

2014
DELAWARE

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014



STATE OF DELAWARE

OFFICE OF THE GOVERNOR

TATNALL BUILDING, SECOND FLOOR
WILLIAM PENN STREET, DOVER, DE 19901

JACK A. MARKELL
GOVERNOR

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To the People of Delaware
and the Honorable Members of the
148th General Assembly:

I am pleased to present the State of Delaware's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This all-inclusive financial report includes the State's Basic Financial Statements, prepared in conformity with generally accepted accounting principles and audited by the independent firm of KPMG LLP. Prepared by the Department of Finance, the CAFR is designed to assess the financial and fiscal health of the State and to support the information needs of investors, policymakers, legislators and taxpayers.

Delaware's financial and fiscal health is described as "strong" and "stable" by rating agencies. Moody's Investor Service, Fitch Ratings and Standard & Poor's recently reaffirmed the State's triple-A credit rating, acknowledging a long history of prudent fiscal management and continued progress in strengthening the economy. The reasons are familiar - a diverse and growing economy, employment growth that has outpaced the nation's, strong financial and budget management, healthy reserves, a well-funded pension plan, and strong debt management policies.

I am encouraged by our results and I am committed to continue working to strengthen our economy to keep Delaware moving forward.

Sincerely,

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

Jack A. Markell
Governor

State of Delaware

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Jack A. Markell
Governor

Thomas J. Cook
Secretary, Department of Finance

Kristopher E. Knight, CPA
Director, Division of Accounting

Prepared by the Department of Finance, Division of Accounting

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

Acknowledgments

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

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State Accountant III

Special appreciation to:

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

State of Delaware
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014
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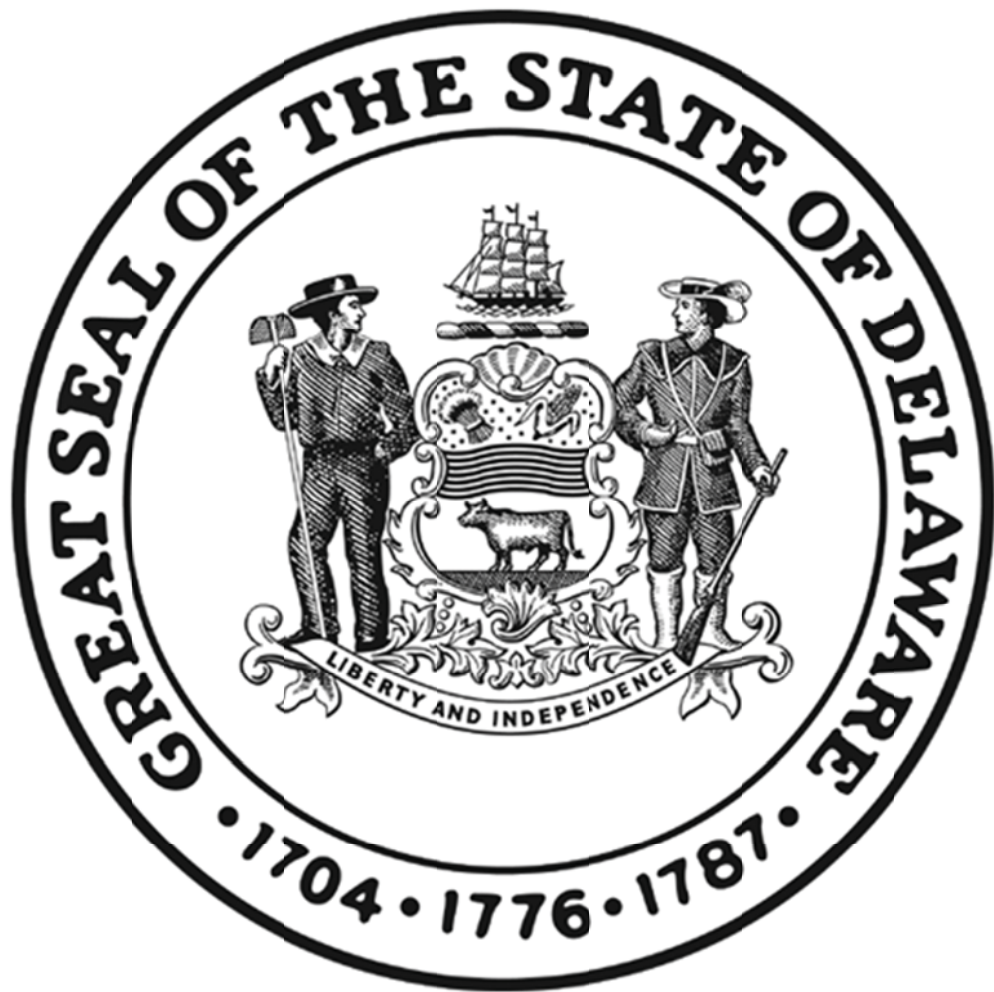
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Introductory section

