency securities are rated at Aaa with Moody's and AA+ with S&P.

(e) Investments in Excess of 5%

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

The Policy provides that the purchase of securities cannot exceed the following percentage of account limitations, valued at market.

- A. U.S. Treasury obligations - no restrictions
- B. U.S. government agency obligations - 50% in total; 20% in any one issuer
- C. Certificates of deposit and time deposits - 50% in total (domestic and non-domestic combined); 25% in all non-domestic banking institutions; 5% in any one issuer
- D. Corporate debt - 50% in total; 25% in all non-domestic corporations; 25% in any one industry; 5% in any one issuer
- E. Repurchase agreements - 50% in total; provided that any securities purchased subject to repurchase agreements shall be subject to the respective Percentage Limit for such security type as set forth in the Policy and valued for such purposes at the lesser of fair market value and 102% of the maturity value of the securities pursuant to the repurchase agreement and marked-to-the-market daily as requested by the investment manager
- F. Money market funds - no restrictions
- G. Canadian treasuries - 25% in total
- H. Canadian agency securities - 25% in total; 10% in any one agency
- I. Mortgage-backed and asset-backed securities - 10% in total

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J. Supranational organizations or international agencies - 25% in total; 10% in any one agency

The following issuers have investments at fair value in excess of 5% of the investment portfolio at June 30, 2021:

United States Treasury	\$102,235,870	28%
Federal Farm Credit Bank	39,887,268	11%
Federal Home Loan Mortgage Corporation	27,767,502	8%
Federal Home Loan Bank	20,087,793	6%
Federal National Mortgage Association	19,919,204	5%

The following issuers have investments at fair value in excess of 5% of the investment portfolio at June 30, 2020:

United States Treasury	\$ 73,590,402	30%
Federal Home Loan Mortgage Corporation	32,070,977	13%
Federal National Mortgage Association	19,173,145	8%

(f) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although the Department does not have a formal policy governing foreign currency risk, the Department manages its exposure to fair value loss by requiring its investment managers to maintain diversified portfolios to limit foreign currency risk. The Department does not deem foreign currency risk significant.

(g) Investment Commitments

The Department has made no investment commitments as of June 30, 2021.

(h) Funding of Unpaid Loss Insurance Reserve Liability

Included in cash at June 30, 2021 and 2020 was \$7,612,277 and \$9,235,708, respectively, which will be utilized to fund the remaining loss insurance reserve liability (Note 16), net of escrow insurance deposits.

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(4) Capital Assets

Capital asset activity for the Fiscal Year Ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 366,547,020	\$ 9,898,306	\$ -	\$ 376,445,326
Infrastructure	4,355,332,960	110,946,963	-	4,466,279,923
Service concession buildings and improvements	22,100,000	-	-	22,100,000
Construction-in-progress	<u>95,761,166</u>	<u>36,769,661</u>	<u>(10,385,948)</u>	<u>122,144,879</u>
Total capital assets not being depreciated	4,839,741,146	157,614,930	(10,385,948)	4,986,970,128
Capital assets being depreciated				
Land improvements	8,025,173	-	-	8,025,173
Buildings and improvements	197,708,363	15,959,178	-	213,667,541
Furniture, vehicles, and equipment	<u>371,423,774</u>	<u>39,265,830</u>	<u>(10,053,298)</u>	<u>400,636,306</u>
Total capital assets being depreciated	577,157,310	55,225,008	(10,053,298)	622,329,020
Less: accumulated depreciation for				
Land improvements	1,483,559	354,635	-	1,838,194
Buildings and improvements	69,842,269	6,414,462	-	76,256,731
Furniture, vehicles, and equipment	<u>218,359,027</u>	<u>25,819,160</u>	<u>(9,716,494)</u>	<u>234,461,693</u>
Total accumulated depreciation	<u>289,684,855</u>	<u>32,588,257</u>	<u>(9,716,494)</u>	<u>312,556,618</u>
Total capital assets being depreciated, net	<u>287,472,455</u>	<u>22,636,751</u>	<u>(336,804)</u>	<u>309,772,402</u>
Total capital assets, net	<u>\$ 5,127,213,601</u>	<u>\$ 180,251,681</u>	<u>\$ (10,722,752)</u>	<u>\$ 5,296,742,530</u>

Depreciation expense for Fiscal Year 2021 was \$32,588,257.

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Capital asset activity for the Fiscal Year Ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 357,779,688	\$ 8,767,332	\$ -	\$ 366,547,020
Infrastructure	4,301,367,025	53,965,935	-	4,355,332,960
Service concession buildings and improvements	22,100,000	-	-	22,100,000
Construction-in-progress	<u>58,620,065</u>	<u>40,744,088</u>	<u>(3,602,987)</u>	<u>95,761,166</u>
Total capital assets not being depreciated	4,739,866,778	103,477,355	(3,602,987)	4,839,741,146
Capital assets being depreciated				
Land improvements	7,092,695	932,478	-	8,025,173
Buildings and improvements	186,360,423	18,129,276	(6,781,336)	197,708,363
Furniture, vehicles, and equipment	<u>343,713,607</u>	<u>36,954,329</u>	<u>(9,244,162)</u>	<u>371,423,774</u>
Total capital assets being depreciated	537,166,725	56,016,083	(16,025,498)	577,157,310
Less: accumulated depreciation for				
Land improvements	1,082,484	401,075	-	1,483,559
Buildings and improvements	63,982,498	5,859,771	-	69,842,269
Furniture, vehicles, and equipment	<u>201,337,625</u>	<u>26,035,853</u>	<u>(9,014,451)</u>	<u>218,359,027</u>
Total accumulated depreciation	<u>266,402,607</u>	<u>32,296,699</u>	<u>(9,014,451)</u>	<u>289,684,855</u>
Total capital assets being depreciated, net	<u>270,764,118</u>	<u>23,719,384</u>	<u>(7,011,047)</u>	<u>287,472,455</u>
Total capital assets, net	<u>\$ 5,010,630,896</u>	<u>\$ 127,196,739</u>	<u>\$ (10,614,034)</u>	<u>\$ 5,127,213,601</u>

Depreciation expense for Fiscal Year 2020 was \$32,296,699.

(5) Changes in Long-Term Liabilities

Long-term liability activity for the Fiscal Year Ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 899,910,000	\$ 411,805,000	\$ (180,125,000)	\$ 1,131,590,000	\$ 77,345,000
TIFIA loan payable	223,046,815	6,596,659	-	229,643,474	-
Bond issue premium, net of accumulated amortization	56,529,683	120,557,335	(24,482,101)	152,604,917	26,007,013
Insurance loss reserve	9,249,000	4,800,000	(6,377,000)	7,672,000	1,850,981
Net other post-employment benefits	455,467,870	78,778,919	-	534,246,789	-
Pollution remediation obligations	131,780	25,220	-	157,000	80,000
Net pension liability	64,016,323	-	(8,442,888)	55,573,435	-
Compensated absences	<u>14,231,945</u>	<u>3,610,020</u>	<u>(2,089,584)</u>	<u>15,752,381</u>	<u>2,270,681</u>
Long-term liabilities	<u>\$ 1,722,583,416</u>	<u>\$ 626,173,153</u>	<u>\$ (221,516,573)</u>	<u>\$ 2,127,239,996</u>	<u>\$ 107,553,675</u>

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Long-term liability activity for the Fiscal Year Ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 838,215,000	\$ 137,135,000	\$ (75,440,000)	\$ 899,910,000	\$ 78,740,000
TIFIA loan payable	191,936,698	31,110,117	-	223,046,815	-
Bond issue premium, net of accumulated amortization	48,391,034	23,285,445	(15,146,796)	56,529,683	13,242,469
Insurance loss reserve	9,066,000	4,772,781	(4,589,781)	9,249,000	1,653,034
Net other post-employment benefits	433,744,253	21,723,617	-	455,467,870	-
Pollution remediation obligations	13,750	118,030	-	131,780	49,780
Net pension liability	58,793,820	5,222,503	-	64,016,323	-
Compensated absences	<u>12,657,827</u>	<u>3,377,788</u>	<u>(1,803,670)</u>	<u>14,231,945</u>	<u>2,089,584</u>
Long-term liabilities	<u>\$ 1,592,818,382</u>	<u>\$ 226,745,281</u>	<u>\$ (96,980,247)</u>	<u>\$ 1,722,583,416</u>	<u>\$ 95,774,867</u>

(6) Revenue Bonds Outstanding

Revenue bonds outstanding at June 30, 2021 and 2020 were as follows:

<u>Date of Issue/ Maturity</u>	<u>Amount of Original Issue</u>	<u>Description and Fixed Interest Rates</u>	<u>2021</u>	<u>2020</u>
Senior Bonds:				
2010/2030	\$ 72,120,000	Transportation System Senior Revenue Bonds, 2010B, 4.40% - 5.80%	\$ -	\$ 67,050,000
2012/2024	222,870,000	Transportation System Senior Revenue Bonds, 2012, 3.00% - 5.00%	97,530,000	110,245,000
2014/2025	108,760,000	Transportation System Senior Revenue Bonds, 2014, 2.25% - 5.00%	41,095,000	51,745,000
2016/2029	181,475,000	Transportation System Senior Revenue Bonds, 2016, 2.00% - 5.00%	166,575,000	179,400,000
2017/2037	107,000,000	Transportation System Senior Revenue Bonds, 2017, 2.50% - 5.00%	69,760,000	93,480,000
2019/2039	137,135,000	Transportation System Senior Revenue Bonds, 2019, 3.00% - 5.00%	135,510,000	137,135,000
2020/2040	217,335,000	Transportation System Senior Revenue Bonds, 2020, 4.00% - 5.00%	217,335,000	-
Other Bonds:				
2010/2025	113,490,000	Transportation System Grant Anticipation (GARVEE) Bonds, 2010, 3.25% - 5.00%	-	48,320,000

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<u>Date of Issue/ Maturity</u>	<u>Amount of Original Issue</u>	<u>Description and Fixed Interest Rates</u>	<u>2021</u>	<u>2020</u>
2015/2055	\$ 212,535,000	Transportation System US 301 Project Revenue Bonds, 2015, 3.25% - 5.00%	\$ 209,315,000	\$ 212,535,000
2020/2035	194,470,000	Transportation System Grant Anticipation (GARVEE) Bonds, 2020, 5.00%	<u>194,470,000</u>	-
		Total bonds payable	1,131,590,000	899,910,000
		Less: current portion	<u>77,345,000</u>	<u>78,740,000</u>
		Long-term portion	<u>\$ 1,054,245,000</u>	<u>\$ 821,170,000</u>

The State has pledged turnpike, motor fuel tax, and motor vehicle fee revenues to the Trust Fund in order to support repayments of revenue bonds. Proceeds from the revenue bonds were used to finance the infrastructure maintenance, preservation, and construction-related projects of the State's highway transportation system, as well as security for the repayment of the outstanding revenue bonds of the Authority.

The 2015 Series US 301 Project Revenue Bonds are secured by pledged revenues from US 301 tolls and a subordinate lien on other pledged revenue, including motor fuel tax, state registration and document fees, and Delaware Turnpike toll and concession revenues. Proceeds were used to finance US 301 construction.

The revenue bonds do not constitute a debt of the State or of any political subdivision thereof, or a pledge of the general taxing power or the faith and credit of the State or of any such political subdivision. Annual principal and interest payments on the revenue bonds are expected to require less than 25% of pledged revenues. Principal and interest paid on the revenue bonds for the Fiscal Years Ended June 30, 2021 and 2020 were \$117,379,024 and \$112,673,638, respectively.

The Transportation System Senior Revenue Bonds have fixed interest rates and are limited obligations of the Authority secured only by the pledged revenues of the Trust Fund. The pledged revenues of the Authority were as follows at June 30,:

	<u>2021</u>	<u>2020</u>
Pledged operating revenues	\$ 514,324,057	\$ 487,534,756
Investment income	<u>641,473</u>	<u>5,909,992</u>
Total pledged revenues	<u>\$ 514,965,530</u>	<u>\$ 493,444,748</u>

The Transportation System GARVEE Bonds have fixed interest rates and are limited obligations of the Authority secured by and payable solely from the annual federal appropriation for the State's federal aid transportation projects.

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On average, the State has been apportioned approximately \$185.5 million in federal highway aid annually over the past five fiscal years. At that level, principal and interest payments on the GARVEE bonds are expected to require approximately 2.0% of pledged federal highway aid annually. While the Authority believes that sufficient pledged federal highway aid will be available during the term of the bonds to meet all required principal and interest payments, various factors beyond the Authority's control may impact the ability to make all payments when due, including, but not limited to, subsequent reauthorization of federal highway aid and federal budgetary limitations.

At June 30, 2021 and 2020, the Authority had a total of \$272,382,659 and \$156,624,726, respectively, in authorized but unissued revenue bonds, including \$55,980,000 and \$11,510,000, respectively, in GARVEE bond authorization, to fund a portion of the Department of Transportation Capital Improvement Program.

The annual requirement to amortize all revenue bonds payable as of June 30, 2021 was as follows:

Years Ending June 30,	Principal Maturity	Interest Maturity	Total
2022	\$ 77,345,000	\$ 50,480,787	\$ 127,825,787
2023	75,030,000	46,709,262	121,739,262
2024	70,295,000	42,959,512	113,254,512
2025	66,300,000	39,794,443	106,094,443
2026	61,050,000	37,004,118	98,054,118
2027 - 2031	284,245,000	143,493,647	427,738,647
2032 - 2036	238,325,000	83,588,748	321,913,748
2037 - 2041	90,610,000	49,607,424	140,217,424
2042 - 2046	35,385,000	38,592,900	73,977,900
2047 - 2051	60,310,000	27,700,250	88,010,250
2052 - 2056	<u>72,695,000</u>	<u>9,354,751</u>	<u>82,049,751</u>
	<u>\$ 1,131,590,000</u>	<u>\$ 569,285,842</u>	<u>\$ 1,700,875,842</u>

On September 9, 2020, the Authority issued \$217,335,000 of Transportation System Senior Revenue Bonds, 2020 Series, maturing between July 1, 2023 and July 1, 2040. The bonds bear coupon rates between 4% and 5%. The bonds were issued to provide for additional project funding and an advance refunding of the following Transportation System Senior Revenue Bonds:

2010 Series B	<u>\$ 61,850,000</u>
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The refunding was undertaken to reduce the total future debt service payments. The transaction resulted in an economic gain of \$10,108,327 and a reduction of \$10,259,097 in future debt service payments.

On October 29, 2020, the Authority issued \$194,470,000 of GARVEE Bonds, 2020 Series, maturing between September 1, 2021 and September 1, 2035. The bonds bear coupon rates of 5%. The bonds were issued to provide for additional project funding and an advance refunding of the following bonds:

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2010 GARVEE \$ 44,030,000

The refunding was undertaken to reduce the total future debt service payments. The transaction resulted in an economic gain of \$4,305,151 and a reduction of \$4,308,551 in future debt service payments.

(7) TIFIA Loan Payable

The Authority has obtained a loan from the Federal Highway Administration (FHWA) under the Transportation Infrastructure Finance and Innovation Act (TIFIA) to borrow up to \$211,350,000, excluding capitalized interest, to finance construction on the US 301 toll road project (the Project). Funds are reimbursed by FHWA as costs are incurred on the Project. Interest accrues at 2.94%, compounded semi-annually. Interest payments are deferred five years from the projected end of construction, with the first interest payment expected to be due December 1, 2023. Principal payments are deferred nine years and six months from the projected end of construction, with the first principal payment expected to be due June 1, 2028. Final maturity on the loan is the earlier of the 35th anniversary of the substantial completion date of the Project or December 31, 2053.

The loan has mandatory prepayment requirements to the extent revenues generated from the Project exceed certain amounts as defined in the loan agreement. The loan agreement also allows for optional prepayments without penalty. The loan is secured by the toll revenues generated by the Project, with an additional subordinated lien on pledged revenues of the Trust Fund.

As of June 30, 2021 and 2020, the total outstanding loan payable, including capitalized interest of \$18,408,474 and \$11,811,815, was \$229,643,474 and \$223,046,815, respectively. The loan was fully funded during the 2020 Fiscal Year. Interest for 2021-2023 will be capitalized resulting in a total loan balance of \$243,447,180. Projected debt service on the loan, including capitalized interest, was as follows at June 30, 2021:

Years Ending June 30,	Principal Maturity	Interest Maturity	Total*
2022	\$ -	\$ -	\$ -
2023	-	-	-
2024	-	7,167,152	7,167,152
2025	-	7,147,543	7,147,543
2026	-	7,157,347	7,157,347
2027 - 2031	5,274,718	35,629,518	40,904,236
2032 - 2036	15,300,666	34,155,080	49,455,746
2037 - 2041	33,502,751	30,944,472	64,447,223
2042 - 2046	52,075,609	24,948,573	77,024,182
2047 - 2051	76,182,973	15,936,997	92,119,970
2052 - 2056	61,110,463	3,327,306	64,437,769
	<u>\$ 243,447,180</u>	<u>\$ 166,413,988</u>	<u>\$ 409,861,168</u>

* Debt service requirements subject to change based on timing and amount of final disbursements and any mandatory or voluntary prepayments.

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(8) Restricted Net Position

Restricted net position was as follows at June 30,:

	<u>2021</u>	<u>2020</u>
Rebate funds		
Amounts generated from operations to meet future arbitrage rebate requirements	\$ 615,601	\$ 615,937
Debt service funds		
Amounts generated from operations required by the Trust Agreement to be provided to meet current principal and interest payments	92,796,305	87,135,905
Debt reserve funds		
Amounts generated from operations required by the Trust Agreement to be provided as a reserve for future principal and interest payments	64,742,210	64,776,253
Highway beautification funds		
Amounts held in trust to be used for highway beautification	<u>221,342</u>	<u>182,109</u>
Total restricted net position	<u>\$ 158,375,458</u>	<u>\$ 152,710,204</u>

(9) International Registration Plan

The Department participates in the International Registration Plan (IRP) pursuant to Section 4008 of the Intermodal Surface Transportation Efficiency Act of 1997 (ISTEA). ISTEA requires jurisdictions to join base state agreements for the collection and distribution of commercial vehicle registration fees. IRP is an agreement among member jurisdictions whereby commercial registration fees are collected and reallocated based on a proration of miles traveled in each jurisdiction. Net revenues recorded during Fiscal Years 2021 and 2020 were \$13,267,987 and \$11,656,334, respectively. IRP fees are included in motor vehicle document fee, registration fee, and other revenue.

(10) International Fuel Tax Agreement

The Department participates in the International Fuel Tax Agreement (IFTA). IFTA is an agreement among member jurisdictions whereby commercial license fees are collected and reallocated based on a proration of miles traveled in each jurisdiction. Net revenues recorded during Fiscal Years 2021 and 2020 were \$2,353,617 and \$1,919,003, respectively.

(11) DTC Union Contracts

Operators and maintenance personnel of the North District Fixed Route system are represented by the Amalgamated Transit Union AFL-CIO, Local 842. The term of the current Collective Bargaining Agreement (CBA) covers the period from September 1, 2019 through August 31, 2023.

Paratransit Specialists statewide and South District Fixed Route Operators are also represented by the Amalgamated Transit Union AFL-CIO, Local 842, under a separate CBA. The term of the current CBA covers the period from September 1, 2019 through August 31, 2023.

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Certain administrative, operations, and maintenance personnel are represented by the Office and Professional Employees International Union AFL-CIO, Local 32. The term of the current CBA covers the period from January 1, 2017 through December 31, 2020. As of the date of this report, a new CBA has not been signed, and both parties continue to operate under the expired contract terms.

Service and Automotive Technicians and Automotive Parts/Inventory Control Specialists are represented by the International Brotherhood of Electrical Workers, Local 2270. The term of the current CBA covers the period from July 1, 2019 through June 30, 2023.

(12) Pension Plans

A. State Employees' Pension Plan

With the exception of DTC employees (see Note 12B); the Department's full-time employees are covered by the State Employees' Pension Plan (the Plan), a cost-sharing, multiple-employer, defined benefit plan, which 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 Pension Board).

Detailed information concerning the Plan is presented in its publicly available annual basic financial statements, which can be obtained by writing the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite 1, 860 Silver Lake Blvd., Dover, Delaware 19904-2402.

(1) Plan Description and Eligibility

The Plan covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities. There are two tiers within this Plan: 1) Employees hired prior to January 1, 2012 (Pre-2012) and 2) Employees hired on or after January 1, 2012 (Post-2011).

Service Benefits

Final average monthly compensation (employees hired Post-2011 may not include overtime in pension compensation) multiplied by 2% and multiplied by the years of credited service prior to January 1, 1997, plus final average monthly compensation, multiplied by 1.85%, and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For the Plan, final average monthly compensation is the monthly average of the highest three periods of 12 consecutive months of compensation.

Vesting

Pre-2012 date of hire members are fully vested after five years of credited service, and Post-2011 date of hire members are fully vested after 10 years of credited service.

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Retirement

Pre-2012 date of hire members are eligible to retire at age 62 with five years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service at any age. Post-2011 date of hire members are eligible to retire at age 65 with at least 10 years of credited service; age 60 with 20 years of credited service; or with 30 years of credited service at any age.

Disability Benefits

Pre-2012 date of hire members mirror service benefits as previously noted and must have five years of credited service. In lieu of disability pension benefits, over 90% of members of the Plan opted into the Disability Insurance Program offered by the State effective January 1, 2006. Post-2011 date of hire members are provided disability benefits through the State's Disability Insurance Program.

Survivor Benefits

If an employee is receiving a pension and passes away, the eligible survivor receives 50% of the pension (or 67.7% with 2% reduction of benefit, 75% with 3% reduction of benefit, or 100% with 6% reduction of benefit). If an employee is active with at least five years of credited service and passes away, the eligible survivor receives 75% of the benefit the employee would have received at age 62. The amount payable to a surviving spouse under age 50 at the time the survivor's pension begins shall be reduced for each month under age 50 in accordance with actuarial tables approved by the Pension Board. Any actuarial reduction for such a spouse shall, however, not apply for the period during which the spouse has in his or her care, an unmarried child or children.

Burial Benefit

The burial benefit is \$7,000 per member.

Contributions

The Pension Board's employer-determined contributions were based principally on an actuarially determined rate for Fiscal Years 2021 and 2020. The Department's contributions to the Plan for Fiscal Years 2021 and 2020 were \$9,625,479 and \$9,118,264, respectively. Pre-2012 date of hire members are required to contribute 3% of earnings in excess of \$6,000, and Post-2011 date of hire members are required to contribute 5% of earnings in excess of \$6,000.

(2) Allocation Percentage Methodology

In accordance with GASB No. 68, DPERS prepared a Schedule of Pension Amounts by Participating Employer, which calculates the employer's proportionate share of the Plan's collective net pension liability, deferred outflows of resources, deferred inflows of

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resources, and pension expense. DPERS's management has elected to allocate the employer's proportionate shares of the collective pension amounts based on the percentage of actual employer contributions. The Department's proportionate share of the collective pension amounts was 3.5364% and 3.5615% at June 30, 2020 and 2019, respectively, which represents a decrease of 0.0251% and an increase of 0.0320% from the Department's proportionate share as of June 30, 2019 and 2018, respectively.

(3) Net Pension Liability

For the Fiscal Years Ended June 30, 2021 and 2020, the Department reported a net pension liability in the amount of \$49,713,216 and \$55,465,933, respectively, for its proportionate share of the Plan's collective net pension liability as of June 30, 2020 and 2019, respectively, the Department's measurement dates. The Plan's total pension liability as of the June 30, 2020 and 2019 measurement dates was determined by actuarial valuations as of June 30, 2019 and 2018, respectively, and update procedures were used to roll forward the valuation results to June 30, 2020 and 2019, respectively. The actuarial valuations and related update procedures used the following actuarial assumptions for all periods included in the measurements:

	2020	2019
Investment rate of return/discount rate, including inflation	7.00%	7.00%
Projected salary increases, including inflation	2.50% + Merit	2.50% + Merit
Cost-of-living adjustments	0.00%	0.00%
Inflation	2.50%	2.50%

These assumptions are based on an 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.

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

Long-Term Expected Rate of Return - The long-term expected rate of return on 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 weighting 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 adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the DPERS's current and expected asset allocation are summarized in the following table as of the June 30, 2020 measurement date:

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<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation Percentage</u>
Domestic equity	5.7 %	28.5 %
International equity	5.7	15.2
Fixed income	2.0	28.8
Non-traditional investments	7.8	23.0
Cash and cash equivalents	-	4.5

Best estimates of geometric real rates of return for each major asset class included in the DPERS's current and expected asset allocation are summarized in the following table as of the June 30, 2019 measurement date:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation Percentage</u>
Domestic equity	5.7 %	29.5 %
International equity	5.7	13.5
Fixed income	2.0	27.1
Non-traditional investments	7.8	22.4
Cash and cash equivalents	-	7.5

Discount Rate - The discount rate used to measure the total pension liability was 7.0% for all measurement periods. 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 Pension Board, as actuarially determined. Based on those assumptions, the Plan's 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Department's proportionate share of the Plan's net pension liability, calculated using the discount rate of 7.0%, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or higher than the current rate (expressed in thousands):

<u>Valuation Date</u>	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
June 30, 2020	\$ 95,450	\$ 49,713	\$ 11,171
June 30, 2019	\$ 100,192	\$ 55,466	\$ 17,909

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(4) Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the Fiscal Years Ended June 30, 2021 and 2020, the Department recognized \$12,885,412 and \$15,773,147 in pension expense, respectively, which represents its proportionate share of the Plan's collective pension expense.

Contributions Made Subsequent to the Measurement Period - Contributions made subsequent to the measurement period of June 30, 2020 (Fiscal Year 2021 contributions) are included as deferred outflows of resources and will be recognized as a reduction to the net pension liability in Fiscal Year 2022.

Expected and Actual Experience Differences - The difference between expected and actual experience with regard to economic and demographic factors is amortized over the weighted average of the expected remaining service life of active and inactive members. The first year of amortization is recognized as pension expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Change in Assumptions - The change in assumptions about future economic or demographic factors or other inputs is amortized over the weighted average of the expected remaining service life of active and inactive Plan members. The first year of amortization is recognized as pension expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Changes in Employer Proportionate Share - The change in employer proportionate share is the amount of the difference between the employer proportionate share of the net pension liability in the prior year compared to the current year. This change in proportion is amortized over the weighted average of the expected remaining service life of active and inactive Plan members. The first year of amortization is recognized as pension expense, with the remaining years recognized as a deferred inflow or outflow of resources.

Net Differences Between Projected and Actual Investment Earnings on Pension Plan Investments - The difference between the actual earnings on Plan investments compared to the Plan's expected rate of return of 7.0% is amortized over a closed period of five years. The first year of amortization is recognized as pension expense, with the remaining four years recognized as a deferred inflow of resources.

The following presents the deferred outflows of resources and deferred inflows of resources related to the Plan as of June 30, 2021:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual investment earnings on pension plan investments	\$ -	\$ 8,638,342
Changes in assumptions	3,482,502	-
Difference between expected and actual experience	6,480,836	149,353
Changes in employer proportionate share of net pension liability	259,703	512,985
Employer contributions made subsequent to the measurement date	<u>9,625,479</u>	<u>-</u>
Totals	<u>\$ 19,848,520</u>	<u>\$ 9,300,680</u>

The following presents the deferred outflows of resources and deferred inflows of resources related to the Plan as of June 30, 2020:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual investment earnings on pension plan investments	\$ 629,546	\$ -
Changes in assumptions	5,757,819	-
Difference between expected and actual experience	4,665,200	407,121
Changes in employer proportionate share of net pension liability	327,199	730,228
Employer contributions made subsequent to the measurement date	<u>9,118,264</u>	<u>-</u>
Totals	<u>\$ 20,498,028</u>	<u>\$ 1,137,349</u>

The Department reported \$9,625,479 as deferred outflows of resources related to the Plan resulting from Department contributions made subsequent to the measurement date of June 30, 2020 (Fiscal Year 2021 contributions), which will be recognized as a reduction of the net pension liability for the Fiscal Year Ending June 30, 2022.

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Other amounts reported related to the Department's proportionate share of the deferred outflows of resources and deferred inflows of resources will be recognized in pension expense during the Fiscal Years Ending June 30,:

2022	\$	(905,027)
2023		560,381
2024		1,311,195
2025		(559,673)
2026		515,485

B. DTC Pension Plans

(1) Plan Descriptions

DTC administers the DTC Plan and the DART Plan.

The DTC Plan is a single-employer, defined benefit, contributory plan covering noncollectively bargained employees of DTC, DART, and Delaware Administration for Specialized Transit.

The DART Plan is a single-employer, defined benefit, contributory plan covering members of Local 32, Office and Professional Employees International Union AFL-CIO, and Local 842, Amalgamated Transit Union AFL-CIO and its collective bargaining units: the North District Fixed Route and Maintenance Employees and the Paratransit and Greater Dover Area Fixed Route Drivers, who are employed by DTC.

Each plan provides retirement, disability, and death benefits to plan members and beneficiaries.

Both plans issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing DTC at 900 Public Safety Boulevard, Dover, Delaware 19901-4503.

The following employees were covered by the DTC Plan at June 30,:

	<u>2020</u>	<u>2019</u>
Active members	348	329
Inactive members or beneficiaries currently receiving benefits	103	93
Terminated, vested members	<u>112</u>	<u>101</u>
Totals	<u>563</u>	<u>523</u>

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The following employees were covered by the DART Plan at December 31,:

	2020	2019
Active members	654	671
Inactive members or beneficiaries currently receiving benefits	226	206
Terminated, vested members	113	107
Totals	993	984

(2) Benefits

The DTC Plan provides retirement, disability, and death benefits. All employees with 10 years of credited service are eligible for early retirement at age 55. All employees may retire at any age after 25 years of credited service or upon reaching the age of 62. If an employee terminates their employment after at least five years of credited service, but before normal retirement age, they may defer pension benefits until reaching retirement age. Benefits fully vest after five years of credited service.

Death benefits for a DTC Plan participant who dies while employed after completing five years of credited service is equal to 75% of the service pension to which the participant would have been eligible at age 65. The DTC plan was amended to add a survivorship pop-up benefit for participants who retire on or after January 1, 2018 and elect a joint and survivorship annuity.

The authority under which the DTC Plan benefit provisions are established, evaluated, and amended resides with DTC. DTC reserves the right to amend, modify, or terminate the DTC Plan and completely discontinue contributions with respect to eligible participants. However, no such action shall adversely affect eligible participants who have retired under the DTC Plan prior to such action, nor shall any such amendment have the effect of decreasing the amount of a participant's accrued benefit. DTC expects to continue the DTC Plan indefinitely.

The DART Plan provides retirement, disability, and death benefits. All employees with 10 years of credited service are eligible to receive pension benefits at age 65. All employees may retire at any age after 25 years of credited service or upon reaching the age of 65 with a minimum of five years of continuous service. If an employee terminates their employment after at least five years of continuous service, but before normal retirement age, they may defer pension benefits until reaching retirement age. As of December 31, 2020 and 2019, the monthly benefit was \$74.00 and \$72.50 per year of service, respectively.

This benefit is then multiplied by the applicable years of service credited to the eligible participant. Effective January 1, 2020, the monthly benefit paid to retirees receiving benefits under the DART Plan as of December 31, 2019 was increased by 2%, and the

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multiplier for employees who retire after December 31, 2019 was increased to a monthly benefit per year of service of \$74.00, up from \$72.50. Effective January 1, 2021, the monthly benefit paid to retirees receiving benefits under the Plan as of December 31, 2020 was increased by 2%, and the multiplier for employees who retire after December 31, 2020 was increased to a monthly benefit per year of service of \$76.00, up from \$74.00. Upon the death of a retiree or active participant, a lump-sum payment will be made comprised of the aggregate of the participant's contributions that exceed the aggregate of the payments that have been made to the participant.

The authority under which DART Plan benefit provisions are established, evaluated, and amended resides with the DART Plan Pension Committee. The DART Plan Pension Committee is comprised of three members appointed by DTC and three members appointed by Amalgamated Transit Union AFL-CIO, Local 842.

(3) Funding Policy

For the DTC Plan, DTC retains the authority to establish, evaluate, and amend the obligations to contribute to the Plan. DTC's annual contribution determined by the actuary is funded monthly until the required contribution is met. Employees hired after June 30, 2012 are required to contribute 3% of eligible annual compensation in excess of \$6,000.

For the DART Plan, the Pension Committee retains the authority to establish, evaluate, and amend the obligations to contribute to the Plan of both the Plan members, as collectively bargained, and DTC. Plan members are required to contribute 5% of their hourly wages for each hour worked to a maximum of 2,080 hours per year. DTC contributes 5% of the regular hourly wages to the Plan.

The contributions recognized by the DTC Plan during the Fiscal Years Ended June 30, 2021 and 2020 were \$1,648,285 and \$1,492,990, respectively. The contributions recognized by the DART Plan during the Fiscal Years Ended December 31, 2020 and 2019 were \$1,346,507 and \$1,399,890, respectively.

(4) Net Pension Liability

The DTC Plan's net pension liability for the Fiscal Years Ended June 30, 2021 and 2020 was determined by actuarial valuations as of July 1, 2020 and 2019, respectively. Update procedures were used to roll forward the valuation results to the respective measurement dates. There have been no changes between the measurement date of the net pension liability and the report date that are expected to have a significant effect on the net pension liability.

The total pension liability used to calculate the net pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurements for the Fiscal Years Ended June 30,:

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	<u>2021</u>	<u>2020</u>
Investment rate of return	7.0%, net of plan investment expense, including inflation	7.0%, net of plan investment expense, including inflation
Salary increases	2.5%, including inflation	2.5%, including inflation
Inflation	2.0%	2.0%
Mortality	RP-2014 Mortality with generational projection using scale MP-2017	RP-2014 Mortality with generational projection using scale MP-2017

The long-term expected rate of return on DTC Plan investments of 7.0% was determined using a building-block method, where return expectations are established for each asset class. The building-block approach uses the current underlying fundamentals, not historical returns. These return expectations are weighted based on the following asset/target amounts for the Fiscal Year Ended June 30, 2021:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation Percentage</u>
Domestic equity	6.3 %	42.0 %
International equity	6.6	16.0
Emerging equity	7.4	7.0
Core fixed income	1.4	17.5
Intermediate IG Corp	2.0	8.7
High yield	3.9	4.4
Emerging debt	4.1	4.4

These return expectations are weighted based on the following asset/target amounts for the Fiscal Year Ended June 30, 2020:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation Percentage</u>
Domestic equity	6.2 %	42.0 %
International equity	6.3	16.0
Emerging equity	6.9	7.0
Core fixed income	2.5	17.5
Intermediate IG Corp	3.6	8.7
High yield	4.3	4.4
Emerging debt	4.5	4.4

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The DART Plan's net pension liability for the calendar years ended December 31, 2020 and 2019 was determined by an actuarial experience study as of January 1, 2020 and 2019, respectively. There have been no changes between the measurement date of the net pension liability and the report date that are expected to have a significant effect on the net pension liability. The total pension liability used to calculate the net pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurements for the Fiscal Years Ended June 30,:

	<u>2021</u>	<u>2020</u>
Investment rate of return	7.0%, including inflation	7.0%, including inflation
Salary increases	2.5%, including inflation	2.5%, including inflation
Inflation	2.5%	2.5%
Mortality	Sex distinct RP-2014 Blue Collar table, fully generational with scale MP-2018	Sex distinct RP-2014 Blue Collar table, fully generational with scale MP-2018

The long-term expected rate of return on DART Plan investments of 7.0% was determined using a building-block method where return expectations are established for each asset class. The building-block approach uses the current underlying fundamentals, not historical returns. These return expectations are weighted based on the following asset/target amounts for the Fiscal Year Ended June 30, 2021:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation Percentage</u>
Domestic equity	8.00 %	39.00 %
International equity	8.00	21.00
Fixed income	4.00	39.00
Cash equivalents	2.00	1.00

These return expectations were weighted based on the following asset/target amounts for the Fiscal Year Ended June 30, 2020:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation Percentage</u>
Domestic equity	7.00 %	39.00 %
International equity	7.00	21.00
Fixed income	5.00	39.00
Cash equivalents	3.00	1.00

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(5) *Discount Rate*

The discount rate used to measure the total pension liability was 7.0% for both the DTC Plan and the DART Plan for all measurement periods. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from DTC will be made at rates determined by DTC or the DART Plan Pension Committee, actuarially calculated. Based on those assumptions, the fiduciary net position for both the DTC Plan and the DART Plan was projected to be available to make all projected future benefit payments of current members of each Plan. Therefore, the long-term expected rate of return on investments for both the DTC Plan and the DART Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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(6) Changes in the Net Pension Liability

Changes in DTC's net pension liability for the Fiscal Year Ended June 30, 2021 were as follows:

	DTC Plan			DART Plan			Totals		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 7/1/19 (DTC Plan) and 1/1/20 (DART Plan)	\$ 32,759,922	\$ 30,215,734	\$ 2,544,188	\$ 63,313,732	\$ 57,307,530	\$ 6,006,202	\$ 96,073,654	\$ 87,523,264	\$ 8,550,390
Changes for the year									
Service cost	1,465,383	-	1,465,383	2,184,562	-	2,184,562	3,649,945	-	3,649,945
Interest	2,252,272	-	2,252,272	4,472,395	-	4,472,395	6,724,667	-	6,724,667
Changes of benefit terms	-	-	-	1,491,981	-	1,491,981	1,491,981	-	1,491,981
Differences between expected and actual experience	712,083	-	712,083	404,587	-	404,587	1,116,670	-	1,116,670
Contributions - employer	-	1,492,990	(1,492,990)	-	1,346,507	(1,346,507)	-	2,839,497	(2,839,497)
Contributions - member	-	217,064	(217,064)	-	1,596,122	(1,596,122)	-	1,813,186	(1,813,186)
Net investment income	-	1,944,916	(1,944,916)	-	9,376,785	(9,376,785)	-	11,321,701	(11,321,701)
Benefit payments, including refunds of member contributions	(1,169,224)	(1,169,224)	-	(3,269,170)	(3,269,170)	-	(4,438,394)	(4,438,394)	-
Administrative expenses	-	(207,414)	207,414	-	(93,536)	93,536	-	(300,950)	300,950
Net changes	<u>3,260,514</u>	<u>2,278,332</u>	<u>982,182</u>	<u>5,284,355</u>	<u>8,956,708</u>	<u>(3,672,353)</u>	<u>8,544,869</u>	<u>11,235,040</u>	<u>(2,690,171)</u>
Balances at 6/30/20 (DTC Plan) and 12/31/20 (DART Plan)	<u>\$ 36,020,436</u>	<u>\$ 32,494,066</u>	<u>\$ 3,526,370</u>	<u>\$ 68,598,087</u>	<u>\$ 66,264,238</u>	<u>\$ 2,333,849</u>	<u>\$ 104,618,523</u>	<u>\$ 98,758,304</u>	<u>\$ 5,860,219</u>

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Changes in DTC's net pension liability for the Fiscal Year Ended June 30, 2020 were as follows:

	<u>DTC Plan</u>			<u>DART Plan</u>			<u>Totals</u>		
	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at 7/1/18 (DTC Plan) and 1/1/19 (DART Plan)	\$ 30,228,648	\$ 28,133,804	\$ 2,094,844	\$ 58,834,916	\$ 47,718,449	\$ 11,116,467	\$ 89,063,564	\$ 75,852,253	\$ 13,211,311
Changes for the year									
Service cost	1,288,592	-	1,288,592	2,080,651	-	2,080,651	3,369,243	-	3,369,243
Interest	2,077,398	-	2,077,398	4,167,977	-	4,167,977	6,245,375	-	6,245,375
Changes of benefit terms	208,879	-	208,879	1,160,065	-	1,160,065	1,368,944	-	1,368,944
Differences between expected and actual experience	(1,094,998)	-	(1,094,998)	(136,567)	-	(136,567)	(1,231,565)	-	(1,231,565)
Changes of assumptions	1,154,455	-	1,154,455	-	-	-	1,154,455	-	1,154,455
Contributions - employer	-	1,343,265	(1,343,265)	-	1,399,890	(1,399,890)	-	2,743,155	(2,743,155)
Contributions - member	-	186,239	(186,239)	-	1,584,446	(1,584,446)	-	1,770,685	(1,770,685)
Net investment income	-	1,804,607	(1,804,607)	-	9,507,003	(9,507,003)	-	11,311,610	(11,311,610)
Benefit payments, including refunds of member contributions	(1,103,052)	(1,103,052)	-	(2,793,310)	(2,793,310)	-	(3,896,362)	(3,896,362)	-
Administrative expenses	-	(149,129)	149,129	-	(108,948)	108,948	-	(258,077)	258,077
Net changes	<u>2,531,274</u>	<u>2,081,930</u>	<u>449,344</u>	<u>4,478,816</u>	<u>9,589,081</u>	<u>(5,110,265)</u>	<u>7,010,090</u>	<u>11,671,011</u>	<u>(4,660,921)</u>
Balances at 6/30/19 (DTC Plan) and 12/31/19 (DART Plan)	<u>\$ 32,759,922</u>	<u>\$ 30,215,734</u>	<u>\$ 2,544,188</u>	<u>\$ 63,313,732</u>	<u>\$ 57,307,530</u>	<u>\$ 6,006,202</u>	<u>\$ 96,073,654</u>	<u>\$ 87,523,264</u>	<u>\$ 8,550,390</u>

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(7) Sensitivity of Net Pension Liability to Changes in the Discount Rate

The sensitivity of the net pension liability to changes in the DTC Plan's discount rate as of June 30, 2020 and the DART Plan's discount rate as of December 31, 2020 were as follows:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
DTC Plan (7.0%)	\$ 8,034,889	\$ 3,526,370	\$ (250,208)
DART Plan (7.0%)	\$ 10,717,035	\$ 2,333,849	\$ (4,722,284)

The sensitivity of the net pension liability to changes in the DTC Plan's discount rate as of June 30, 2019 and the DART Plan's discount rate as of December 31, 2019 were as follows:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
DTC Plan (7.0%)	\$ 6,671,353	\$ 2,544,188	\$ (911,446)
DART Plan (7.0%)	\$ 13,853,667	\$ 6,006,202	\$ (593,353)

(8) Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

The components of pension expense for the DTC Plan were as follows for the Fiscal Years Ended June 30,:

	<u>2021</u>	<u>2020</u>
Service cost	\$ 1,465,383	\$ 1,288,592
Interest	2,252,272	2,077,398
Changes of benefit terms	-	208,879
Member contributions	(217,064)	(186,239)
Differences between expected and actual experience	(232,325)	(321,335)
Changes in assumptions	396,620	396,620
Administrative expenses	207,414	149,129
Projected investment earnings on plan investments	(2,126,771)	(1,979,071)
Amortization of investment return differences	<u>42,982</u>	<u>212,793</u>
Pension expense	<u>\$ 1,788,511</u>	<u>\$ 1,846,766</u>

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The components of pension expense for the DART Plan were as follows for the Fiscal Years Ended June 30,:

	<u>2021</u>	<u>2020</u>
Service cost	\$ 2,184,562	\$ 2,080,651
Interest	4,472,395	4,167,977
Member contributions	(1,596,122)	(1,584,446)
Benefit changes	1,491,981	1,160,065
Differences between expected and actual experience	(102,906)	(160,704)
Changes in assumptions	477,178	477,178
Administrative expenses	93,536	108,948
Projected investment earnings on Plan investments	(3,997,073)	(3,343,116)
Amortization of investment return differences	<u>(1,706,077)</u>	<u>116,609</u>
Pension expense	<u>\$ 1,317,474</u>	<u>\$ 3,023,162</u>

For the Fiscal Years Ended June 30, 2021 and 2020, DTC recognized pension expense of \$3,105,985 and \$4,869,928, respectively.