Comprehensive Annual Financial Report



**STATE OF DELAWARE
DEPARTMENT OF FINANCE
OFFICE OF THE SECRETARY**

**THOMAS J. COOK
SECRETARY OF FINANCE**

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

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the State of Delaware (the State) for the fiscal year ended June 30, 2014. This report has been prepared in accordance with U.S. generally accepted accounting principles (GAAP) applicable to state and local governments, as prescribed by the Governmental Accounting Standards Board (GASB). The State continues to follow the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for the form and content of government financial reports and participates in the GFOA's program for the Certificate of Achievement for Excellence in Financial Reporting.

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

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

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

PROFILE OF THE GOVERNMENT

The State is located on the eastern seaboard of the United States and is bordered by the Atlantic Ocean, the Delaware Bay and the states of New Jersey, Pennsylvania and Maryland. The

State is 96 miles long and has a land area of 1,955 square miles. In 2014, it is estimated that over 926,000 people reside here. As the first state to ratify the United States Constitution on December 7, 1787, The State of Delaware is known as "The First State." The structure of the State's government, which is similar to other states, consists of three branches that operate through a system of checks and balances. The executive branch is comprised of the Governor, Lt. Governor, State Treasurer, State Auditor, Attorney General and Insurance Commissioner. The legislative branch is bicameral and consists of a 21-member Senate and a 41-member House of Representatives. The judicial branch includes the Supreme Court, Superior Court, Court of Chancery, and other courts.

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

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

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

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

Federal funds, which are credited to budgetary special funds, are not appropriated, but are subject to the review and approval of the State Office of Management and Budget and the Delaware State Clearinghouse Committee for Federal Aid Coordination. The Committee is

comprised of 10 members, including the Secretary of Finance, Director of the Office of Management and Budget, Director of the Delaware Economic Development Office, the Controller General, and six legislators.

Budgetary Control and Financial Management Systems

Disbursements are controlled by an encumbrance accounting system designed to provide information on the actual extent of the State's obligations and guard against over-committing available funds. Appropriations are reduced immediately when purchase orders are issued for goods and services. The total amount of budgetary general fund cash disbursements, plus unliquidated encumbrances, cannot exceed the amount appropriated by the General Assembly for any specific budgetary line items by department. Internal controls prevent State organizations from spending beyond budgetary limits (see Notes to Required Supplementary Information for more details).

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

Budget Process

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

Appropriation Limit

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

Tax Limitations

The State Constitution was amended in May 1980 to limit tax and license fee increases or the imposition of any new taxes or fees to a three-fifths vote of each house of the General

Assembly, rather than by a simple majority vote. An exception exists for tax increases to meet debt service on outstanding obligations of the State for which insufficient revenue is available when such debt service is due.

Revenue and Expenditure Forecasting

The Delaware Economic and Financial Advisory Council (DEFAC), an entity created by executive order in 1977, is required to submit revenue forecasts for the budgetary general fund and transportation trust fund to the Governor and the General Assembly. The committee is comprised of 33 members appointed by the Governor from the executive and legislative branches of State government and the private sector.

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

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

ECONOMIC CONDITION AND OUTLOOK

Delaware's recent economic performance has largely mirrored national trends in terms of employment and income growth. The State's 6.7% unemployment rate for 2013 compares favorably with the national rate of 7.4% and the mid-Atlantic region's 7.5%. More recently, however, Delaware has experienced an unemployment rate aligning more closely to the national average with an uptick mostly attributable to growth in the labor force as improving job prospects embolden formerly discouraged workers. Positive job gains in the professional business services, financial services, and construction sectors bode well for the State's medium term employment outlook. In addition, Delaware's per capita personal income is expected to modestly surpass that of the nation in the next two years owing to the job outlook and strong levels of in-migration. The Federal Reserve Bank of Philadelphia's leading index for the State remains strong, projecting an expansion in the economy through the first quarter of 2015.