Contributions Made Subsequent to the Measurement Period - Contributions made subsequent to the measurement period (Fiscal Year 2021 contributions) are included as deferred outflows of resources and will be recognized as a reduction to the net pension liability in Fiscal Year 2022.

Expected and Actual Experience Differences - Differences between expected and actual experience with regard to economic and demographic factors are amortized over the weighted average of the expected remaining service life of active and inactive members. The first year of amortization is recognized as pension expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Changes in Assumptions - Changes in assumptions about future economic or demographic factors or other inputs are amortized over the weighted average of the expected remaining service life of active and inactive Plan members. The first year of amortization is recognized as pension expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Differences Between Projected and Actual Investment Earnings on Pension Plan Investments - Differences between the actual earnings on plan investments compared to the DTC Plan's expected rate of return of 7.0% and DART Plan's expected rate of return of 7.0% are amortized over a closed period of five years. The first year of amortization is recognized as pension expense with the remaining four years recognized as either a deferred outflow or deferred inflow of resources.

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The following presents the deferred outflows of resources and deferred inflows of resources related to the DTC Plan and DART Plan as of June 30, 2021:

	DTC Plan		DART Plan		Totals	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 623,073	\$ 1,434,999	\$ 346,789	\$ 675,763	\$ 969,862	\$ 2,110,762
Changes in assumptions	1,936,163	-	1,908,710	-	3,844,873	-
Net differences between projected and actual investment earnings on pension plan investments	-	121,418	-	6,206,453	-	6,327,871
Employer contributions subsequent to the measurement date	<u>1,648,284</u>	<u>-</u>	<u>1,171,449</u>	<u>-</u>	<u>2,819,733</u>	<u>-</u>
Totals	<u>\$ 4,207,520</u>	<u>\$ 1,556,417</u>	<u>\$ 3,426,948</u>	<u>\$ 6,882,216</u>	<u>\$ 7,634,468</u>	<u>\$ 8,438,633</u>

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The following presents the deferred outflows of resources and deferred inflows of resources related to the DTC Plan and DART Plan as of June 30, 2020:

	DTC Plan		DART Plan		Totals	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,756,334	\$ -	\$ 836,467	\$ -	\$ 2,592,801
Changes in assumptions	2,332,783	-	2,385,888	-	4,718,671	-
Net differences between projected and actual investment earnings on pension plan investments	-	260,291	-	2,532,818	-	2,793,109
Employer contributions subsequent to the measurement date	<u>1,492,990</u>	<u>-</u>	<u>1,464,729</u>	<u>-</u>	<u>2,957,719</u>	<u>-</u>
Totals	<u>\$ 3,825,773</u>	<u>\$ 2,016,625</u>	<u>\$ 3,850,617</u>	<u>\$ 3,369,285</u>	<u>\$ 7,676,390</u>	<u>\$ 5,385,910</u>

As of June 30, 2021, DTC reported \$2,819,733 as deferred outflows of resources related to pensions resulting from DTC contributions subsequent to the measurement dates, which will be recognized as a reduction of the net pension liability for the Fiscal Year Ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the Fiscal Years Ending June 30,:

	DTC Plan	DART Plan	Total
2022	\$ (43,366)	\$ (1,403,344)	\$(1,446,710)
2023	142,904	(669,900)	(526,996)
2024	272,654	(1,934,449)	(1,661,795)
2025	324,394	(701,678)	(377,284)
2026	120,777	24,855	145,632
Thereafter	185,456	57,799	243,255

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(9) Payable to the Plans

DTC reported payables of \$150,393 and \$10,644 for the outstanding amount of contributions due to the DTC Plan as of June 30, 2021 and 2020, respectively.

DTC reported payables of \$97,579 and \$137,127 for the outstanding amount of contributions due to the DART Plan as of June 30, 2021 and 2020, respectively.

C. Total Pension Expense

For the Fiscal Years Ended June 30, 2021 and 2020, the Department's total pension expense for all defined benefit pension plans that the Department participates in amounted to \$15,991,397 and \$20,643,075, respectively.

(13) Other Post-Employment Benefits (OPEB)

A. State Employees' OPEB Plan

On July 1, 2007, the Delaware OPEB Fund Trust (the Plan) was established pursuant to Section 115 of the Internal Revenue Code and separate from the DPERS. With the exception of DTC employees (see Note 13B); the Department's full-time employees are covered under the Plan, a cost-sharing, multiple-employer, defined benefit plan, which is administered by the DPERS Board of Directors. Policy for and management of the OPEB benefits provided to retirees are the responsibility of the State.

Detailed information concerning the Plan is presented in its publicly available annual basic financial statements, which are available online at https://open.omb.delaware.gov/FinancialReports/OPEB-financial_reports.shtml.

(1) Plan Description and Eligibility

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

Eligibility

State Employees:

Early Retirement: Age 55 with 15 years of service or any age with 25 years of service

Normal Retirement (hired before January 1, 2012):

Non-General Assembly: Age 62 with five years of service, age 60 with 15 years of service, or any age with 30 years of service

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General Assembly: Age 60 with five years of service, or age 55 with 10 years of service

Normal Retirement (hired on or after January 1, 2012): Age 65 with 10 years of service, age 60 with 20 years of service, or any age with 30 years of service

Judges:

Normal Retirement (before July 1, 1980): Age 65 with 12 years of service, any age with 24 years of service, or involuntarily retired after 22 years of service as a judge

Normal Retirement (after June 30, 1980): Age 62 with 12 years of service, any age with 24 years of service, or involuntarily retired after 22 years of service as a judge

Closed State Police:

Normal Retirement: Age 55 or 20 years of service

Open State Police:

Normal Retirement: Employed at age 55 with 10 years of service, any age with 20 years of service, or 10 years of service when age plus service equals 75

Benefits

During the Fiscal Years Ended June 30, 2021 and 2020, the State provided health insurance options through several providers, and the Plan pays premiums ranging from 50% to 100%, depending on a retiree's years of service and hire date.

Spouse and Survivor Coverage

Spouse and survivor coverage is available under any of the plan options with similar retiree contributions. Surviving spouses are eligible for coverage after the retiree's death.

Retiree Contributions

If hired prior to July 1, 1991, no contributions are required. If hired on or after July 1, 1991 and before January 1, 2007 (except disability pension), contributions depend on years of service, as follows:

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

If hired on or after January 1, 2007 (except disability pension), contributions depend on years of service, as follows:

<u>Years of Service</u>	<u>Percent of Premium Paid by State</u>
Less than 15	0 %
15 - 17.5	50
17.5 - 19	75
20 or more	100

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, in addition to their percentage above.

Employer Contributions

The contribution rates for the employer and retiree are established annually by the budgeting process of the State. Those rates include an employer contribution based on projected pay-as-you-go financing requirements as a percentage of covered payroll, with an additional amount to pre-fund benefits, which is not actuarially determined. The Department's contributions to the Plan for Fiscal Years 2021 and 2020 were \$9,213,713 and \$9,539,114, respectively.

(2) Allocation Percentage Methodology

In accordance with GASB No. 75, the State prepared a Schedule of OPEB Amounts by Participating Employer, which calculates the employer's proportionate share of the Plan's collective net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. Management has elected to allocate the employer's proportionate shares of the collective OPEB amounts based on the percentage of actual employer contributions. The Department's proportionate share of the collective OPEB amounts was 3.4520% and 3.4676% at June 30, 2020 and 2019, respectively, which represents a decrease of 0.0156% and an increase of 0.0275% from the Department's proportionate share as of June 30, 2019 and 2018, respectively.

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(3) Net OPEB Liability

For the Fiscal Years Ended June 30, 2021 and 2020, the Department reported a net OPEB liability in the amount of \$359,423,037 and \$276,347,175, respectively, for its proportionate share of the Plan's collective net OPEB liability. The total collective OPEB liability for the June 30, 2020 and 2019 measurement date was determined by actuarial valuations as of June 30, 2019 and 2018, respectively, and update procedures were used to roll forward the valuation results. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the OPEB Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial valuations and related update procedures used the following actuarial assumptions for the measurement dates as of June 30,:

	2020	2019
Investment rate of return, net of OPEB Plan investment expenses including inflation	7.00%	3.75%
Discount rate	2.21%	3.50%
Projected salary increases, including inflation	3.25% + Merit	3.25% + Merit
Healthcare cost trend rate	5.60%	6.60%
Ultimate rate of medical inflation	3.50%	4.00%

These assumptions are based on an 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.

Mortality assumptions are based on the sex-distinct RP-2014 Total Dataset Employee Mortality table, including adjustments for healthy annuitant and disabled annuitant factors. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

For employees who currently have medical coverage, 95% of employees are assumed to elect coverage at retirement if they have 20 or more years of service and 80% if they have less than 20 years of service. These employees are assumed to remain in their current plan. For employees who do not currently have medical coverage, 50% of employees are assumed to elect medical coverage in the comprehensive plan prior to retirement, and then will follow the election percentages above. 40% of current and future terminated vested employees are assumed to elect coverage. 100% of LTD participants are assumed to elect coverage. 50% of employees are assumed to elect spousal coverage at retirement.

Long-Term Expected Rate of Return - The long-term expected rate of return on 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

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inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized in the following table for the June 30, 2020 measurement date:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation Percentage</u>
Domestic equity	5.70 %	34.0 %
International equity	5.70	12.3
Fixed income	2.00	25.6
Alternative investments	7.80	22.4
Cash and cash equivalents	-	5.7

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized in the following table for the June 30, 2019 measurement date:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation Percentage</u>
Domestic equity	5.70 %	34.0 %
International equity	5.70	12.5
Fixed income	2.00	25.3
Alternative investments	7.80	22.6
Cash and cash equivalents	-	5.6

Discount Rate - The discount rate used to measure the total collective OPEB liability was 2.21% and 3.50% at the June 30, 2020 and 2019 measurement dates, respectively, 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.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Department's proportionate share of the Plan's net collective OPEB liability, calculated using the discount rate at each measurement date, as well as what the Department's proportionate share of the net collective OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or higher than the current rate (expressed in thousands):

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<u>Valuation Date</u>	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
June 30, 2020 (2.21%)	\$ 430,847	\$ 359,423	\$ 303,619
June 30, 2019 (3.50%)	\$ 327,682	\$ 276,351	\$ 235,625

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Department's proportionate share of the Plan's net collective OPEB liability, calculated using the healthcare cost trend rate at each measurement date, as well as what the Department's proportionate share of the net collective OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or higher than the current rate (expressed in thousands):

<u>Valuation Date</u>	<u>1% Decrease</u>	<u>Healthcare Trend Rate</u>	<u>1% Increase</u>
June 30, 2020 (5.60%)	\$ 337,267	\$ 359,423	\$ 393,218
June 30, 2019 (6.60%)	\$ 236,160	\$ 276,351	\$ 324,330

(4) OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the Fiscal Years Ended June 30, 2021 and 2020, the Department recognized \$20,980,942 and \$8,651,162 in OPEB expense, respectively, which represents its proportionate share of the Plan's collective OPEB expense.

Contributions Made Subsequent to the Measurement Period - Contributions made subsequent to the measurement period of June 30, 2020 (Fiscal Year 2021 contributions) are included as deferred outflows of resources and will be recognized as a reduction to the net OPEB liability in Fiscal Year 2022.

Expected and Actual Experience Differences - Differences between expected and actual experience with regard to economic and demographic factors are amortized over the weighted average of the expected remaining service life of active and inactive members. The first year of amortization is recognized as OPEB expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Changes in Assumptions - Changes in assumptions about future economic or demographic factors or other inputs are amortized over the weighted average of the expected remaining service life of active and inactive Plan members. The first year of amortization is recognized as OPEB expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Changes in Employer Proportionate Share - Changes in employer proportionate share are the amounts of the differences between the employer proportionate share of the net OPEB liability in the prior year compared to the current year. Changes in proportion are amortized over the weighted average of the expected remaining service life of active and inactive Plan members.

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The first year of amortization is recognized as OPEB expense, with the remaining years recognized as a deferred inflow or outflow of resources.

Differences Between Projected and Actual Investment Earnings on OPEB Plan Investments - Differences between the actual earnings on Plan investments compared to the Plan's expected rate of return of 7.0% are amortized over a closed period of five years. The first year of amortization is recognized as OPEB expense, with the remaining four years recognized as a deferred inflow of resources.

The following presents the deferred outflows of resources and deferred inflows of resources related to the Plan as of June 30, 2021:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual earnings on OPEB Plan investments	\$ -	\$ 399,288
Changes in employer proportionate share of net OPEB liability	1,710,244	1,610,730
Changes in assumptions	60,779,463	20,441,810
Expected and actual experience differences	10,436,068	24,706,523
Employer contributions subsequent to the measurement date	<u>9,213,713</u>	<u>-</u>
Totals	<u>\$ 82,139,488</u>	<u>\$ 47,158,351</u>

The following presents the deferred outflows of resources and deferred inflows of resources related to the Plan as of June 30, 2020:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual earnings on OPEB Plan investments	\$ -	\$ 250,274
Changes in employer proportionate share of net OPEB liability	2,137,806	579,152
Changes in assumptions	13,453,885	29,606,550
Expected and actual experience differences	-	31,022,323
Employer contributions subsequent to the measurement date	<u>9,539,114</u>	<u>-</u>
Totals	<u>\$ 25,130,805</u>	<u>\$ 61,458,299</u>

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At June 30, 2021, the Department reported \$9,213,713 as deferred outflows of resources related to the Plan resulting from Department contributions subsequent to the measurement date of June 30, 2020 (Fiscal Year 2021 contributions), which will be recognized as a reduction of the net OPEB liability for the Fiscal Year Ending June 30, 2022. Other amounts reported related to the Department's proportionate share of the deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense during the Fiscal Years Ending June 30,:

2022	\$ (645,939)
2023	(505,242)
2024	6,339,137
2025	8,685,641
2026	11,893,827

B. DTC OPEB Plan

(1) Plan Description

In June 2010, the Delaware Transit Corporation OPEB Fund Trust (the DTC OPEB Trust) was established pursuant to Section 115 of the Internal Revenue Code. The DTC OPEB Trust was amended and restated on January 1, 2014. Furthermore, the DTC OPEB Trust was amended to change employee eligibility and DTC subsidy requirements effective January 1, 2016. The DTC OPEB Trust is administered by DTC. Policy for and management of the DTC OPEB Trust benefits provided to retirees are the responsibility of DTC. No stand-alone financial report is issued for the DTC OPEB Trust.

The DTC OPEB Trust is a single-employer, defined benefit plan. The DTC OPEB Trust provides retirement medical and life insurance coverage to retired employees and their eligible dependents.

DTC retains the authority to establish, evaluate, and amend the benefit terms provided under the DTC OPEB Trust. DTC assumes no contractual obligations to continue contributions to the DTC OPEB Trust and reserves the right at any time and for any reason to discontinue or amend the above-mentioned post-employment benefits. Failure by DTC to continue to make contributions to the DTC OPEB Trust shall not give rise to any liability to DTC. It is the expectation of DTC to continue the DTC OPEB Trust indefinitely.

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

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	2020	2019
Retirees and beneficiaries receiving benefits		
Pre-65	89	74
Post-65	317	287
Total retirees and beneficiaries receiving benefits	406	361
Total active plan members	895	878
Totals	1,301	1,239

Substantially all DTC full-time employees become eligible for post-retirement benefits if they reach retirement age while working for DTC. However, employees who elect early retirement at age 55 with 10 years of service are also eligible for OPEB benefits. The plan provisions are as follows:

Eligibility

Contract Employees:

For employees hired before January 1, 2016 - Age 65 with five years of service or after 25 years of service

For employees hired after January 1, 2016 - Age 65 with 10 years of service or after 25 years of service

Non-Contract Employees:

For employees hired before January 1, 2016 - Age 55 with 10 years of service or age 62 with five years of service

For employees hired after January 1, 2016 - Age 55 with 10 years of service

For both contract and non-contract employees, disabled participants must reach retirement age to be eligible

Benefits

During the Fiscal Years Ended June 30, 2021 and 2020, DTC provided health insurance options through two providers and life insurance through one provider.

Spouse and Survivor Coverage

Surviving spouses of participants are allowed access to the plan and receive the same subsidy as retirees.

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Retiree Contributions

The only required contributions by retirees are their respective portion of current year premiums as described in Note 14(B)(3). DTC retains the authority to amend the requirements for retiree contributions at any time.

(2) Funding Policy and Employer Contributions

DTC funds the DTC OPEB Trust on a pay-as-you-go basis with additional funding provided on an ad-hoc basis. Contributions to the DTC OPEB Trust are generally made at the same time and in the same amount as benefit payments and expenses becoming due.

Funds are recorded in the DTC OPEB Trust for the payment of retiree healthcare and life insurance claims and investment expenses. Employer contributions for healthcare are recorded in the DTC OPEB Trust. The funds available are invested under DTC's management, who acts as the Trustee of and is responsible for the financial management of the DTC OPEB Trust. The cash basis costs associated with these benefits were \$2,962,193 and \$2,702,958 for the Fiscal Years Ended June 30, 2021 and 2020, respectively.

(3) Employer Subsidy

Medical, Dental, and Vision for Employees Hired Before January 1, 2016:

DTC subsidizes 90% of medical premiums based on published rates for retirees less than age 65 and 100% for retirees age 65 or greater. DTC subsidizes 100% of the dental and vision coverage for non-contract employees. Contract employees are allowed access to dental and vision coverage, but must pay the full premium.

Medical, Dental, and Vision for Employees Hired After January 1, 2016:

DTC subsidizes 50% of medical premiums based on published rates after 10 years of service and 75% after 15 years of service. For retirees less than age 65 and greater than 20 years of service, retirees are responsible for the same premium paid by active employees, with DTC subsidizing the remaining amount. For retirees greater than age 65 and greater than 20 years of service, DTC subsidizes 100% of the medical premiums. DTC subsidizes 100% of dental and vision coverage for all retirees and their spouses and dependents after 10 years of service.

Life Insurance

Life insurance is provided to retirees. Retirees under age 70 receive \$6,000 in coverage. Once the participant reaches age 70, the coverage drops to \$5,000. DTC must pay \$0.20 per month per \$1,000 of coverage for each employee.

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The premium payments for post-employment benefits paid by retirees were \$94,219 and \$103,360 for the Fiscal Years Ended June 30, 2021 and 2020, respectively.

(4) Net OPEB Liability

The net OPEB liability was measured as of June 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of January 1, 2021 and June 30, 2019, respectively. Actuarial valuations are performed every two years and roll forward or rollback procedures are performed between the actuarial valuation date and measurement date.

The total OPEB liability used to calculate the net OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurements for the Fiscal Years Ended June 30,:

	2021	2020
Inflation	2.4%	2.4%
Salary increases	2.5%, including inflation	2.5%, including inflation
Investment rate of return	2.5%, based on the government bond index rate of as June 30, 2020	3.1%, based on the government bond index rate of as June 30, 2019

The healthcare cost trend rate was 4.7% and 5.7% as of June 30, 2020 and 2019, based on the Society of Actuaries Long-Run Medical Cost Trend Model. Sample trends are as follows:

	Medical Rate
2030	5.2%
2040	5.2%
2050	5.2%
2070	4.4%

Mortality rates were based on: Pri-2012 Blue Collar Dataset Employee Headcount-Weighted Mortality MP2020 for Contract Members; Pri-2012 White Collar Dataset Employee Headcount-Weighted Mortality for Non-Contract Members; Pri-2012 Blue Collar Dataset Retiree Headcount-Weighted Mortality for Retired Contract Members; Pri-2012 White Collar Dataset Retiree Headcount-Weighted Mortality for Retired Non-Contract Members; and Pri-2012 Total Dataset Disabled Headcount-Weighted Mortality for Disabled Members. All tables were projected using Scale MP-2020 and base year 2012.

There have been no significant changes to assumptions between the measurement date and the report date that are expected to have a significant effect on the net OPEB liability.

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All participants currently enrolled in healthcare coverage are assumed to continue to elect healthcare coverage in the future. All participants that have waived healthcare coverage are assumed to continue to waive healthcare coverage in the future. 87% of those currently enrolled are assumed to continue coverage into retirement. This assumption is based on DTC's experience.

(5) Discount Rate

The discount rate used to measure the total OPEB liability was 2.45% and 3.13%, based on the 20-year general obligation bond index as of June 30, 2020 and 2019, respectively.

(6) Changes in the Net OPEB Liability

Changes in DTC's net OPEB liability for the Fiscal Year Ended June 30, 2021 were as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of July 1, 2019	\$ 183,706,720	\$ 4,586,025	\$ 179,120,695
Changes for the year			
Service cost	12,581,516	-	12,581,516
Interest	5,695,698	-	5,695,698
Differences between expected and actual experience	(37,630,080)	-	(37,630,080)
Changes in assumptions	18,030,203	-	18,030,203
Contributions - employer	-	2,702,958	(2,702,958)
Net investment income	-	282,322	(282,322)
Benefit payments, including refunds of member contributions	(2,702,958)	(2,702,958)	-
Administrative expenses	-	(11,000)	11,000
Net changes	(4,025,621)	271,322	(4,296,943)
Balances at June 30, 2020	\$ 179,681,099	\$ 4,857,347	\$ 174,823,752

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Changes in DTC's net OPEB liability for the Fiscal Year Ended June 30, 2020 were as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of July 1, 2018	\$ 155,632,012	\$ 4,324,615	\$ 151,307,397
Changes for the year			
Service cost	10,497,112	-	10,497,112
Interest	5,571,052	-	5,571,052
Differences between expected and actual experience	(954,956)	-	(954,956)
Changes in assumptions	15,477,648	-	15,477,648
Contributions - employer	-	2,516,148	(2,516,148)
Net investment loss	-	261,410	(261,410)
Benefit payments, including refunds of member contributions	(2,516,148)	(2,516,148)	-
Net changes	<u>28,074,708</u>	<u>261,410</u>	<u>27,813,298</u>
Balances at June 30, 2019	<u>\$ 183,706,720</u>	<u>\$ 4,586,025</u>	<u>\$ 179,120,695</u>

(7) Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate

The sensitivity of the net OPEB liability to changes in the DTC OPEB Trust's discount rate as of June 30, 2020 was as follows:

	1% Decrease (1.5%)	Current Discount Rate (2.5%)	1% Increase (3.5%)
Net OPEB liability	\$ 145,012,402	\$ 174,823,752	\$ 213,876,522

The sensitivity of the net OPEB liability to changes in the DTC OPEB Trust's discount rate as of June 30, 2019 was as follows:

	1% Decrease (2.1%)	Current Discount Rate (3.1%)	1% Increase (4.1%)
Net OPEB liability	\$ 216,972,879	\$ 179,120,695	\$ 149,818,707

The sensitivity of the net OPEB liability to changes in the DTC OPEB Trust's healthcare cost trend rate as of June 30, 2020 was as follows:

	1% Decrease (3.7%)	Current Healthcare Trend Rate (4.7%)	1% Increase (5.7%)
Net OPEB liability	\$ 144,283,666	\$ 174,823,752	\$ 214,937,013

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The sensitivity of the net OPEB liability to changes in the DTC OPEB Trust's healthcare cost trend rate as of June 30, 2019 was as follows:

	1% Decrease (4.7%)	Current Healthcare Trend Rate (5.7%)	1% Increase (6.7%)
Net OPEB liability	\$ 146,913,896	\$ 179,120,695	\$ 221,835,442

(8) OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

The components of OPEB expense for DTC were as follows for the Fiscal Years Ended June 30,:

	2021	2020
Service cost	\$ 12,581,516	\$ 10,497,112
Interest	5,695,698	5,571,052
Projected earnings on DTC OPEB Trust	(320,038)	(302,723)
Current period amortization of deferred outflows associated with differences between projected and actual earnings	(49,131)	(53,253)
Administrative and investment expenses	28,104	-
Current period amortization of deferred inflows associated with differences between projected and actual experience	(7,069,503)	(2,888,383)
Current period amortization of deferred inflows associated with changes in assumptions	1,712,720	(290,636)
DTC OPEB expense	\$ 12,579,366	\$ 12,533,169

Contributions Made Subsequent to the Measurement Period - Contributions made subsequent to the measurement date of June 30, 2020 (Fiscal Year 2021 contributions) are included as deferred outflows of resources and will be recognized as a reduction to the net OPEB liability in Fiscal Year 2022.

Expected and Actual Experience Differences - Differences between expected and actual experience with regard to economic and demographic factors are amortized over the weighted average of the expected remaining service life of active and inactive members. The first year of amortization is recognized as OPEB expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Changes in Assumptions - Changes in assumptions about future economic or demographic factors or other inputs are amortized over the weighted average of the expected remaining service life of active and inactive members.

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The first year of amortization is recognized as OPEB expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Differences Between Projected and Actual Investment Earnings on DTC OPEB Trust Investments - Differences between the actual earnings on OPEB investments compared to the expected rate of return of 2.5% are amortized over a closed period of five years. The first year of amortization is recognized as OPEB expense, with the remaining four years recognized as either a deferred outflow or deferred inflow of resources.

The following presents the deferred outflows of resources and deferred inflows of resources related to the DTC OPEB Trust as of June 30, 2021:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 50,885,361
Changes in assumptions	28,822,904	12,820,136
Net differences between projected and actual investment earnings on DTC OPEB Trust investments	-	85,736
Employer contributions subsequent to the measurement date	<u>2,962,193</u>	<u>-</u>
Totals	<u>\$ 31,785,097</u>	<u>\$ 63,791,233</u>

The following presents the deferred outflows of resources and deferred inflows of resources related to the DTC OPEB Trust as of June 30, 2020:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 20,324,784
Changes in assumptions	14,642,111	14,956,826
Net differences between projected and actual investment earnings on DTC OPEB Trust investments	-	155,479
Employer contributions subsequent to the measurement date	<u>2,702,958</u>	<u>-</u>
Totals	<u>\$ 17,345,069</u>	<u>\$ 35,437,089</u>

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At June 30, 2021, DTC reported \$2,962,193 as deferred outflows of resources related to the DTC OPEB Trust resulting from DTC contributions subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability for the Fiscal Year Ending June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to DTC OPEB will be recognized in OPEB expense during the Fiscal Years Ending June 30,:

2022	\$ (5,405,914)
2023	(5,409,895)
2024	(5,344,400)
2025	(5,352,659)
2026	(5,356,783)
Thereafter	(8,098,678)

(9) Payable to the DTC OPEB Trust

At June 30, 2021 and 2020, there were no outstanding amounts for contributions due to the DTC OPEB Trust.

(10) Additional Information for the DTC OPEB Trust

The following additional information is being provided related to the DTC OPEB Trust as of and for the Fiscal Year Ended June 30, 2021, since separate plan financial statements are not publicly available.

Schedule of Fiduciary Net Position - DTC OPEB Trust
June 30, 2021

Assets	
Cash and cash equivalents	\$ 62,829
Investments, at fair value	
Fixed income	1,597,290
Domestic equities	3,014,686
International equities	<u>1,524,217</u>
 Total investments, at fair value	 <u>6,136,193</u>
 Total assets	 <u>\$ 6,199,022</u>
 Net position restricted for OPEB	 <u>\$ 6,199,022</u>

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Schedule of Plan Investment Net Income - DTC OPEB Trust
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Additions

Investment income	
Net realized and unrealized gain	\$ 1,244,979
Interest and dividends	<u>116,351</u>
	1,361,330
Less: investment expenses	<u>19,655</u>
Net investment income	<u>\$ 1,341,675</u>

The following additional information is being provided related to the DTC OPEB Trust as of and for the Fiscal Year Ended June 30, 2020, since separate plan financial statements are not publicly available.

Schedule of Fiduciary Net Position - DTC OPEB Trust
June 30, 2020

Assets

Cash and cash equivalents	\$ 49,876
Investments, at fair value	
Fixed income	1,679,598
Domestic equities	2,121,325
International equities	<u>1,006,548</u>
Total investments, at fair value	<u>4,807,471</u>
Total assets	<u>\$ 4,857,347</u>
Net position restricted for OPEB	<u>\$ 4,857,347</u>

Schedule of Plan Investment Net Income - DTC OPEB Trust
For the Fiscal Year Ended June 30, 2020

Additions

Investment income	
Net realized and unrealized gain	\$ 194,129
Interest and dividends	<u>105,297</u>
	299,426
Less: investment expenses	<u>17,104</u>
Net investment income	<u>\$ 282,322</u>

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Disclosures Specific to the DTC OPEB Trust

Cash and Cash Equivalents

The DTC OPEB Trust considers all short-term money market shares purchased to be cash equivalents.

Valuation of Investments and Income Recognition

Investments are administered by Wilmington Trust Company and quarterly reports are analyzed and reviewed by DTC. Investments are valued at fair value as determined by quoted market prices.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date.

Basis of Accounting

The financial statements of the DTC OPEB Trust are reported using the economic resources measurement focus and are prepared on the accrual basis of accounting in conformity with GAAP. Contributions are recognized when due pursuant to the terms of the DTC OPEB Trust and established funding policies. Expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Benefits are recognized when due and payable in accordance with the terms of the DTC OPEB Trust.

Investments

Investment Policy

DTC has appointed the DTC OPEB Trust Committee to administer the DTC OPEB Trust and to oversee certain policies and procedures related to the investment of the DTC OPEB Trust assets.

The DTC OPEB Trust Committee has adopted an Investment Policy Statement (IPS) to set forth the factors involved in the management of investment assets for the DTC OPEB Trust, and the IPS is included with every investment manager's agreement. The DTC OPEB Trust Committee has the authority to establish and amend the IPS. The IPS was most recently amended with an effective date of April 2015.

DTC adopted the philosophy that the most effective risk control procedure is to adequately diversify the investments of the DTC OPEB Trust among different asset classes with differing risk profiles. Diversification is achieved through providing a wide variety of investment classes in which to invest the funds. The IPS sets the allowable asset ranges. Long-term expected real rate of return and asset allocation for the DTC OPEB Trust's funds as of June 30, 2021 were as follows:

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<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation Percentage</u>
Domestic equity	6.3 %	42.0 %
International equity	6.6	16.0
Emerging equity	7.4	7.0
Core fixed income	1.4	17.5
Intermediate IG Corp	2.0	8.7
High yield	3.9	4.4
Emerging debt	4.1	4.4

Long-term expected real rate of return and asset allocation for the DTC OPEB Trust's funds as of June 30, 2020 were as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation Percentage</u>
Domestic equity	6.2 %	42.0 %
International equity	6.3	16.0
Emerging equity	6.9	7.0
Core fixed income	2.5	17.5
Intermediate IG Corp	3.6	8.7
High yield	4.3	4.4
Emerging debt	4.5	4.4

The long-term expected rate of return on the DTC OPEB Trust's investments was determined using a building-block method, where return expectations are established for each asset class. The building-block approach uses the current underlying fundamentals, not historical returns.

Along with diversification, DTC set forth the following investment goals and objectives in the IPS:

- To invest assets of the DTC OPEB Trust in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of DTC OPEB Trust participants and their beneficiaries, and (b) assets are to be diversified in order to minimize the impact of large losses in individual investments.
- To provide for the funding and anticipated withdrawals on a continuing basis for payment of benefits and reasonable expenses of operation of the DTC OPEB Trust.

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- To enhance the value of DTC OPEB Trust assets in real terms over the long-term through asset appreciation and income generation, while maintaining a reasonable investment risk profile.
- Subject to performance expectations over the long-term, to minimize principal fluctuations over the time horizon, as defined in the IPS.
- To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the DTC OPEB Trust's actuarial discount rate.

Implementing and complying with these goals and guidelines are the responsibilities of the DTC OPEB Trust Committee, third-party consultants, and investment managers. The IPS also outlines the review and control procedures that DTC monitors for compliance.

Investment Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on DTC OPEB Trust investments, net of investment expenses was 25.5% and 4.2% for the Fiscal Years Ended June 30, 2021 and 2020, respectively.

Fair Value of Investments

DTC measures and records its investments using fair value measurement guidelines that recognize a three-tiered fair value hierarchy, see Footnote 3(b). The fair values of the DTC OPEB Trust's investments based on quoted market prices are presented, by type, as follows:

<u>Investments by Type</u>	<u>Total</u>	<u>Fair Value Measurements at June 30, 2021</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities				
Fixed income mutual funds	\$ 1,597,290	\$ 1,597,290	\$ -	\$ -
Equity securities				
Domestic equity mutual funds	3,014,686	3,014,686	-	-
International equity mutual funds	<u>1,524,217</u>	<u>1,524,217</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 6,136,193</u>	<u>\$ 6,136,193</u>	<u>\$ -</u>	<u>\$ -</u>

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<u>Investments by Type</u>	<u>Total</u>	<u>Fair Value Measurements at</u> <u>June 30, 2020</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities				
Fixed income mutual funds	\$ 1,679,598	\$ 1,679,598	\$ -	\$ -
Equity securities				
Domestic equity mutual funds	2,121,325	2,121,325	-	-
International equity mutual funds	<u>1,006,548</u>	<u>1,006,548</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 4,807,471</u>	<u>\$ 4,807,471</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the DTC OPEB Trust will not be able to recover the value of investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the DTC OPEB Trust, and are held by either the counterparty or the counterparty's trust department or agent but not in the DTC OPEB Trust's name. As of June 30, 2020 and 2019, the DTC OPEB Trust's investment securities were not exposed to custodial credit risk because all securities were held by the DTC OPEB Trust's custodian in the DTC OPEB Trust's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The DTC OPEB Trust does not have a formal policy that limits investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the DTC OPEB Trust. The DTC OPEB Trust's investments in the Wilmington Trust U.S. Government Money Market Fund had an Aaa rating at June 30, 2021 and 2020. The DTC OPEB Trust had no other direct investment in fixed income securities as of June 30, 2021 and 2020.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although the DTC OPEB Trust does not have a formal policy governing foreign currency risk, the DTC OPEB

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Trust does manage its exposure to fair value loss by requiring its investment managers to maintain diversified portfolios to limit foreign currency risk.

Administrative Expenses

Administrative expenses consist of investment management expenses incident to the administration of the DTC OPEB Trust. For the Fiscal Year Ended June 30, 2021, the OPEB Trust incurred \$11,000 of administrative expenses. For the Fiscal Year Ended June 30, 2020, DTC paid all administrative expenses incurred by the DTC OPEB Trust.

DTC OPEB Trust Termination

The DTC OPEB Trust Agreement shall be irrevocable unless and until DTC no longer has any liability for other post-employment benefits. Upon termination of the DTC OPEB Trust, after all expenses have been paid, any assets remaining shall revert to DTC or be transferred to another entity or person that meets the requirements for exemption from tax under Section 115 of the Internal Revenue Code.

C. Total OPEB Expense

For the Fiscal Years Ended June 30, 2021 and 2020, the Department's total OPEB expense recognized for all OPEB plans that the Department participates in amounted to \$33,560,308 and \$21,184,331, respectively.

(14) Note to DTC Pension Plans Reported in Statements of Fiduciary Net Position

Investment Policy

The respective Pension Committees of the DTC Plan and DART Plan (DTC Pension Plans) have adopted separate IPS to set forth the factors involved in the management of investment assets for the DTC Pension Plans. The Pension Committees have the authority to establish and amend the IPS of their respective DTC Pension Plans.

The Pension Committees have adopted the philosophy that the most effective risk control procedure is to adequately diversify the investments among different asset classes with differing risk profiles. Diversification is achieved through providing a wide variety of investment classes in which to invest the funds.

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The DTC Plan IPS sets the allowable asset ranges and target allocations for the DTC Plan funds:

Asset Class	Asset Weightings	
	Range	Target
Domestic equity	22% to 62%	42%
International equity	3% to 43%	23%
Other equity	0% to 20%	0%
Fixed income	15% to 55%	35%
Cash equivalent	0% to 20%	0%

The DART Plan IPS sets the allowable asset ranges and target asset allocations for the DART Plan funds:

Asset Class	Asset Weightings	
	Range	Target
Domestic equity	19% to 59%	39%
International equity	1% to 41%	21%
REIT	0% to 20%	0%
Inflation hedge	0% to 20%	0%
Fixed income	19% to 59%	39%
Cash equivalent	0% to 20%	1%

The allowable ranges mean the minimum and maximum percentage of each asset class allowed. The target asset allocation is the average allocation desired over time. The Pension Committees have the ability to deviate from these ranges when it deems necessary based on market conditions.

Along with diversification, the Pension Committees of the DTC Pension Plans set forth the following investment goals and objectives in each IPS:

- To invest assets in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of plan participants and their beneficiaries, and (b) assets are to be diversified in order to minimize the impact of large losses in individual investments.
- To provide for the funding and anticipated withdrawals on a continuing basis for payment of benefits and reasonable expenses of operation of the plan.
- To enhance the value of plan assets in real terms over the long-term through asset appreciation and income generation, while maintaining a reasonable investment risk profile.
- Subject to performance expectations over the long-term, to minimize principal fluctuations over the time horizon, as defined in each IPS.

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- To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the plans' actuarial discount rates.

Implementing and complying with these goals and guidelines are the responsibilities of the Pension Committees, third-party consultants, and investment managers. Each DTC Pension Plan IPS also outlines the review and control procedures that the Pension Committees monitor for compliance.

Investments

The fair value of the DTC Pension Plans' investments based on quoted market prices are presented, by type, as follows:

<u>Investments by Type</u>	<u>Total</u>	<u>Fair Value Measurements at</u> <u>June 30, 2021</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities				
Fixed income mutual funds	\$ 33,870,863	\$ 33,870,863	\$ -	\$ -
Equity securities				
Domestic equity mutual funds	50,726,675	50,726,675	-	-
International equity mutual funds	<u>22,272,721</u>	<u>22,272,721</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 106,870,259</u>	<u>\$ 106,870,259</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Investments by Type</u>	<u>Total</u>	<u>Fair Value Measurements at</u> <u>June 30, 2020</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities				
Fixed income mutual funds	\$ 30,268,025	\$ 30,268,025	\$ -	\$ -
Equity securities				
Domestic equity mutual funds	38,314,205	38,314,205	-	-
International equity mutual funds	<u>19,968,390</u>	<u>19,968,390</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 88,550,620</u>	<u>\$ 88,550,620</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the DTC Pension Plans will not be able to recover the value of investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the DTC Pension Plans, and are held by either the counterparty or the counterparty's trust department or

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agent but not in the DTC Pension Plans' names. As of June 30, 2021 and 2020, the DTC Pension Plans' investment securities were not exposed to custodial credit risk because all securities were held by the DTC Pension Plans' custodians in the DTC Pension Plans' names.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The DTC Plan does not have a formal policy that limits investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates.

The DART Plan does not directly own any fixed income securities, such as government and corporate bonds and obligations. All fixed income securities are owned through mutual funds that are managed by fund managers and openly traded in the financial markets. All mutual fund investments are reviewed and recommended by the DART Plan Committee's independent investment consultant prior to inclusion in the DART Plan's portfolio.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the DTC Pension Plans.

The DTC Plan investment in the Wilmington Trust U.S. Government Money Market Fund had an Aaa rating at June 30, 2021 and 2020. The DTC Plan has no other direct investment in fixed income securities as of June 30, 2021 and 2020.