As a result of active economic development policies, Delaware's economy is now based in large part on service-providing enterprises, especially financial activities. Delaware has targeted statutory and tax policy changes to encourage financial sector development and the State's major

employers, Bank of America, N.A., JPMorgan Chase & Co., Barclays Bank Delaware and now Capital One, continue to maintain a major presence in the State and demonstrate the State's importance as a financial center. In the short and medium terms, Delaware's financial sector is expected to benefit from a rebound in the credit card industry as a result of improving consumer fundamentals, a steady U.S. economic recovery, and rising demand for credit card borrowing.

Although less reliant on manufacturing, the State has made important strides to reinvigorate and modernize its manufacturing base. For example, the site of the former Chrysler plant was purchased by the University of Delaware to pursue science, technology & advanced research. The "STAR" campus now houses a health sciences complex dedicated to advanced healthcare research, education and delivery.

To enhance its position in an increasingly competitive gaming market and to increase employment across the State, Delaware diversified its gaming portfolio to include sports betting and Keno at multiple retail venues and, in November 2013, introduced i-gaming to in-state consumers via the internet. In February 2014, Governor Jack Markell of Delaware and Governor Brian Sandoval of Nevada signed a multi-state internet agreement that will allow poker players from both states to participate in a combined player pool creating a larger marketplace. Delaware continues to explore additional gaming offerings and multistate compacts for online gaming.

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

Delaware's business-friendly legal system continues to attract new incorporations. Even though initial public offering ("IPO") activity has only started to recover in 2013, the State has continued to register a record number of business formations in the form of limited liability companies and limited partnerships. Between 2011 and 2013, the number of new business entities that were formed in Delaware rose 19,600 to 152,897, bringing the total number of business entities registered in the State to more than 1,052,000.

INDEPENDENT AUDIT

The accounting firm of KPMG LLP has audited the State's basic financial statements for the fiscal year ended June 30, 2014. Based upon that audit, the independent auditor has issued an unmodified opinion that the State of Delaware's basic financial statements are fairly presented in conformity with GAAP. Their report on the basic financial statements has been included in the financial section of this CAFR.

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the State of Delaware for its CAFR for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish a timely, easily readable, and efficiently organized comprehensive annual financial report that conforms to program standards. The report must comply with both generally accepted accounting principles and all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The State has received a Certificate of Achievement for the last 19 consecutive years (fiscal years 1995 – 2013). We believe that this year's report continues to conform to the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

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

Sincerely,



Thomas J. Cook
Secretary of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

State of Delaware

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

State of Delaware
Selected State Officials
As of June 30, 2014

KEY ELECTED OFFICIALS:

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

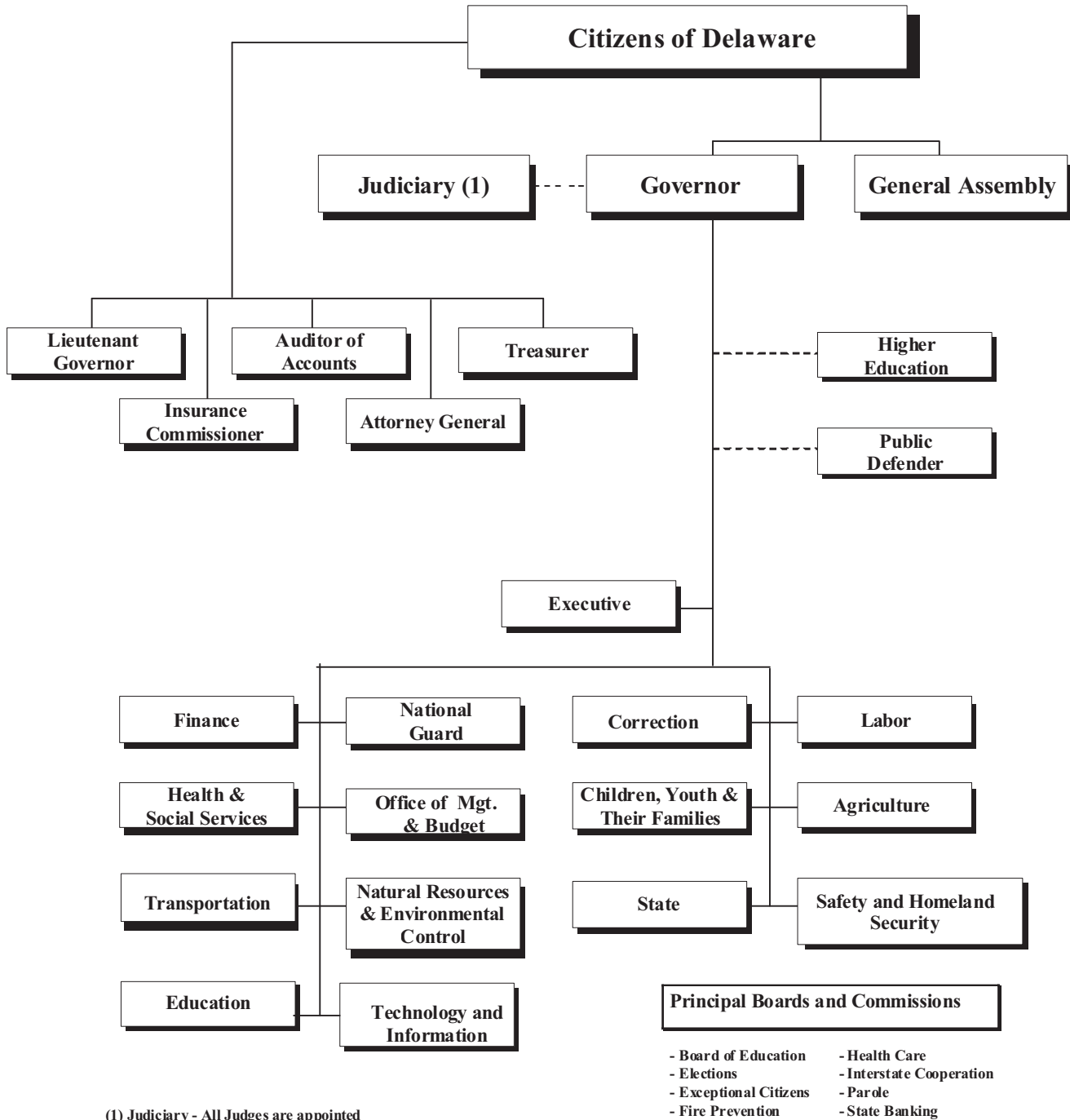
KEY LEGISLATIVE OFFICIALS:

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

CABINET POSITIONS AND OTHER APPOINTED OFFICIALS:

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

State of Delaware Organizational Chart



FINANCIAL SECTION

Comprehensive Annual Financial Report



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Delaware (the State), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Delaware State Housing Authority (DSHA), Delaware State University (DSU), Delaware Charter Schools, Riverfront Development Corporation (RDC), and Diamond State Port Corporation (DSPC), which represent 88% of total assets, 80% of total net position and 98% of total revenues within the aggregate discretely presented component units. The financial statements of these entities were audited by other auditors whose reports thereon have been furnished to us and our opinions, insofar as it relates to the amounts included for those entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



The Honorable Governor and Honorable Members of the State Legislature

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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Delaware, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

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

As discussed in Note 1 to the financial statements, effective July 1, 2013, the State adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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



The Honorable Governor and Honorable Members of the State Legislature

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The Introductory Section, Supplementary Information—Combining Statements and Statistical Section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information—Combining Statements 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.

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

KPMG LLP

Philadelphia, Pennsylvania
December 19, 2014

STATE OF DELAWARE

Management's Discussion and Analysis

The following is a discussion and analysis of the State of Delaware's (the State's) financial activities as of and for the fiscal year ended June 30, 2014. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages i-vi of this report, and the State's financial statements, which follow this section.

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

Financial Highlights

- The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,688.0 million (net position). Discretely presented component units reported a net position of \$1,136.9 million, an increase of \$37.7 million from the previous year as restated, resulting from the implementation of GASB 65 and conformance with other GASB pronouncements.
- As a result of its operations, the primary government's total net position decreased by \$182.3 million (3.7%) in fiscal year 2014 when compared to the previous year's ending net position as restated with the implementation of GASB 65. Net position of governmental activities decreased by \$364.9 million (21.6%) from the previous year, while net position of the business-type activities increased \$182.7 million (5.7%) from the previous year.
- The State's governmental funds reported combined ending fund balances of \$1,912.0 million, a decrease of \$301.4 million (13.6%) in comparison with the prior year balance.
- The general fund reported unassigned fund balance of \$788.7 million which was 17.2% of total general fund expenditures.
- The State's total general obligation debt increased \$70.2 million (4.0%) during fiscal year 2014 to \$1,825.4 million. Of the State's outstanding general obligation debt, \$538.3 million (29.5%) has been issued on behalf of local school districts, which is supported by the property tax revenues of those districts. In addition, the State has \$993.6 million in outstanding revenue bonds with \$54.5 million for energy conservation projects and \$939.1 million for transportation projects.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the

financial statements. This report also contains additional required supplementary information and other supplementary information, in addition to the basic financial statements.