The DART Plan IPS states the overall rating for fixed income assets shall be at least "A" according to one of the three major rating agencies. In cases where the yield spread adequately compensates for additional risk, securities where two of the three rating agencies have assigned ratings of "Baa3" or "BBB-" can be purchased up to a maximum of 20% of the total market value of fixed income securities.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the DTC Pension Plans' investment in a single issuer.

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The following presents investments that represent 5% or more of the DTC Plan's net position as of June 30,:

	<u>2021</u>	<u>2020</u>
Doubleline Core Fixed Income	\$ <u>-</u>	\$ <u>1,843,776</u>
PGIM Total Return Bond Fund	\$ <u>3,422,905</u>	\$ <u>3,139,316</u>
Baird Core Plus Bond Fund	\$ <u>2,767,842</u>	\$ <u>2,686,856</u>
JOHCM International Select Class I	\$ <u>2,172,082</u>	\$ <u>2,089,463</u>
Vanguard Total International Stock Index	\$ <u>-</u>	\$ <u>2,183,333</u>
Vanguard Total International Stock ETF	\$ <u>2,981,938</u>	\$ <u>-</u>
Vanguard Total Stock Market ETF	\$ <u>-</u>	\$ <u>2,105,798</u>
Vanguard Total Stock Market Index Institutional Class	\$ <u>14,403,085</u>	\$ <u>9,236,185</u>
Harding Loevner International Equity Fund	\$ <u>2,256,700</u>	\$ <u>-</u>

As of June 30, 2021 and 2020, there were no securities issued by a single issuer that comprised more than 5% of the DART Plan investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although the DTC Plan does not have a formal policy governing foreign currency risk, the DTC Plan does manage its exposure to fair value loss by requiring its investment managers to maintain diversified portfolios to limit foreign currency risk. The DART Plan's policy is to hold foreign stocks through American Depository Receipts, which carry no exposure to foreign currency risk since they are denominated in U.S. dollars and accounted for at fair market value.

(15) Commitments and Contingencies

(a) Construction Commitments

The Department had contractual commitments of \$686,315,998 and \$637,440,704 for construction of various highway projects at June 30, 2021 and 2020, respectively. Current and future appropriations will fund these commitments as work is performed.

(b) Litigation

The Department is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Department.

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As of June 30, 2021, DTC was threatened with litigation by a third-party contractor, but a formal complaint has not yet been filed. On March 9, 2018, the third-party contractor was awarded a contract for the design and construction of the Lewes Park & Ride Maintenance Facility, Phase 2, in Sussex County, Delaware (the Project). During the Project, DTC documented a series of contractual breaches by the third-party contractor, which led to a Notice of Default in December 2020 and a contract termination in June 2021. The third-party contractor is claiming approximately \$2 million in monies owed to it. Due to the early stages of this claim, DTC is unable to estimate the likelihood of success in any resulting litigation.

(c) *Pollution Remediation*

GASB No. 49 provides guidance for state and local governments in estimating and reporting the potential costs of pollution remediation. While GASB No. 49 does not require the Department to search for pollution, it does require the Department to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

- a. Pollution poses an imminent danger to the public and the Department is compelled to take action;
- b. The Department is in violation of a pollution-related permit or license;
- c. The Department is named, or has evidence that it will be named, as a responsible party by a regulator;
- d. The Department is named, or has evidence that it will be named, in a lawsuit to enforce a cleanup; or
- e. The Department commences, or legally obligates itself to conduct, remediation activities.

The Department becomes aware of pollution conditions in the fulfillment of its mission, and site investigation, planning and design, cleanup, and site monitoring are typical remediation activities of the Department. The Department has the knowledge and expertise to estimate the remediation obligations presented herein based upon prior experience in identifying and funding similar remediation activities. GASB No. 49 requires the Department to calculate pollution remediation liabilities using the expected cash flow technique. Where the Department cannot reasonably estimate a pollution remediation obligation, it does not report a liability; however, the Department has not identified any of these situations.

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

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At June 30, 2021 and 2020, the Department had outstanding pollution remediation liabilities of \$157,000 and \$131,780, respectively.

(16) Risk Management

The Department is exposed to various risks of loss related to workers' compensation, healthcare, automobile, and casualty claims. Except as noted below, the Department is a participant in the State of Delaware's Risk Management Program, which covers all claim settlements and judgments out of its General Fund. The Department pays premiums to the General Fund for this coverage. In the past three years of insured coverage, settled claims have not exceeded commercial coverage.

(a) Workers' Compensation Insurance

DTC maintains coverage for workers' compensation benefits. DTC manages the coverage through both the retention of risk and the purchase of commercial insurance. The payment of workers' compensation claims is processed through a third-party administrator.

For years prior to 2003, DTC established workers' compensation loss contingency reserves based upon insurance carriers' actuarial reviews. Benefit claims in an amount of \$100,000 or less per person, per coverage year are paid by DTC from the workers' compensation loss contingency reserve. Once any claim exceeds \$100,000 or total claims for a given policy period exceed the maximum loss amount, the insurance policy covers the excess.

For Fiscal Year 2003, DTC changed its coverage to a first dollar program. Also, all claims were subject to a \$5,000 deductible for the medical portion of a claim. All other expenses related to a claim were covered by the insurance carrier.

Subsequent to Fiscal Year 2003, DTC changed its coverage and was insured through Fiscal Year 2011 by the State. For Fiscal Years 2012 through 2014, DTC was insured through Liberty Mutual. In Fiscal Year 2015, DTC returned to being covered by the State. The premium for Fiscal Years 2021 and 2020 was calculated as \$1.55 per \$100 on gross wages. DTC is not responsible for any costs other than the premium paid, thus no loss contingency reserves were established.

(b) Auto Insurance

DTC maintains auto insurance coverage through both the retention of risk and the purchase of commercial insurance. Auto loss reserves that are based upon actuarial reviews were established by DTC.

For years prior to 2003, DTC established auto loss reserves based upon insurance carriers' actuarial reviews. Individual claims in an amount of \$100,000 or less per incident, per coverage year were paid from the auto loss reserve funds. Once a specific claim exceeds \$100,000 or total claims for a given policy period exceed the maximum loss amount established by the insurance carrier, the insurance policy covers the excess.

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For 2003 and subsequent years, DTC changed its auto insurance coverage whereby they established self-insured retention thresholds up to certain dollar amounts and purchased commercial insurance (wrap-around) policies for coverage amounts in excess of the self-insured retention thresholds.

DTC established initial loss reserve insurance liabilities for each of the years based upon actuarially determined valuations assuming DTC's maximum liability exposure to be \$1,000,000 per occurrence (this reflects the sovereign immunity cap pursuant to Title 2 of the Delaware Code, Subsection 1329). In Fiscal Year 2021, DTC had one case that was settled up to DTC's maximum liability exposure of \$1 million.

For individual claims in excess of the sovereign immunity cap, DTC established a maximum amount of loss based upon their self-insured retention program, as well as purchasing commercial insurance coverage in the amounts identified in the following table:

<u>Fiscal Year</u>	<u>Initial Loss Reserve Insurance Liability Established</u>	<u>Maximum Amount of Loss Under Self-Insured Retention Program (Per Occurrence)</u>	<u>Excess Commercial Coverage (Aggregate)</u>
2021	\$ 4,800,000	\$ 1,000,000	***
2020	4,737,000	1,000,000	***
2019	4,435,000	1,000,000	***
2018	4,929,000	1,000,000	***
2017	5,040,000	1,000,000	***
2016	4,679,000	1,000,000	***
2015	5,078,000	1,000,000	***
2014	4,510,000	1,000,000	***
2013	4,304,004	1,000,000	***
2012	3,828,996	1,000,000	***
2011	3,372,000	1,000,000	***
2010	3,467,000	1,000,000	***
2009	3,129,000	900,000	**
2008	3,106,000	900,000	**
2007 (01/15/07 - 06/30/07)	*	900,000	**
2007 (07/01/06 - 01/14/07)	2,607,350	2,300,000	\$ 5,000,000
2006	2,858,258	2,300,000	5,000,000
2005	2,763,367	2,300,000	5,000,000
2004	2,666,763	1,300,000	6,000,000
2003	2,561,000	1,300,000	10,000,000

* Initial loss reserve established July 1, 2006 in the amount of \$2,607,350 for the entire fiscal year.

** For these loss years, DTC was self-insured for the first \$900,000, and the next \$100,000 was commercial coverage. DTC had no additional coverage beyond this point.

*** For these years, DTC was self-insured with no commercial coverage.

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The components of the remaining insurance loss reserve on the statements of net position were as follows at June 30,:

Auto Loss Reserve Remaining for Fiscal Year	2021	2020
2021	\$ 2,384,000	\$ -
2020	2,041,000	2,772,000
2019	2,129,000	3,674,000
2018	410,000	1,347,000
2017	491,000	1,202,000
2016	213,000	250,000
2000	<u>4,000</u>	<u>4,000</u>
	<u>\$ 7,672,000</u>	<u>\$ 9,249,000</u>

Changes in the balance of total claim liabilities during the Fiscal Years Ended June 30, 2021 and 2020 were as follows:

Fiscal Year	Beginning Balance - July 1	Current Year Estimated Claims and Changes in Estimates	Actual Claim Payments	Ending Balance - June 30
2021	\$ 9,249,000	\$ 4,800,000	\$ (6,377,000)	\$ 7,672,000
2020	\$ 9,066,000	\$ 4,772,781	\$ (4,589,781)	\$ 9,249,000

(17) Operating Leases

The Department has several noncancellable operating leases, primarily for operation and maintenance facilities, which expire at various times through June 30, 2023. Those leases require the Department to pay for maintenance and liability insurance costs. Rental expenses were \$831,685 and \$400,789 for the Fiscal Years Ended June 30, 2021 and 2020, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2021 are as follows:

2022	\$ 511,031
2023	<u>272,704</u>
	<u>\$ 783,735</u>

On September 2, 2016, DTC entered into an operating lease agreement for transit vehicle tires that covers a three-year period with the option to extend the contract up to two times for a period of up to one year. DTC has exercised the option to extend the contract. The lease agreement requires DTC to make monthly payments based on miles driven multiplied by a mileage rate as set forth in

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the agreement. The mileage rate is based on contract year and estimated annual vehicle miles. For the Fiscal Years Ended June 30, 2021 and 2020, DTC incurred expenses related to this lease of \$390,249 and \$373,981, respectively.

(18) Transfers in From and Out to Other Funds

According to the terms of the Trust Agreement, the Trust Fund is responsible for reimbursing the State for the Department's operating, maintenance, and capital expenses financed by the State's general bank account. However, the State's General Assembly and the State's Division of Revenue transferred the following amounts as general operating support from the State's General Fund to the Department for the Fiscal Years Ended June 30,:

	<u>2021</u>	<u>2020</u>
Amounts transferred to the Trust Fund		
Division of Motor Vehicles	\$ 1,936,503	\$ 3,402,698
Division of Revenue, Motor Vehicle Dealer/ Lessor License and Document Fees	361,408	325,383
Build America Bond	298,061	577,759
E-ZPass Operations	5,000,000	5,000,000
Other	<u>(4,965,533)</u>	<u>5,347,533</u>
	<u>\$ 2,630,439</u>	<u>\$ 14,653,373</u>

In addition, the Trust Fund is responsible for maintaining funds appropriated by the General Assembly for DTC and reimbursing DTC for its operating and capital expenses up to the total amount of the appropriated funds. Total reimbursements for the Fiscal Years Ended June 30, 2021 and 2020 were \$68,831,557 and \$122,163,268, respectively.

(19) Service Concession Arrangement for Welcome Center and Service Plaza

At the end of Fiscal Year 2010, construction was completed on the Welcome Center and Service Plaza (the Center) pursuant to an agreement with HMS Host Tollroads, Inc. (HMS), under which HMS financed, designed, and built the Center and continues to maintain and operate the Center for 35 years. The agreement with HMS was entered into in order to improve the comfort of motorists traveling through Delaware and to avoid the issuance of debt. Under the agreement, HMS is responsible for maintaining the Center to current conditions and insuring the Center over the course of the 35-year operations period. The Trust Fund will be entitled to a percentage of all sales from fuel and non-fuel items sold. At the end of the arrangement, operation of the Center will be transferred to the Trust Fund in its enhanced condition. The Department initially reported the Center as a capital asset with a carrying amount of \$22,100,000 at June 30, 2014, and a related deferred inflow of resources of \$22,100,000, which is being amortized over 35 years. Amortization expense was \$631,429 for each of the Fiscal Years Ended June 30, 2021 and 2020.

Subsequent to June 30, 2021, HMS was sold to Applegreen USA Welcome Centres, LLC (Applegreen), and the agreement between the Department and HMS was transferred to Applegreen with the Department's consent. All terms of the agreement remain in effect as a result of the transfer.

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(20) Blended Component Unit - Condensed Financial Information

The Authority is a blended component unit of the Department (see Note 1). The following tables present the condensed financial information of the Authority as of and for the Fiscal Years Ended June 30, 2021 and 2020:

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Condensed Statements of Net Position

	<u>2021</u>	<u>2020</u>
Assets		
Current assets	\$ 467,512,321	\$ 326,066,732
Capital assets, net	2,074,410,665	2,034,207,497
Other assets	<u>148,280,501</u>	<u>22,654,985</u>
Total assets	2,690,203,487	2,382,929,214
Deferred outflows of resources	<u>58,323,273</u>	<u>46,523,695</u>
Liabilities		
Current liabilities	215,548,277	188,161,054
Noncurrent liabilities	<u>1,599,993,366</u>	<u>1,285,484,110</u>
Total liabilities	1,815,541,643	1,473,645,164
Deferred inflows of resources	<u>87,384,150</u>	<u>56,608,712</u>
Net position		
Net investment in capital assets	768,523,122	889,676,662
Restricted	158,154,116	152,528,095
Unrestricted deficit	<u>(81,076,271)</u>	<u>(143,005,724)</u>
Total net position	<u>\$ 845,600,967</u>	<u>\$ 899,199,033</u>

Condensed Statements of Revenues, Expenses, and Change in Net Position

	<u>2021</u>	<u>2020</u>
Operating revenues		
Pledged	\$ 514,324,057	\$ 487,534,756
Other	<u>76,830,982</u>	<u>79,085,323</u>
Total operating revenues	591,155,039	566,620,079
Operating expenses	<u>536,993,900</u>	<u>551,587,010</u>
Operating income	54,161,139	15,033,069
Nonoperating revenues (expenses)		
Income from investments - pledged	641,473	5,909,992
Federal grant revenue	49,301,184	29,004,315
Interest expense	(35,357,612)	(34,863,880)
Other	<u>(8,468,186)</u>	<u>(9,325,763)</u>
Excess (deficiency) of nonoperating revenues over nonoperating expenses	<u>6,116,859</u>	<u>(9,275,336)</u>
Income before transfers	60,277,998	5,757,733
Net transfers	<u>(113,876,064)</u>	<u>(95,982,142)</u>
Decrease in net position	(53,598,066)	(90,224,409)
Net position - beginning of year	<u>899,199,033</u>	<u>989,423,442</u>
Net position - end of year	<u>\$ 845,600,967</u>	<u>\$ 899,199,033</u>

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Condensed Statements of Cash Flows

	<u>2021</u>	<u>2020</u>
Net cash provided by (used in)		
Operating activities	\$ 80,950,096	\$ 49,418,402
Noncapital financing activities	(72,647,455)	(116,448,409)
Capital and related financing activities	264,177,612	19,516,960
Investing activities	<u>(176,020,850)</u>	<u>83,265,767</u>
Net increase in cash and cash equivalents	96,459,403	35,752,720
Cash and cash equivalents - beginning of year	<u>108,676,551</u>	<u>72,923,831</u>
Cash and cash equivalents - end of year	<u>\$ 205,135,954</u>	<u>\$ 108,676,551</u>

(21) DTC Coronavirus Relief Funds

On June 23, 2020, DTC was awarded Coronavirus Air, Relief, and Economic Security (CARES) Act funding to prevent, prepare for, and respond to the Coronavirus pandemic. DTC was awarded \$55,256,994 under CARES Act Section 5307-6, Urbanized Area Formula Grants. The grant is intended to support operating assistance with funding of \$50,654,441 and preventive maintenance funding of \$4,602,553 for the period of January 20, 2020 through June 30, 2021. For the Fiscal Years Ended June 30, 2021 and 2020, the amounts expended were \$36,537,308 and \$18,719,686, respectively.

On May 21, 2020, DTC was awarded CARES Act funding to prevent, prepare for, and respond to the Coronavirus pandemic. DTC was awarded \$5,915,431 under CARES Act Section 5311-5, Rural Area Formula Grants. The grant is intended to support operating assistance with funding of \$4,979,549 and preventive maintenance funding of \$935,882 for the period of January 20, 2020 through September 30, 2021. For the Fiscal Years Ended June 30, 2021 and 2020, the amounts expended were \$1,894,308 and \$4,021,123, respectively.

On March 16, 2021, DTC was awarded CRRSAA funding to prevent, prepare for, and respond to the Coronavirus pandemic. DTC was awarded \$16,905,899 under CRRSAA Section 5307/5337, Urbanized Area Formula Grants. The grant is intended for the period of November 1, 2020 through June 30, 2022. For the Fiscal Year Ended June 30, 2021, the amount expended was \$4,610,957.

On March 17, 2021, DTC was awarded CRRSAA funding to prevent, prepare for, and respond to the Coronavirus pandemic. DTC was awarded \$34,976 under CRRSAA Section 5310-1B, Mobility of Senior and Individual with Disabilities Formula. The grant is intended for the period of January 20, 2020 through June 30, 2022. For the Fiscal Year Ended June 30, 2021, the amount expended was \$2,100.

On March 16, 2021, DTC was awarded CRRSAA funding to prevent, prepare for, and respond to the Coronavirus pandemic. DTC was awarded \$18,606,707 under CRRSAA Section 5311-9A, Rural Area Formula Grants. The grant is intended for the period of November 1, 2020 through June 30, 2022. For the Fiscal Year Ended June 30, 2021, no amount was expended.

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On May 21, 2021, DTC was awarded American Rescue Plan (ARP) Act funding to prevent, prepare for, and respond to the Coronavirus pandemic. DTC was awarded \$57,826,473 under ARP Act Section 5307, Urbanized Area Formula Grants. The subsidy amounts received for operating assistance from DelDOT will be offset by the federal funding from the ARP Act. Management is evaluating when funding will be received. For the Fiscal Year Ended June 30, 2021, no amount was expended.

Federal stimulus grant reimbursement for \$43,044,673, expended for the Fiscal Year Ended June 30, 2021, was recorded to federal operating assistance in the Statements of Revenues, Expenses, and Changes in Net Position. As of June 30, 2021, \$4,613,057 was recorded as a federal accounts receivable on the Statements of Net Position.

Federal stimulus grant reimbursement for \$22,740,809, expended for the Fiscal Year Ended June 30, 2020, was recorded to federal operating assistance in the Statements of Revenues, Expenses, and Changes in Net Position. As of June 30, 2020, \$22,740,809 was recorded as a federal accounts receivable on the Statements of Net Position.

(22) Reclassifications

Certain reclassifications have been made to the prior year's financial statements in order to conform to the current year presentation.

(23) COVID-19 Pandemic

In 2020, the COVID-19 outbreak in the United States, including geographical regions in which the Department operates, caused business disruption through mandated and voluntary closings of businesses. The Department, however, was deemed to be an essential business under the Delaware State of Emergency Declaration and, therefore, remained operational. The Department did experience a negative impact on their transportation services due to the impact of COVID-19. As of the date of this report, the Department has experienced a gradual increase in ridership since the onset of the pandemic. The full extent of the impact of COVID-19 on the Department's operational and financial performance will continue to depend on current developments, which are uncertain and cannot be fully predicted.

(24) Subsequent Events

Events and transactions subsequent to year end have been evaluated for potential recognition in the financial statements or disclosure in the notes to financial statements. All events and transactions have been evaluated through , which is the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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Required Supplementary Information - Governments That Use the Modified Approach for Infrastructure Assets

As allowed by GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense.

The condition of the State's road pavement is measured using the Overall Pavement Condition (OPC) system, which is based on the extent and severity of various pavement distresses that are observed either visually or through automated systems. The OPC system uses a measurement scale that is based on a condition index ranging from 0 for poor pavement to 5 for pavement in excellent condition.

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

It is the State's policy to maintain at least 85% of its highways at a fair or better condition level and 95% of its national bridge inventory at a fair or better condition level. Condition assessments of eligible infrastructure assets are performed at least every three years.

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Structural Rating Numbers and Percentages for Bridges

		Calendar Year Ended December 31,:					
		2021		2020		2019	
BCR Condition	Rating	Number	Percentage	Number	Percentage	Number	Percentage
Good	6 - 9	687	81.4	683	80.3	645	76.2
Fair	5	144	17.1	153	18.0	179	21.1
Poor	0 - 4	13	1.5	15	1.7	23	2.7
	Totals	<u>844</u>	<u>100.0</u>	<u>851</u>	<u>100.0</u>	<u>847</u>	<u>100.0</u>

Deck Rating Numbers and Percentages for Bridges

		Calendar Year Ended December 31,:					
		2021		2020		2019	
OPC Condition	Rating	Square Feet	Percentage	Square Feet	Percentage	Square Feet	Percentage
Good	6 - 9	5,671,539	63.6	5,794,649	69.2	5,332,466	64.1
Fair	5	3,132,344	35.1	2,478,327	29.6	2,624,005	31.6
Poor	0 - 4	113,026	1.3	99,749	1.2	358,949	4.3
	Totals	<u>8,916,909</u>	<u>100.0</u>	<u>8,372,725</u>	<u>100.0</u>	<u>8,315,420</u>	<u>100.0</u>

Center-Line Mile Numbers and Percentages for Road Pavement

		Calendar Year Ended December 31,:					
		2021		2019		2017	
OPC Condition	Rating	Center-Line Miles	Percentage	Center-Line Miles	Percentage	Center-Line Miles	Percentage
Good	3.0 - 5.0	3,551	77.4	3,359	76.5	3,623	81.3
Fair	2.5 - 3.0	531	11.6	531	12.1	407	9.2
Poor	Below 2.5	495	10.8	494	11.2	300	6.7
Unrated		10	0.2	10	0.2	125	2.8
	Totals	<u>4,587</u>	<u>100.0</u>	<u>4,394</u>	<u>100.0</u>	<u>4,455</u>	<u>100.0</u>

Comparison of Estimated-to-Actual Maintenance/Preservation (in Thousands)*

		Fiscal Year Ended June 30,:				
		2021	2020	2019	2018	2017
Estimated	\$	398,914	\$ 353,738	\$ 402,508	\$ 317,177	\$ 246,928
Actual		470,702	493,144	356,793	308,681	297,364

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

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Required Supplementary Information - State Employees' Pension Plan

Schedule of Proportionate Share of Net Pension Liability

<u>Proportionate Share of Net Pension Liability</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
DelDOT/Trust Fund proportion of the net pension liability	3.5364 %	3.5647 %	3.5295 %	3.5235 %	3.5621 %	3.6502 %	3.8332 %
DelDOT/Trust Fund proportion of the net pension liability - dollar value	\$49,713,216	\$55,465,933	\$45,582,509	\$51,653,964	\$53,679,225	\$24,283,925	\$14,114,288
DelDOT/Trust Fund covered payroll	\$83,814,082	\$81,227,711	\$76,802,503	\$75,469,182	\$72,908,127	\$73,603,519	\$74,801,858
DelDOT/Trust Fund proportionate share of the net pension liability as a percentage of covered payroll	59.31 %	68.28 %	59.35 %	68.44 %	73.63 %	32.99 %	18.87 %
Plan fiduciary net position as a percentage of the total pension liability	87.3 %	85.4 %	87.5 %	85.4 %	84.1 %	92.7 %	95.8 %

Notes to Schedule

Benefit changes: None.

Changes to assumptions: None.

In accordance with GASB No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

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Required Supplementary Information - State Employees' Pension Plan

Schedule of Contributions

Contributions	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 9,625,479	\$ 9,118,264	\$ 8,743,943	\$ 7,301,989	\$ 6,575,636	\$ 6,508,251	\$ 6,508,133	\$ 6,702,782
Contributions in relation to the contractually required contribution	<u>9,625,479</u>	<u>9,118,264</u>	<u>8,743,943</u>	<u>7,301,989</u>	<u>6,575,636</u>	<u>6,508,251</u>	<u>6,508,133</u>	<u>6,702,782</u>
Contribution deficiency	<u>\$ -</u>							
DeIDOT/Trust Fund covered payroll	\$87,197,010	\$83,814,082	\$81,227,711	\$76,802,503	\$75,469,182	\$72,908,127	\$73,603,519	\$74,801,858
Contribution as a percentage of covered payroll	11.04 %	10.88 %	10.76 %	9.51 %	8.71 %	8.93 %	8.84 %	8.96 %

Notes to Schedule

Valuation date: Actuarially determined contribution rates in the Schedule of Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates for 2021:

Actuarial cost method	Entry age normal
Amortization method	Closed 20-year level percent of payroll
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Inflation	2.5%
Investment rate of return	7.0%, including inflation
Salary increase	2.5% plus merit component based on service, including inflation
Cost-of-living adjustments	ad hoc

In accordance with GASB No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

See independent auditors' report.

State of Delaware
Department of Transportation
Required Supplementary Information
June 30, 2021 and 2020

Required Supplementary Information - State Employees' OPEB Plan

Schedule of Proportionate Share of Net OPEB Liability

<u>Proportionate Share of Net OPEB Liability</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
DelDOT/Trust Fund proportion of the net OPEB liability	3.4520 %	3.4676 %	3.4401 %	3.4429 %
DelDOT/Trust Fund proportion of the net OPEB liability - dollar value	\$ 359,423,037	\$ 276,347,175	\$ 282,436,856	\$ 284,231,597
DelDOT/Trust Fund covered payroll	\$ 83,814,082	\$ 81,227,711	\$ 76,802,503	\$ 75,469,182
DelDOT/Trust Fund proportionate share of the net OPEB liability as a percentage of covered payroll	428.83 %	340.21 %	367.74 %	376.62 %
Plan fiduciary net position as a percentage of the total OPEB liability	4.27 %	4.89 %	4.44 %	4.13 %

Notes to Schedule

Benefit changes: None.

Changes in assumptions: The investment rate of return increased from 3.75% as of June 30, 2019 to 7.00% as of June 30, 2020.

The discount rate decreased from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020.

The healthcare trend rate decreased from 6.60% as of June 30, 2019 to 5.60% as of June 30, 2020.

In accordance with GASB No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

See independent auditors' report.

State of Delaware
Department of Transportation
 Required Supplementary Information
 June 30, 2021 and 2020

Required Supplementary Information - State Employees' OPEB Plan

Schedule of Contributions

Contributions	2020	2019	2018	2017	2016
Contractually required contribution	\$ 9,213,713	\$ 9,539,114	\$ 8,714,836	\$ 7,727,304	\$ 8,167,249
Contributions in relation to the contractually required contribution	<u>9,213,713</u>	<u>9,539,114</u>	<u>8,714,836</u>	<u>7,727,304</u>	<u>8,167,249</u>
Contribution deficiency	<u>\$ -</u>				
DeIDOT/Trust Fund covered payroll	\$ 87,197,010	\$ 83,814,082	\$ 81,227,711	\$ 76,802,503	\$ 75,469,182
Contribution as a percentage of covered payroll	10.57 %	11.38 %	10.73 %	10.06 %	10.82 %

Notes to Schedule

Contribution rates are established annually by the budgeting process of the State. As a result, there are no actuarially-determined contributions.

In accordance with GASB No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

See independent auditors' report.

State of Delaware
Department of Transportation
Required Supplementary Information
June 30, 2021 and 2020

Required Supplementary Information - Schedule of Changes in Net Pension Liability and Related Ratios - DTC Plan

	Last 10 Fiscal Years (Dollar amounts in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total pension liability										
Service cost	\$ 1,465	\$ 1,289	\$ 1,137	\$ 1,060	\$ 873	\$ 843	\$ 840			
Interest	2,252	2,077	1,920	1,691	1,724	1,612	1,483			
Changes of benefit terms	-	209	-	-	-	-	-			
Differences between expected and actual experience	712	(1,095)	(294)	(192)	(693)	(297)	-			
Changes in assumptions	-	1,154	489	1,530	-	-	-			
Benefit payments, including refunds of member contributions	<u>(1,169)</u>	<u>(1,103)</u>	<u>(899)</u>	<u>(753)</u>	<u>(705)</u>	<u>(629)</u>	<u>(569)</u>			
Net changes in total pension liability	3,260	2,531	2,353	3,336	1,199	1,529	1,754			
Total pension liability - beginning	<u>32,760</u>	<u>30,229</u>	<u>27,876</u>	<u>24,540</u>	<u>23,341</u>	<u>21,812</u>	<u>20,058</u>			
Total pension liability - ending (a)	<u>\$ 36,020</u>	<u>\$ 32,760</u>	<u>\$ 30,229</u>	<u>\$ 27,876</u>	<u>\$ 24,540</u>	<u>\$ 23,341</u>	<u>\$ 21,812</u>			
Plan fiduciary net position										
Contributions - employer	\$ 1,493	\$ 1,343	\$ 1,255	\$ 1,104	\$ 1,104	\$ 1,176	\$ 1,158			
Contributions - members	217	186	145	116	81	57	30			
Net investment income	1,945	1,805	2,261	2,529	405	554	2,443			
Benefit payments, including refunds of member contributions	(1,169)	(1,103)	(899)	(753)	(705)	(629)	(569)			
Administrative expenses	(208)	(149)	(134)	(161)	(166)	(94)	(116)			
Other	-	-	3	-	-	-	-			
Net changes in plan fiduciary net position	2,278	2,082	2,631	2,835	719	1,064	2,946			
Plan fiduciary net position - beginning	<u>30,216</u>	<u>28,134</u>	<u>25,503</u>	<u>22,668</u>	<u>21,949</u>	<u>20,885</u>	<u>17,939</u>			
Plan fiduciary net position - ending (b)	<u>\$ 32,494</u>	<u>\$ 30,216</u>	<u>\$ 28,134</u>	<u>\$ 25,503</u>	<u>\$ 22,668</u>	<u>\$ 21,949</u>	<u>\$ 20,885</u>			
Net pension liability - ending (a) - (b)	<u>\$ 3,526</u>	<u>\$ 2,544</u>	<u>\$ 2,095</u>	<u>\$ 2,373</u>	<u>\$ 1,872</u>	<u>\$ 1,392</u>	<u>\$ 927</u>			
Plan fiduciary net position as a percentage of total pension liability	90.21 %	92.23 %	93.07 %	91.49 %	92.37 %	94.04 %	95.75 %			
Covered payroll	\$ 16,552	\$ 15,099	\$ 14,985	\$ 14,161	\$ 13,142	\$ 12,261	\$ 12,099			
Net pension liability as a percentage of covered payroll	21.30 %	16.85 %	13.98 %	16.76 %	14.24 %	11.35 %	7.66 %			

Information for Fiscal Year 2013 and earlier is not available.

Notes to Schedule

Benefit changes: None.
Changes of assumptions: None.

See independent auditors' report.

State of Delaware
Department of Transportation
Required Supplementary Information
June 30, 2021 and 2020

Required Supplementary Information - Schedule of Changes in Net Pension Liability and Related Ratios - DART Plan

Last 10 Fiscal Years
(Dollar amounts in thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total pension liability										
Service cost	\$ 2,184	\$ 2,081	\$ 2,193	\$ 2,098	\$ 2,048	\$ 1,976	\$ 1,766			
Interest	4,472	4,168	3,681	3,406	3,209	2,925	2,675			
Changes of benefit terms	1,492	1,160	1,239	1,042	197	1,473	1,030			
Differences between expected and actual experience	405	(137)	(647)	(121)	(217)	(112)	4			
Changes in assumptions	-	-	3,340	-	-	-	-			
Benefit payments, including refunds of member contributions	<u>(3,269)</u>	<u>(2,793)</u>	<u>(2,674)</u>	<u>(2,531)</u>	<u>(2,411)</u>	<u>(2,134)</u>	<u>(2,103)</u>			
Net changes in total pension liability	5,284	4,479	7,132	3,894	2,826	4,128	3,372			
Total pension liability - beginning	<u>63,314</u>	<u>58,835</u>	<u>51,703</u>	<u>47,809</u>	<u>44,983</u>	<u>40,855</u>	<u>37,483</u>			
Total pension liability - ending (a)	<u>\$ 68,598</u>	<u>\$ 63,314</u>	<u>\$ 58,835</u>	<u>\$ 51,703</u>	<u>\$ 47,809</u>	<u>\$ 44,983</u>	<u>\$ 40,855</u>			
Plan fiduciary net position										
Contributions - employer	\$ 1,347	\$ 1,400	\$ 1,213	\$ 1,048	\$ 1,080	\$ 1,253	\$ 909			
Contributions - members	1,596	1,584	1,499	1,344	1,360	1,388	1,263			
Net investment income	9,377	9,507	(2,786)	6,743	2,550	(869)	2,605			
Benefit payments, including refunds of member contributions	(3,269)	(2,793)	(2,674)	(2,531)	(2,411)	(2,134)	(2,103)			
Administrative expenses	<u>(94)</u>	<u>(109)</u>	<u>(91)</u>	<u>(106)</u>	<u>(94)</u>	<u>(100)</u>	<u>(133)</u>			
Net changes in plan fiduciary net position	8,957	9,589	(2,839)	6,498	2,485	(462)	2,541			
Plan fiduciary net position - beginning	<u>57,307</u>	<u>47,718</u>	<u>50,557</u>	<u>44,059</u>	<u>41,574</u>	<u>42,036</u>	<u>39,495</u>			
Plan fiduciary net position - ending (b)	<u>\$ 66,264</u>	<u>\$ 57,307</u>	<u>\$ 47,718</u>	<u>\$ 50,557</u>	<u>\$ 44,059</u>	<u>\$ 41,574</u>	<u>\$ 42,036</u>			
Net pension liability - ending (a) - (b)	<u>\$ 2,334</u>	<u>\$ 6,007</u>	<u>\$ 11,117</u>	<u>\$ 1,146</u>	<u>\$ 3,750</u>	<u>\$ 3,409</u>	<u>\$ (1,181)</u>			
Plan fiduciary net position as a percentage of total pension liability	96.60 %	90.51 %	81.10 %	97.78 %	92.16 %	92.42 %	102.89 %			
Covered payroll	\$ 33,162	\$ 32,277	\$ 31,684	\$ 27,383	\$ 27,472	\$ 28,203	\$ 25,748			
Net pension liability as a percentage of covered payroll	7.04 %	18.61 %	35.09 %	4.19 %	13.65 %	12.09 %	(4.59)%			

Information for Fiscal Year 2013 and earlier is not available.

Notes to Schedule

Benefit changes: Effective January 1, 2020, the multiplier for employees who retire after December 31, 2019, was increased to a monthly benefit per year of service of \$74.00.
Changes in assumptions: None.

See independent auditors' report.

State of Delaware
Department of Transportation
Required Supplementary Information
June 30, 2021 and 2020

Schedule of Contributions - DTC and DART Plans

Last 10 Fiscal Years
(Dollar amounts in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
DTC Plan, as of June 30,											
Actuarially determined contribution	\$ 1,648	\$ 1,493	\$ 1,343	\$ 1,255	\$ 980	\$ 1,104	\$ 1,176	\$ 1,156			
Contributions in relation to the actuarially determined contribution	<u>1,648</u>	<u>1,493</u>	<u>1,343</u>	<u>1,255</u>	<u>1,104</u>	<u>1,104</u>	<u>1,176</u>	<u>1,158</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (124)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2)</u>	Information for Fiscal Year 2013		
Covered payroll	\$ 18,215	\$ 16,552	\$ 15,099	\$ 14,985	\$ 14,161	\$ 13,142	\$ 12,261	\$ 12,099	and earlier is not available.		
Contributions as a percentage of covered payroll	9.05 %	9.02 %	8.89 %	8.38 %	7.80 %	8.40 %	9.59 %	9.57 %			
DART Plan, as of December 31,											
Actuarially determined contribution		\$ 1,531	\$ 1,465	\$ 1,063	\$ 1,027	\$ 1,012	\$ 857	\$ 635	\$ 773	\$ 715	\$ 598
Contributions in relation to the actuarially determined contribution		<u>1,347</u>	<u>1,400</u>	<u>1,213</u>	<u>1,048</u>	<u>1,080</u>	<u>1,253</u>	<u>909</u>	<u>1,250</u>	<u>1,080</u>	<u>1,074</u>
Contribution deficiency (excess)		<u>\$ 184</u>	<u>\$ 65</u>	<u>\$ (150)</u>	<u>\$ (21)</u>	<u>\$ (68)</u>	<u>\$ (396)</u>	<u>\$ (274)</u>	<u>\$ (477)</u>	<u>\$ (365)</u>	<u>\$ (476)</u>
Covered payroll		\$ 33,162	\$ 32,277	\$ 31,684	\$ 27,383	\$ 27,472	\$ 28,203	\$ 25,748	\$ 25,579	\$ 22,985	\$ 22,847
Contributions as a percentage of covered payroll		4.06 %	4.34 %	3.83 %	3.83 %	3.93 %	4.44 %	3.53 %	4.89 %	4.70 %	4.70 %

Notes to Schedule

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the plan year (July 1 for the DTC Plan and January 1 for the DART Plan) for the immediately following fiscal year. Actuarial valuations are performed every year.

Methods and assumptions used to determine contribution rates for 2020:

	<u>DTC Plan</u>	<u>DART Plan</u>
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of payroll (closed), increasing 2.0% per year	Level percentage of pay
Remaining amortization period	Range from 11 to 20 years	15 years rolling
Asset valuation method	Five-year market smoothed	Five-year market smoothed
Inflation	2.0%	2.5%
Salary increases	2.5%, including inflation	2.5%, including inflation
Investment rate of return	7.0%, net of pension plan investment expense, including inflation	7.0%, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service	Rates vary by participant age and service
Mortality	RP-2014 Mortality with generational projection using scale MP-2017	Sex distinct RP-2014 Blue Collar Mortality, Fully Generational, using Scale MP-2018

See independent auditors' report.

State of Delaware
Department of Transportation
Required Supplementary Information
June 30, 2021 and 2020

Schedule of Changes in Net OPEB Liability and Related Ratios - DTC

Last 10 Fiscal Years
(Dollar amounts in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total OPEB liability										
Service cost	\$ 12,581	\$ 10,497	\$ 11,454	\$ 13,166						
Interest	5,696	5,571	5,786	4,801						
Changes of benefit terms	-	-	-	-						
Differences between expected and actual experience	(37,630)	(955)	(23,812)	(1,365)						
Changes in assumptions	18,030	15,478	1,137	(21,367)						
Benefit payments, net of retiree contributions	<u>(2,703)</u>	<u>(2,516)</u>	<u>(2,280)</u>	<u>(2,072)</u>						
Net changes in total OPEB liability	(4,026)	28,075	(7,715)	(6,837)						
Total OPEB liability - beginning	<u>183,707</u>	<u>155,632</u>	<u>163,347</u>	<u>170,184</u>						
Total OPEB liability - ending (a)	<u>\$ 179,681</u>	<u>\$ 183,707</u>	<u>\$ 155,632</u>	<u>\$ 163,347</u>						
Plan fiduciary net position										
Contributions - employer	\$ 2,703	\$ 2,516	\$ 2,280	\$ 3,572	Information for Fiscal Year 2016 and earlier is not available.					
Net investment income	282	261	589	(20)						
Benefit payments, net of retiree contributions	(2,703)	(2,516)	(2,280)	(2,072)						
Administrative expense	<u>(11)</u>	<u>-</u>	<u>-</u>	<u>-</u>						
Net changes in plan fiduciary net position	271	261	589	1,480						
Plan fiduciary net position - beginning	<u>4,586</u>	<u>4,325</u>	<u>3,736</u>	<u>2,256</u>						
Plan fiduciary net position - ending (b)	<u>\$ 4,857</u>	<u>\$ 4,586</u>	<u>\$ 4,325</u>	<u>\$ 3,736</u>						
Net OPEB liability - ending (a) - (b)	<u>\$ 174,824</u>	<u>\$ 179,121</u>	<u>\$ 151,307</u>	<u>\$ 159,611</u>						
Plan fiduciary net position as a percentage of total OPEB liability	2.70 %	2.50 %	2.78 %	2.29 %						
Covered-employee payroll	\$ 58,119	\$ 53,654	\$ 52,732	\$ 50,228						
Net OPEB liability as a percentage of covered-employee payroll	300.80 %	333.84 %	286.94 %	317.77 %						

Notes to Schedule

Benefit changes:

None.

Changes of assumptions:

The discount rate was changed from 3.13% as of June 30, 2019 to 2.45% as of June 30, 2020. The medical trend was updated to the latest model released by the SOA and excludes the impact of the Cadillac Tax. The mortality tables were updated to the latest SOA experience study on private sector blue and white collar employees, retirees, and disabled retirees and the mortality scale was updated to MP-2020.

See independent auditors' report.

State of Delaware
Department of Transportation
 Required Supplementary Information
 June 30, 2021 and 2020

Schedule of Investment Returns - DTC OPEB Trust

Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Annual money-weighted rate of return, net of investment expense	4.2%	3.8%	6.4%	8.7%	Information for Fiscal Year 2016 and earlier is not available.					