Government-Wide Financial Statements

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

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

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

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

The government-wide financial statements include not only the State (known as the primary government), but also legally separate entities for which the State is financially accountable (discretely presented component units). These entities include the Delaware State Housing Authority, the Diamond State Port Corporation, the Riverfront Development Corporation, the Delaware State University, the Delaware Agricultural Lands Preservation Foundation and 21 charter schools (26 charter schools have been approved by the State but 5 were not operating during fiscal year 2014). Financial information for these component units is reported separately from the financial information presented for the primary government. The government-wide financial statements can be found on pages 21 - 22 of this report.

Fund Financial Statements

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

- *Governmental Funds* Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources on hand at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

The basic governmental funds financial statements can be found on pages 23 - 26 of this report.

The State budgets and controls its financial activities on the cash basis of accounting. In compliance with State law, the State records its financial transactions in either of two major categories – the General Fund or the Special Fund. References to these funds in this report include the terms “budgetary” or “budgetary basis” to differentiate them from the GAAP funds of the same name which encompass different funding categories. The State adopts an annual appropriated budget for its budgetary general fund and special fund. A budgetary comparison schedule has been provided for the budgetary general fund and special fund to demonstrate compliance with the budget. The schedule can be found on page 120 of this report.

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

The basic proprietary fund financial statements can be found on pages 27 – 29 of this report.

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

The basic fiduciary fund financial statements can be found beginning on pages 30 – 31 of this report. The combining fiduciary and agency fund statements can be found on pages 130 - 134.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 - 116 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain Required Supplementary Information (RSI) concerning the status of the State's legally adopted budget, the maintenance of the State's infrastructure and additional schedules related to funding status and progress, annual pension costs and actuarial methods and assumptions for the State's pension and OPEB trusts. The RSI can be found on pages 118 - 128 of this report.

Statewide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$4,688.0 million at the close of the most recent fiscal year.

The largest portion of the State's net position of 108.3% reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment) less any related outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position, comprising 19.0% of total net position, represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The remaining portion of the State's net position represents the unrestricted deficit net position (27.3%).

Condensed Financial Information - Primary Government

As of June 30, 2014

(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Non-capital Assets	\$ 2,793,638	\$ 3,091,193	\$ 507,395	\$ 492,035	\$ 3,301,033	\$ 3,583,228
Capital Assets	3,752,433	3,548,331	4,272,307	4,155,114	8,024,740	7,703,445
Total Assets	6,546,071	6,639,524	4,779,702	4,647,149	11,325,773	11,286,673
Deferred Outflows of Resources	-	-	22,823	-	22,823	-
Liabilities:						
Long-term Liabilities						
Outstanding	4,318,891	4,039,786	1,142,790	1,171,349	5,461,681	5,211,135
Other Liabilities	885,076	906,117	276,318	292,250	1,161,394	1,198,367
Total Liabilities	5,203,967	4,945,903	1,419,108	1,463,599	6,623,075	6,409,502
Deferred Inflows of Resources	17,995	-	19,574	-	37,569	-
Net Position:						
Net Investment in						
Capital Assets	1,808,658	1,701,366	3,267,409	3,142,841	5,076,067	4,844,207
Restricted	728,406	408,694	161,483	163,539	889,889	572,233
Unrestricted Deficit	(1,212,955)	(416,439)	(65,049)	(122,830)	(1,278,004)	(539,269)
Total Net Position	* \$ 1,324,109	\$ 1,693,621	\$ 3,363,843	\$ 3,183,550	\$ 4,687,952	\$ 4,877,171

* The State implemented GASB Statement No. 65 during fiscal 2014. The provisions of GASB Statement No. 65 required the State to record bond issuance costs as an expense of the current period. In prior years, bond issuance costs were recorded as deferred bond costs and ratably expensed over the life of the related bond. These deferred bond costs were expensed resulting in the restatement of the State's governmental activities net position as of July 1, 2013. Fiscal 2013 amounts for governmental and business-type activities reported above have not been restated to reflect this change.