See independent auditors' report.

SUPPLEMENTARY INFORMATION

State of Delaware
Department of Transportation
Consolidating Statement of Net Position
June 30, 2021 (with Summarized Financial Information for June 30, 2020)

	<u>Delaware Transportation Authority</u>			<u>2021</u>	<u>2020</u>
	<u>DELDOT</u>	<u>TTF</u>	<u>DTC</u>		
Current assets					
Cash and cash equivalents					
Unrestricted	\$ 8,207,875	\$ 108,126,534	\$ 6,751,758	\$ 123,086,167	\$ 31,874,338
Restricted	4,095	80,203,021	-	80,207,116	69,665,501
Pooled cash and investments	668,224	10,054,641	-	10,722,865	11,075,757
Investments - at fair value					
Unrestricted	-	57,597,113	4,202,798	61,799,911	63,343,802
Restricted	217,247	153,314,252	-	153,531,499	90,674,438
Accounts receivable, net					
Trade	7,065,301	22,508,329	663,929	30,237,559	22,547,809
Federal grants	35,411,681	-	4,613,057	40,024,738	54,629,687
Interest	-	371,443	-	371,443	357,611
Due from State General Fund	-	14,382,000	-	14,382,000	19,895,960
Due from TTF	10,265,847	-	-	10,265,847	-
Inventory	17,119,778	-	4,610,974	21,730,752	23,022,133
Other assets	-	-	112,472	112,472	70,463
Total current assets	78,960,048	446,557,333	20,954,988	546,472,369	387,157,499
Noncurrent assets					
Capital assets, not depreciable					
Land	215,561,916	159,010,874	1,872,536	376,445,326	366,547,020
Infrastructure	2,739,815,639	1,726,464,284	-	4,466,279,923	4,355,332,960
Construction in progress	112,873,200	-	9,271,679	122,144,879	95,761,166
Service concession buildings and improvements	-	22,100,000	-	22,100,000	22,100,000
Capital assets, depreciable					
Land improvements	8,025,173	-	-	8,025,173	8,025,173
Buildings and improvements	100,264,611	8,036,932	105,365,998	213,667,541	197,708,363
Fixtures, vehicles, and equipment	154,138,356	-	246,497,950	400,636,306	371,423,774
Total capital assets	3,330,678,895	1,915,612,090	363,008,163	5,609,299,148	5,416,898,456
Less: accumulated depreciation	108,347,030	5,490,783	198,718,805	312,556,618	289,684,855
Capital assets, net	3,222,331,865	1,910,121,307	164,289,358	5,296,742,530	5,127,213,601
Investments - at fair value, net of current portion					
Unrestricted	-	12,275,264	7,166,971	19,442,235	1,045,580
Restricted	-	128,838,266	-	128,838,266	21,609,405
Total noncurrent assets	3,222,331,865	2,051,234,837	171,456,329	5,445,023,031	5,149,868,586
Total assets	3,301,291,913	2,497,792,170	192,411,317	5,991,495,400	5,537,026,085

(Continued)

State of Delaware
Department of Transportation
Consolidating Statement of Net Position
June 30, 2021 (with Summarized Financial Information for June 30, 2020)

	<u>Delaware Transportation Authority</u>			<u>2021</u>	<u>2020</u>
	<u>DELDOT</u>	<u>TTF</u>	<u>DTC</u>		
Deferred outflows of resources					
Loss on refundings of debt	\$ -	\$ 18,903,708	\$ -	\$ 18,903,708	\$ 21,502,236
Changes in assumptions - pension plans and OPEB plans	64,261,965	-	32,667,777	96,929,742	38,572,486
Net differences between projected and actual earnings on investments - pension and OPEB plans	-	-	-	-	629,546
Changes in employer proportionate share of net pension liability	259,703	-	-	259,703	327,199
Changes in employer proportionate share of net OPEB liability	1,710,244	-	-	1,710,244	2,137,806
Differences between expected and actual experience - pension and OPEB plans	16,916,904	-	969,862	17,886,766	4,665,200
Contributions made subsequent to the measurement date - pension and OPEB plans	<u>18,839,192</u>	<u>-</u>	<u>5,781,926</u>	<u>24,621,118</u>	<u>24,318,055</u>
Total deferred outflows of resources	101,988,008	18,903,708	39,419,565	160,311,281	92,152,528
Current liabilities					
Accounts payable and other accrued expenses	24,023,977	41,229,739	8,548,602	73,802,318	79,837,691
Accrued payroll and related expenses	6,429,240	-	3,828,412	10,257,652	7,949,299
Escrow deposits	668,224	10,054,641	-	10,722,865	11,075,757
Customer toll deposits	-	11,285,330	-	11,285,330	11,422,209
Interest payable	-	23,650,073	-	23,650,073	17,532,318
Due to State General Fund	3,518,395	-	-	3,518,395	-
Due to DelDOT	-	10,265,847	-	10,265,847	-
Pollution remediation obligations	80,000	-	-	80,000	49,780
Insurance loss reserve	-	-	1,850,981	1,850,981	1,653,034
Compensated absences	788,042	-	1,482,639	2,270,681	2,089,584
Revenue bonds payable	-	77,345,000	-	77,345,000	78,740,000
Bond issue premium - net of accumulated amortization	<u>-</u>	<u>26,007,013</u>	<u>-</u>	<u>26,007,013</u>	<u>13,242,469</u>
Total current liabilities	35,507,878	199,837,643	15,710,634	251,056,155	223,592,141
Noncurrent liabilities					
Compensated absences - net of current portion	10,479,702	-	3,001,998	13,481,700	12,142,361
Insurance loss reserve - net of current portion	-	-	5,821,019	5,821,019	7,595,966
Pollution remediation obligations - net of current portion	77,000	-	-	77,000	82,000
TIFIA loan payable	-	229,643,474	-	229,643,474	223,046,815
Revenue bonds payable - net of current portion	-	1,054,245,000	-	1,054,245,000	821,170,000
Bond issue premium - net of accumulated amortization	-	126,597,904	-	126,597,904	43,287,214
Net pension liability	49,713,216	-	5,860,219	55,573,435	64,016,323
Net other post-employment benefits liability	<u>359,423,037</u>	<u>-</u>	<u>174,823,752</u>	<u>534,246,789</u>	<u>455,467,870</u>
Total noncurrent liabilities	<u>419,692,955</u>	<u>1,410,486,378</u>	<u>189,506,988</u>	<u>2,019,686,321</u>	<u>1,626,808,549</u>

(Continued)

State of Delaware
Department of Transportation
Consolidating Statement of Net Position
June 30, 2021 (with Summarized Financial Information for June 30, 2020)

	<u>Delaware Transportation Authority</u>			<u>2021</u>	<u>2020</u>
	<u>DELDOT</u>	<u>TTF</u>	<u>DTC</u>		
Total liabilities	\$ 455,200,833	\$ 1,610,324,021	\$ 205,217,622	\$ 2,270,742,476	\$ 1,850,400,690
Deferred inflows of resources					
Service concession arrangement	-	15,154,284	-	15,154,284	15,785,713
Changes in employer proportionate share of net pension liability	512,985	-	-	512,985	730,228
Changes in employer proportionate share of net OPEB liability	1,610,730	-	-	1,610,730	579,152
Differences between expected and actual experience - pension and OPEB plans	24,855,876	-	52,996,123	77,851,999	54,347,029
Net differences between projected and actual earnings on investments - pension and OPEB plans	9,037,630	-	6,413,607	15,451,237	3,198,862
Changes in assumptions - OPEB plans	<u>20,441,810</u>	<u>-</u>	<u>12,820,136</u>	<u>33,261,946</u>	<u>44,563,376</u>
Total deferred inflows of resources	56,459,031	15,154,284	72,229,866	143,843,181	119,204,360
Net position (deficit)					
Net investment in capital assets	3,222,331,865	604,233,764	164,289,358	3,990,854,987	3,982,682,766
Restricted	221,342	158,154,116	-	158,375,458	152,710,204
Unrestricted	<u>(330,933,150)</u>	<u>128,829,693</u>	<u>(209,905,964)</u>	<u>(412,009,421)</u>	<u>(475,819,407)</u>
Total net position (deficit)	<u>\$ 2,891,620,057</u>	<u>\$ 891,217,573</u>	<u>\$ (45,616,606)</u>	<u>\$ 3,737,221,024</u>	<u>\$ 3,659,573,563</u>

See independent auditors' report.

State of Delaware
Department of Transportation
Consolidating Statement of Revenues, Expenses, and Changes in Net Position
Fiscal Year Ended June 30, 2021
(with Summarized Financial Information for the Fiscal Year Ended June 30, 2020)

	<u>Delaware Transportation Authority</u>			<u>2021</u>	<u>2020</u>
	<u>DELDOT</u>	<u>TTF</u>	<u>DTC</u>		
Operating revenues					
Pledged revenue - senior revenue bonds					
Turnpike revenue	\$ -	\$ 121,585,674	\$ -	\$ 121,585,674	\$ 116,164,785
Motor fuel tax revenue	-	124,842,445	-	124,842,445	136,824,016
Motor vehicle document fee, registration fee, and other revenue	-	242,993,357	-	242,993,357	206,793,521
International Fuel Tax Agreement revenue	-	2,353,617	-	2,353,617	1,919,003
Pledged revenue - project revenue bonds					
Toll revenue - US 301	-	22,548,964	-	22,548,964	25,833,431
Toll revenue - Delaware SR-1	-	55,026,929	-	55,026,929	54,211,068
Passenger fares	-	-	7,131,331	7,131,331	13,006,999
Miscellaneous	25,416,337	11,252,954	3,419,768	40,089,059	28,732,619
Total operating revenues	25,416,337	580,603,940	10,551,099	616,571,376	583,485,442
Operating expenses					
Road maintenance, preservation, and repairs	25,262,862	151,088,402	-	176,351,264	260,962,081
Payroll expense	150,323,995	-	93,605,646	243,929,641	227,354,694
Professional fees and services	90,992,651	209,214,132	23,527,457	323,734,240	303,137,162
Materials, supplies, and other	6,583,168	21,828,112	16,803,072	45,214,352	52,108,528
Bad debt expense	-	-	110,000	110,000	-
Depreciation	11,771,178	370,489	20,446,590	32,588,257	32,296,699
Total operating expenses	284,933,854	382,501,135	154,492,765	821,927,754	875,859,164
Operating income (loss)	(259,517,517)	198,102,805	(143,941,666)	(205,356,378)	(292,373,722)
Nonoperating revenues (expenses)					
Income from investments - pledged	-	641,473	-	641,473	5,909,992
Income from investments	-	-	30,398	30,398	425,011
Federal grant revenues	287,116,802	-	49,301,184	336,417,986	298,705,051
Pass-through grant expenses	-	-	(9,130,013)	(9,130,013)	(10,382,203)
Interest expense	-	(35,357,612)	-	(35,357,612)	(34,863,880)
Service concession arrangement	-	631,429	-	631,429	631,429
Excess (deficiency) of nonoperating revenues over nonoperating expenses	287,116.802	(34,084,710)	40,201,569	293,233,661	260,425,400
Income (loss) before transfers	27,599,285	164,018,095	(103,740,097)	87,877,283	(31,948,322)

(Continued)

State of Delaware
Department of Transportation
Consolidating Statement of Revenues, Expenses, and Changes in Net Position
Fiscal Year Ended June 30, 2021
(with Summarized Financial Information for the Fiscal Year Ended June 30, 2020)

	<u>Delaware Transportation Authority</u>			<u>2021</u>	<u>2020</u>
	<u>DELDOT</u>	<u>TTF</u>	<u>DTC</u>		
Transfers to other governmental agencies	\$ -	\$ (6,860,261)	\$ -	\$ (6,860,261)	\$ (8,208,907)
Transfers to State General Fund	-	(6,000,000)	-	(6,000,000)	(6,000,000)
Transfers from State General Fund	-	2,630,439	-	2,630,439	14,653,373
Capital contributions	(17,070,314)	-	17,070,314	-	-
Transfers to DTC	(22,233,557)	(46,598,000)	68,831,557	-	-
Transfers to DelDOT	<u>142,950,113</u>	<u>(142,950,113)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	131,245,527	(35,759,840)	(17,838,226)	77,647,461	(31,503,856)
Net position (deficit) - beginning of year	<u>2,760,374,530</u>	<u>926,977,413</u>	<u>(27,778,380)</u>	<u>3,659,573,563</u>	<u>3,691,077,419</u>
Net position (deficit) - end of year	<u>\$ 2,891,620,057</u>	<u>\$ 891,217,573</u>	<u>\$ (45,616,606)</u>	<u>\$ 3,737,221,024</u>	<u>\$ 3,659,573,563</u>

See independent auditors' report.

State of Delaware
Department of Transportation
Consolidating Statement of Cash Flows
Fiscal Year Ended June 30, 2021
(with Summarized Financial Information for the Fiscal Year Ended June 30, 2020)

	<u>Delaware Transportation Authority</u>			<u>2021</u>	<u>2020</u>
	<u>DELDOT</u>	<u>TTF</u>	<u>DTC</u>		
Cash flows from operating activities					
Receipts from customers	\$ 23,143,234	\$ 574,955,068	\$ 6,873,785	\$ 604,972,087	\$ 579,389,427
Payments to suppliers	(121,352,257)	(382,254,634)	(34,087,250)	(537,694,141)	(597,602,792)
Payments to employees	(132,248,107)	-	(81,491,455)	(213,739,562)	(208,802,213)
Insurance claims paid	-	-	(6,377,000)	(6,377,000)	(4,589,781)
Other receipts	-	-	3,331,582	3,331,582	3,311,740
Net cash provided by (used in) operating activities	(230,457,130)	192,700,434	(111,750,338)	(149,507,034)	(228,293,619)
Cash flows from noncapital financing activities					
Transfers from State General Fund	-	2,630,439	-	2,630,439	14,653,373
Transfers to State General Fund	-	(6,000,000)	-	(6,000,000)	(6,000,000)
Federal receipts for operating activities	-	-	67,428,936	67,428,936	6,194,460
Pass-through grant payments	-	-	(9,130,013)	(9,130,013)	(10,382,203)
Transfers from TTF	120,716,556	(189,548,113)	68,831,557	-	-
Transfers to other governmental agencies	-	(6,860,261)	-	(6,860,261)	(8,208,907)
Net cash provided by (used in) noncapital financing activities	120,716,556	(199,777,935)	127,130,480	48,069,101	(3,743,277)
Cash flows from capital and related financing activities					
Payments of revenue bond principal	-	(74,245,000)	-	(74,245,000)	(75,440,000)
Proceeds from TIFIA loan	-	-	-	-	24,979,629
Proceeds from revenue bond sales	-	411,805,000	-	411,805,000	137,135,000
Premium from revenue bond sales	-	120,529,645	-	120,529,645	23,285,445
Amounts paid to escrow agent for refunding	-	(107,217,369)	-	(107,217,369)	-
Federal receipts for capital and related financing activities	283,155,204	438,796	-	283,594,000	259,051,839
Proceeds from capital contributions	(17,070,314)	-	17,070,314	-	-
Acquisition of capital assets	(141,096,939)	(26,738,990)	(34,303,071)	(202,139,000)	(148,979,487)
Payments of interest	-	(43,161,713)	-	(43,161,713)	(37,233,638)
Net cash provided by (used in) capital and related financing activities	124,987,951	281,410,369	(17,232,757)	389,165,563	182,798,788
Cash flows from investing activities					
Purchase of investments	(40,381)	(4,090,572,251)	(6,998,451)	(4,097,611,083)	(3,975,370,974)
Proceeds from sale of investments	-	3,910,672,397	-	3,910,672,397	4,051,893,384
Interdepartmental loan	(10,265,847)	10,265,847	-	-	-
Escrow insurance deposits	-	-	(46,431)	(46,431)	(13,292)
Interest received	-	627,641	30,398	658,039	6,764,947

(Continued)

State of Delaware
Department of Transportation
Consolidating Statement of Cash Flows
Fiscal Year Ended June 30, 2021
(with Summarized Financial Information for the Fiscal Year Ended June 30, 2020)

	<u>Delaware Transportation Authority</u>			<u>2021</u>	<u>2020</u>
	<u>DELDOT</u>	<u>TTF</u>	<u>DTC</u>		
Net cash provided by (used in) investing activities	\$ (10,306,228)	\$ (169,006,366)	\$ (7,014,484)	\$ (186,327,078)	\$ 83,274,065
Net increase (decrease) in cash and cash equivalents	4,941,149	105,326,502	(8,867,099)	101,400,552	34,035,957
Cash and cash equivalents - beginning of year	<u>3,939,045</u>	<u>93,057,694</u>	<u>15,618,857</u>	<u>112,615,596</u>	<u>78,579,639</u>
Cash and cash equivalents - end of year	<u>\$ 8,880,194</u>	<u>\$ 198,384,196</u>	<u>\$ 6,751,758</u>	<u>\$ 214,016,148</u>	<u>\$ 112,615,596</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (259,517,517)	\$ 198,102,805	\$ (143,941,666)	\$ (205,356,378)	\$ (292,373,722)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	11,771,178	370,489	20,446,590	32,588,257	32,296,699
Bad debt expense	-	-	110,000	110,000	-
Loss on disposal of fixed assets	-	-	21,814	21,814	-
Changes in assets and deferred outflows of resources					
(Increase) decrease in accounts receivable - trade	(548,452)	(6,883,752)	(367,546)	(7,799,750)	487,523
Decrease in due from State General Fund	548,427	4,965,533	-	5,513,960	2,983,586
(Increase) decrease in inventory	1,339,719	-	(48,338)	1,291,381	(1,024,385)
Decrease in prepaid expenses	-	-	4,422	4,422	37,045
Increase in deferred outflows of resources	(56,359,175)	-	(14,398,106)	(70,757,281)	(28,018,290)
Changes in liabilities and deferred inflows of resources					
Increase (decrease) in accounts payable and other accrued expenses	(3,945,337)	(5,089,521)	2,999,485	(6,035,373)	13,189,982
Increase (decrease) in escrow deposits	(1,724,651)	1,371,759	-	(352,892)	(427,540)
Increase (decrease) in insurance loss reserve	-	-	(1,577,000)	(1,577,000)	183,000
Increase in due to State General Fund	3,518,395	-	-	3,518,395	-
Increase in compensated absences	1,123,071	-	397,365	1,520,436	1,574,118
Increase (decrease) in accrued payroll and related expenses	2,125,464	-	182,889	2,308,353	(850,664)
Decrease in customer toll deposits	-	(136,879)	-	(136,879)	(844,258)
Increase in pollution remediation obligations	25,220	-	-	25,220	118,030
Increase (decrease) in net pension liability	(5,752,717)	-	(2,690,171)	(8,442,888)	5,222,503
Increase (decrease) in net other post-employment benefits liability	83,075,862	-	(4,296,943)	78,778,919	21,723,617
Increase (decrease) in deferred inflows of resources	(6,136,617)	-	31,406,867	25,270,250	17,429,137
Net cash provided by (used in) operating activities	<u>\$ (230,457,130)</u>	<u>\$ 192,700,434</u>	<u>\$ (111,750,338)</u>	<u>\$ (149,507,034)</u>	<u>\$ (228,293,619)</u>

See independent auditors' report.

Delaware Transportation Authority
Transportation Trust Fund
Schedule of Net Position in Accordance with Trust Agreement
June 30, 2021
(with Comparative Totals for June 30, 2020)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt Reserve</u>	<u>(Memorandum Only)</u>	
				<u>2021</u>	<u>2020</u>
Current assets					
Cash and cash equivalents					
Unrestricted	\$ 70,425,228	\$ 37,701,306	\$ -	\$ 108,126,534	\$ 14,714,554
Restricted	884	80,199,716	2,421	80,203,021	69,660,258
Pooled cash and investments	10,054,641	-	-	10,054,641	8,682,882
Investments - at fair value					
Unrestricted	13,710,113	43,887,000	-	57,597,113	60,018,064
Restricted	224,786	134,531,011	18,558,455	153,314,252	90,497,572
Accounts receivable, net					
Trade	22,508,329	-	-	22,508,329	15,624,577
Federal grants	-	-	-	-	438,795
Interest	371,443	-	-	371,443	357,611
Due from State General Fund	14,382,000	-	-	14,382,000	19,347,533
Total current assets	131,677,424	296,319,033	18,560,876	446,557,333	279,341,846
Noncurrent assets					
Capital assets, not depreciable					
Land	-	159,010,874	-	159,010,874	158,315,709
Infrastructure	-	1,726,464,284	-	1,726,464,284	1,700,420,459
Service concession buildings and improvements	-	22,100,000	-	22,100,000	22,100,000
Capital assets, depreciable					
Buildings and improvements	-	8,036,932	-	8,036,932	8,036,932
Total capital assets	-	1,915,612,090	-	1,915,612,090	1,888,873,100
Less: accumulated depreciation	-	5,490,783	-	5,490,783	5,120,294
Capital assets, net	-	1,910,121,307	-	1,910,121,307	1,883,752,806
Investments - at fair value, net of current portion					
Unrestricted	3,642,156	8,633,108	-	12,275,264	-
Restricted	389,931	82,267,001	46,181,334	128,838,266	21,609,405
Total noncurrent assets	4,032,087	2,001,021,416	46,181,334	2,051,234,837	1,905,362,211
Total assets	135,709,511	2,297,340,449	64,742,210	2,497,792,170	2,184,704,057
Deferred outflows of resources - loss on refundings of debt	-	18,903,708	-	18,903,708	21,502,236

(Continued)

Delaware Transportation Authority
Transportation Trust Fund
Schedule of Net Position in Accordance with Trust Agreement
June 30, 2021
(with Comparative Totals for June 30, 2020)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt Reserve</u>	<u>(Memorandum Only)</u>	
				<u>2021</u>	<u>2020</u>
Current liabilities					
Accounts payable and other accrued expenses	\$ 41,229,739	\$ -	\$ -	\$ 41,229,739	\$ 46,319,260
Escrow deposits	-	10,054,641	-	10,054,641	8,682,882
Customer toll deposits	11,285,330	-	-	11,285,330	11,422,209
Interest payable	-	23,650,073	-	23,650,073	17,532,318
Due to DelDOT	10,265,847	-	-	10,265,847	-
Revenue bonds payable	-	77,345,000	-	77,345,000	78,740,000
Bond issue premium - net of accumulated amortization	-	26,007,013	-	26,007,013	13,242,469
Total current liabilities	62,780,916	137,056,727	-	199,837,643	175,939,138
Noncurrent liabilities					
TIFIA loan payable	-	229,643,474	-	229,643,474	223,046,815
Revenue bonds payable - net of current portion	-	1,054,245,000	-	1,054,245,000	821,170,000
Bond issue premium - net of accumulated amortization	-	126,597,904	-	126,597,904	43,287,214
Total noncurrent liabilities	-	1,410,486,378	-	1,410,486,378	1,087,504,029
Total liabilities	62,780,916	1,547,543,105	-	1,610,324,021	1,263,443,167
Deferred inflows of resources - service concession arrangement	-	15,154,284	-	15,154,284	15,785,713
Net position					
Net investment in capital assets	-	604,233,764	-	604,233,764	739,221,971
Restricted	615,601	92,796,305	64,742,210	158,154,116	152,528,095
Unrestricted	72,312,994	56,516,699	-	128,829,693	35,227,347
Total net position	\$ 72,928,595	\$ 753,546,768	\$ 64,742,210	\$ 891,217,573	\$ 926,977,413

See independent auditors' report.

Delaware Transportation Authority
Transportation Trust Fund
Schedule of Revenues, Expenses, and Changes in Net Position in Accordance with Trust Agreement
Fiscal Year Ended June 30, 2021
(with Comparative Totals for the Fiscal Year Ended June 30, 2020)

	Operations	Trust Holdings	Debt Reserve	(Memorandum Only)	
				2021	2020
Operating revenues					
Pledged revenue - senior revenue bonds					
Turnpike revenue	\$ 121,585,674	\$ -	\$ -	\$ 121,585,674	\$ 116,164,785
Motor fuel tax revenue	124,842,445	-	-	124,842,445	136,824,016
Motor vehicle document fee revenue	138,656,606	-	-	138,656,606	113,609,131
Motor vehicle registration fee revenue	60,869,085	-	-	60,869,085	53,829,366
Other motor vehicle revenue	43,467,666	-	-	43,467,666	39,355,024
International Fuel Tax Agreement revenue	2,353,617	-	-	2,353,617	1,919,003
Pledged revenue - project revenue bonds					
Toll revenue - US 301	<u>22,548,964</u>	<u>-</u>	<u>-</u>	<u>22,548,964</u>	<u>25,833,431</u>
Total pledged revenue	514,324,057	-	-	514,324,057	487,534,756
Toll revenue - Delaware SR-1	55,026,929	-	-	55,026,929	54,211,068
Miscellaneous	<u>11,247,962</u>	<u>4,992</u>	<u>-</u>	<u>11,252,954</u>	<u>8,555,516</u>
Total operating revenues	580,598,948	4,992	-	580,603,940	550,301,340
Operating expenses					
Road maintenance, preservation, and repairs	816,506	150,271,896	-	151,088,402	182,239,125
Professional fees	58,358,677	150,855,455	-	209,214,132	182,624,039
Materials, supplies, and other	12,576,662	9,251,450	-	21,828,112	30,131,614
Depreciation	<u>-</u>	<u>370,489</u>	<u>-</u>	<u>370,489</u>	<u>184,250</u>
Total operating expenses	<u>71,751,845</u>	<u>310,749,290</u>	<u>-</u>	<u>382,501,135</u>	<u>395,179,028</u>
Operating income (loss)	508,847,103	(310,744,298)	-	198,102,805	155,122,312
Nonoperating revenues (expenses)					
Income from investments - pledged	139,536	635,243	(133,306)	641,473	5,909,992
Federal grant revenues	-	-	-	-	69,046
Interest expense	-	(35,357,612)	-	(35,357,612)	(34,863,880)
Service concession arrangement	<u>-</u>	<u>631,429</u>	<u>-</u>	<u>631,429</u>	<u>631,429</u>
Excess (deficiency) of nonoperating revenues over nonoperating expenses	<u>139,536</u>	<u>(34,090,940)</u>	<u>(133,306)</u>	<u>(34,084,710)</u>	<u>(28,253,413)</u>
Income (loss) before transfers	508,986,639	(344,835,238)	(133,306)	164,018,095	126,868,899

(Continued)

Delaware Transportation Authority
Transportation Trust Fund
Schedule of Revenues, Expenses, and Changes in Net Position in Accordance with Trust Agreement
Fiscal Year Ended June 30, 2021
(with Comparative Totals for the Fiscal Year Ended June 30, 2020)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt Reserve</u>	<u>(Memorandum Only)</u>	
				<u>2021</u>	<u>2020</u>
Net transfers per agreement	\$ (235,080,605)	\$ 299,723,552	\$ (64,642,947)	\$ -	\$ -
Transfers to other governmental agencies	(6,860,261)	-	-	(6,860,261)	(8,208,907)
Transfers to State General Fund	(6,000,000)	-	-	(6,000,000)	(6,000,000)
Transfers from State General Fund	5,278,876	(2,648,437)	-	2,630,439	14,653,373
Transfers to DTC	(46,598,000)	-	-	(46,598,000)	(94,804,300)
Transfers to DelDOT	<u>(142,950,113)</u>	<u>-</u>	<u>-</u>	<u>(142,950,113)</u>	<u>(140,064,100)</u>
Changes in net position	76,776,536	(47,760,123)	(64,776,253)	(35,759,840)	(107,555,035)
Net position (deficit) - beginning of year	<u>(3,847,941)</u>	<u>801,306,891</u>	<u>129,518,463</u>	<u>926,977,413</u>	<u>1,034,532,448</u>
Net position - end of year	<u>\$ 72,928,595</u>	<u>\$ 753,546,768</u>	<u>\$ 64,742,210</u>	<u>\$ 891,217,573</u>	<u>\$ 926,977,413</u>

See independent auditors' report.

Delaware Transportation Authority
Transportation Trust Fund
Schedule of Revenue Bonds Outstanding
June 30, 2021

Principal	2012 Series	2014 Series	2016 Series	2017 Series	2019 Series	2020 Series	Total Senior Bond Series	US 301 Project 2015 Series	GARVEE 2020 Series	Total
FY22	\$ 23,100,000	\$ 12,330,000	\$ 13,420,000	\$ 8,300,000	\$ 4,535,000	\$ -	\$ 61,685,000	\$ 5,225,000	\$ 10,435,000	\$ 77,345,000
FY23	30,280,000	8,060,000	14,085,000	2,770,000	4,770,000	-	59,965,000	5,675,000	9,390,000	75,030,000
FY24	24,800,000	8,465,000	14,745,000	2,910,000	5,015,000	4,500,000	60,435,000	-	9,860,000	70,295,000
FY25	19,350,000	195,000	22,725,000	3,055,000	5,270,000	5,355,000	55,950,000	-	10,350,000	66,300,000
FY26	-	12,045,000	23,770,000	3,205,000	5,540,000	5,620,000	50,180,000	-	10,870,000	61,050,000
FY27	-	-	24,870,000	3,365,000	5,825,000	14,550,000	48,610,000	-	11,415,000	60,025,000
FY28	-	-	17,930,000	3,535,000	6,125,000	19,395,000	46,985,000	-	11,985,000	58,970,000
FY29	-	-	18,815,000	3,715,000	6,435,000	15,895,000	44,860,000	-	12,585,000	57,445,000
FY30	-	-	16,215,000	3,860,000	6,765,000	15,125,000	41,965,000	-	13,215,000	55,180,000
FY31	-	-	-	3,955,000	7,115,000	27,680,000	38,750,000	-	13,875,000	52,625,000
FY32	-	-	-	4,055,000	7,480,000	24,100,000	35,635,000	1,285,000	14,565,000	51,485,000
FY33	-	-	-	4,180,000	7,860,000	20,410,000	32,450,000	1,450,000	15,295,000	49,195,000
FY34	-	-	-	4,305,000	8,180,000	16,750,000	29,235,000	2,450,000	16,060,000	47,745,000
FY35	-	-	-	4,435,000	8,430,000	13,050,000	25,915,000	3,200,000	16,865,000	45,980,000
FY36	-	-	-	4,565,000	8,690,000	9,460,000	22,715,000	3,500,000	17,705,000	43,920,000
FY37	-	-	-	4,705,000	8,950,000	6,015,000	19,670,000	4,000,000	-	23,670,000
FY38	-	-	-	4,845,000	9,225,000	2,765,000	16,835,000	2,250,000	-	19,085,000
FY39	-	-	-	-	9,505,000	4,700,000	14,205,000	3,395,000	-	17,600,000
FY40	-	-	-	-	9,795,000	2,100,000	11,895,000	3,660,000	-	15,555,000
FY41	-	-	-	-	-	9,865,000	9,865,000	4,835,000	-	14,700,000
FY42	-	-	-	-	-	-	-	6,090,000	-	6,090,000
FY43	-	-	-	-	-	-	-	6,420,000	-	6,420,000
FY44	-	-	-	-	-	-	-	6,825,000	-	6,825,000
FY45	-	-	-	-	-	-	-	7,280,000	-	7,280,000
FY46	-	-	-	-	-	-	-	8,770,000	-	8,770,000
FY47	-	-	-	-	-	-	-	10,400,000	-	10,400,000
FY48	-	-	-	-	-	-	-	11,095,000	-	11,095,000
FY49	-	-	-	-	-	-	-	11,810,000	-	11,810,000
FY50	-	-	-	-	-	-	-	12,515,000	-	12,515,000
FY51	-	-	-	-	-	-	-	14,490,000	-	14,490,000
FY52	-	-	-	-	-	-	-	16,595,000	-	16,595,000
FY53	-	-	-	-	-	-	-	17,615,000	-	17,615,000
FY54	-	-	-	-	-	-	-	18,670,000	-	18,670,000
FY55	-	-	-	-	-	-	-	19,815,000	-	19,815,000
	<u>\$ 97,530,000</u>	<u>\$ 41,095,000</u>	<u>\$ 166,575,000</u>	<u>\$ 69,760,000</u>	<u>\$ 135,510,000</u>	<u>\$ 217,335,000</u>	<u>\$ 727,805,000</u>	<u>\$ 209,315,000</u>	<u>\$ 194,470,000</u>	<u>\$ 1,131,590,000</u>

See independent auditors' report.

Delaware Transportation Authority
Transportation Trust Fund
Schedule of Revenue Bond Coverage
June 30, 2021

Oversight responsibility for the issuance of debt by the State and its authorities is centralized under the Secretary of Finance. The following table sets forth certain indebtedness of the Authority. Further information for the Authority may be found in the notes to financial statements, changes in long-term liabilities, and bonds outstanding.

(Dollar amounts in thousands)

Fiscal Year	Gross Pledged Revenue	Debt Service Requirements			Coverage*
		Principal	Interest	Total	
2011	\$ 376,186	\$ 71,760	\$ 52,585	\$ 124,345	3.03
2012	378,960	76,320	56,411	132,731	2.86
2013	387,918	83,230	48,097	131,327	2.95
2014	401,923	75,205	47,162	122,367	3.28
2015	412,850	77,655	41,467	119,122	3.47
2016	462,205	72,580	44,450	117,030	3.95
2017	479,570	70,595	44,581	115,176	4.16
2018	485,861	69,880	42,885	112,765	4.31
2019	503,861	66,785	27,704	94,489	5.33
2020	467,611	67,065	24,405	91,470	5.11
2021	492,417	66,735	28,475	95,210	5.17

* The above calculation represents the total gross pledged revenue as it relates to the total debt service requirement of all Senior and Junior Bonds. The calculation above does not include pledged revenues from US 301 toll revenues, nor does it include any debt service requirements related to the US 301 Project Revenue Bonds, the GARVEE bonds, or the TIFIA loan payable. The calculation method used in the Official Statement per the Trust Agreement calculates only the Senior Bond debt service requirement and subtracts investment income revenue from gross pledged revenue.

State of Delaware
Department of Transportation
Combining Statement of Fiduciary Net Position -
DTC Pension and DTC OPEB Trust Fiduciary Funds
June 30, 2021

	DTC Pension and DTC OPEB Trust			
	DTC Plan	12/31/2020 DART Plan	DTC OPEB Trust	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 328,852	\$ 868,288	\$ 62,829	\$ 1,259,969
Accounts receivable				
Accrued interest and dividends	-	3	-	3
Member contributions receivable	13,036	46,054	-	59,090
Employer contributions receivable	<u>137,358</u>	<u>45,615</u>	<u>-</u>	<u>182,973</u>
Total current assets	479,246	959,960	62,829	1,502,035
Noncurrent assets				
Investments, at fair value				
Fixed income	10,782,182	23,088,681	1,597,290	35,468,153
Domestic equities	23,287,143	27,439,532	3,014,686	53,741,361
International equities	<u>7,410,720</u>	<u>14,862,001</u>	<u>1,524,217</u>	<u>23,796,938</u>
Total noncurrent assets	<u>41,480,045</u>	<u>65,390,214</u>	<u>6,136,193</u>	<u>113,006,452</u>
Total assets	41,959,291	66,350,174	6,199,022	114,508,487
Liabilities				
Current liabilities				
Accrued expenses	<u>-</u>	<u>85,936</u>	<u>-</u>	<u>85,936</u>
Total current liabilities	<u>-</u>	<u>85,936</u>	<u>-</u>	<u>85,936</u>
Net position restricted for DTC pension/ DTC OPEB	<u>\$ 41,959,291</u>	<u>\$ 66,264,238</u>	<u>\$ 6,199,022</u>	<u>\$ 114,422,551</u>

See independent auditors' report.

State of Delaware
Department of Transportation
Combining Statement of Fiduciary Net Position -
DTC Pension and DTC OPEB Trust Fiduciary Funds
June 30, 2020

	DTC Pension and DTC OPEB Trust			
	DTC Plan	12/31/2019 DART Plan	DTC OPEB Trust	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 451,950	\$ 814,872	\$ 49,876	\$ 1,316,698
Accounts receivable				
Accrued interest and dividends	-	878	-	878
Other receivable	18,619	-	-	18,619
Member contributions receivable	10,644	18,993	-	29,637
Employer contributions receivable	-	17,788	-	17,788
Total current assets	481,213	852,531	49,876	1,383,620
Noncurrent assets				
Investments, at fair value				
Fixed income	11,273,690	18,994,335	1,679,598	31,947,623
Domestic equities	14,031,720	24,282,485	2,121,325	40,435,530
International equities	6,714,035	13,254,355	1,006,548	20,974,938
Total noncurrent assets	32,019,445	56,531,175	4,807,471	93,358,091
Total assets	32,500,658	57,383,706	4,857,347	94,741,711
Liabilities				
Current liabilities				
Accrued expenses	6,592	76,176	-	82,768
Total current liabilities	6,592	76,176	-	82,768
Net position restricted for DTC pension/DTC OPEB	\$ 32,494,066	\$ 57,307,530	\$ 4,857,347	\$ 94,658,943

See independent auditors' report.

State of Delaware
Department of Transportation
Statement of Changes in Fiduciary Net Position -
DTC Pension and DTC OPEB Trust Fiduciary Funds
For the Fiscal Year Ended June 30, 2021

	DTC Pension and DTC OPEB Trust			
	DTC Plan	12/31/2020 DART Plan	DTC OPEB Trust	Total
Additions				
Contributions				
Employer contributions	\$ 1,648,285	\$ 1,346,507	\$ 2,962,193	\$ 5,956,985
Member contributions	<u>265,483</u>	<u>1,596,122</u>	<u>-</u>	<u>1,861,605</u>
Total contributions	1,913,768	2,942,629	2,962,193	7,818,590
Investment income (expenses)				
Net realized and unrealized gain on investments	8,298,866	8,234,584	1,244,979	17,778,429
Interest and dividends	781,296	1,286,229	116,351	2,183,876
Investment expenses	<u>(100,513)</u>	<u>(144,028)</u>	<u>(19,655)</u>	<u>(264,196)</u>
Net investment income	<u>8,979,649</u>	<u>9,376,785</u>	<u>1,341,675</u>	<u>19,698,109</u>
Total additions	10,893,417	12,319,414	4,303,868	27,516,699
Deductions				
Benefits paid	1,351,339	2,877,499	2,962,193	7,191,031
Refunds of contributions to members	-	391,671	-	391,671
Administrative expenses	<u>76,853</u>	<u>93,536</u>	<u>-</u>	<u>170,389</u>
Total deductions	<u>1,428,192</u>	<u>3,362,706</u>	<u>2,962,193</u>	<u>7,753,091</u>
Increase in net position	9,465,225	8,956,708	1,341,675	19,763,608
Net position restricted for DTC pension/ DTC OPEB				
Net position - beginning of year	<u>32,494,066</u>	<u>57,307,530</u>	<u>4,857,347</u>	<u>94,658,943</u>
Net position - end of year	<u>\$ 41,959,291</u>	<u>\$ 66,264,238</u>	<u>\$ 6,199,022</u>	<u>\$ 114,422,551</u>

See independent auditors' report.

State of Delaware
Department of Transportation
Statement of Changes in Fiduciary Net Position -
DTC Pension and DTC OPEB Trust Fiduciary Funds
For the Fiscal Year Ended June 30, 2020

	DTC Pension and DTC OPEB Trust			
	DTC Plan	12/31/2019 DART Plan	DTC OPEB Trust	Total
Additions				
Contributions				
Employer contributions	\$ 1,492,990	\$ 1,399,890	\$ 2,702,958	\$ 5,595,838
Member contributions	<u>217,064</u>	<u>1,584,446</u>	<u>-</u>	<u>1,801,510</u>
Total contributions	1,710,054	2,984,336	2,702,958	7,397,348
Investment income (expenses)				
Net realized and unrealized gain on investments	1,248,302	8,341,589	194,129	9,784,020
Interest and dividends	696,614	1,310,428	105,297	2,112,339
Investment expenses	<u>(51,790)</u>	<u>(145,014)</u>	<u>(17,104)</u>	<u>(213,908)</u>
Net investment income	<u>1,893,126</u>	<u>9,507,003</u>	<u>282,322</u>	<u>11,682,451</u>
Total additions	3,603,180	12,491,339	2,985,280	19,079,799
Deductions				
Benefits paid	1,169,224	2,574,384	2,702,958	6,446,566
Refunds of contributions to members	-	218,926	-	218,926
Administrative expenses	<u>111,074</u>	<u>108,948</u>	<u>11,000</u>	<u>231,022</u>
Total deductions	<u>1,280,298</u>	<u>2,902,258</u>	<u>2,713,958</u>	<u>6,896,514</u>
Increase in net position	2,322,882	9,589,081	271,322	12,183,285
Net position restricted for DTC pension/ DTC OPEB				
Net position - beginning of year	<u>30,171,184</u>	<u>47,718,449</u>	<u>4,586,025</u>	<u>82,475,658</u>
Net position - end of year	<u>\$ 32,494,066</u>	<u>\$ 57,307,530</u>	<u>\$ 4,857,347</u>	<u>\$ 94,658,943</u>

See independent auditors' report.



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*

State of Delaware Department of Transportation
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 business-type activities and the aggregate remaining fund information of the State of Delaware Department of Transportation (Department of Transportation), which is an enterprise fund of the State of Delaware, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department of Transportation's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department of Transportation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department of Transportation's internal control.

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

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 Department of Transportation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 Department of Transportation'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 Department of Transportation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 20, 2021