The capital assets of the governmental activities increased by \$204.1 million (5.8%) since June 30, 2013. The increase is the result of increases in construction in progress and other depreciable assets as a result of significant renovations to, and expansions of, existing school buildings across all counties to accommodate the rise in student population.

The decrease in governmental activities non-capital assets is due to a decrease in cash and investments due to a decrease in personal income tax revenues along with increases in expenses and debt service payments.

The increase in governmental activities long-term liabilities outstanding of \$279.1 million (6.9%) is primarily due to an increase in the other post-employment benefits liability and general obligation bonds. At June 30, 2014, the long-term obligation for OPEB was \$1,882.0 million, an increase of \$200.0 million (11.9%) from fiscal year 2013. The OPEB obligation will increase each year as the State continues to defer full funding of its annual required contribution. Additional information for the OPEB obligation can be found in Note 14 of the financial statements.

In addition, the general obligation long term debt increased by \$70.2 million (4.0%) from fiscal year 2013. The State's debt as a percentage of the State's personal income was 7.3% in fiscal year 2013 and 7.1% in fiscal year 2014. The State's debt burden reflects its centralized role in financing facilities, such as schools and prisons.

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

Changes in Net Position - Primary Government
For Year End June 30, 2014
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 537,503	\$ 559,213	\$ 1,201,749	\$ 1,205,519	\$ 1,739,252	\$ 1,764,732
Operating Grants and Contributions	1,953,254	1,551,954	43,760	72,517	1,997,014	1,624,471
Capital Grants and Contributions	-	-	210,985	211,245	210,985	211,245
General Revenues:						
Taxes:						
Personal Income Taxes	1,040,341	1,130,501	-	-	1,040,341	1,130,501
Business Taxes	2,061,007	2,051,071	-	-	2,061,007	2,051,071
Real Estate Taxes	537,395	504,620	-	-	537,395	504,620
Other Taxes	232,017	217,880	-	-	232,017	217,880
Investment Income (Loss)	14,192	11,636	2,375	(608)	16,567	11,028
Gain on Sale of Assets	-	-	-	1,018	-	1,018
Miscellaneous	28,878	25,244	-	-	28,878	25,244
Total Revenues	<u>6,404,587</u>	<u>6,052,119</u>	<u>1,458,869</u>	<u>1,489,691</u>	<u>7,863,456</u>	<u>7,541,810</u>
Expenses:						
General Government	683,643	543,931	-	-	683,643	543,931
Health and Children's Services	2,850,068	2,428,629	-	-	2,850,068	2,428,629
Judicial and Public Safety	705,218	711,361	-	-	705,218	711,361
Natural Resources and Environmental Control	134,294	147,733	-	-	134,294	147,733
Labor	68,997	69,226	-	-	68,997	69,226
Education	2,482,569	2,408,647	-	-	2,482,569	2,408,647
Interest Expense	59,747	54,969	-	-	59,747	54,969
Lottery	-	-	344,389	358,467	344,389	358,467
Transportation/DelDOT	-	-	606,738	580,392	606,738	580,392
Unemployment	-	-	110,063	169,508	110,063	169,508
Total Expenses	<u>6,984,536</u>	<u>6,364,496</u>	<u>1,061,190</u>	<u>1,108,367</u>	<u>8,045,726</u>	<u>7,472,863</u>
Increase (Decrease) in Net Position Before Transfers	(579,949)	(312,377)	397,679	381,324	(182,270)	68,947
Transfers	215,006	238,244	(215,006)	(238,244)	-	-
Increase (Decrease) in Net Position	<u>(364,943)</u>	<u>(74,133)</u>	<u>182,673</u>	<u>143,080</u>	<u>(182,270)</u>	<u>68,947</u>
Net Position - Beginning of Year As Restated	* 1,689,052	1,767,754	3,181,170	3,040,470	4,870,222	4,808,224
Net Position - End of Year	<u>\$ 1,324,109</u>	<u>\$ 1,693,621</u>	<u>\$ 3,363,843</u>	<u>\$ 3,183,550</u>	<u>\$ 4,687,952</u>	<u>\$ 4,877,171</u>

*The State implemented GASB Statement No. 65 during fiscal 2014. The provisions of GASB Statement No. 65 required the State to expense all bond issuance costs. The bond issuance costs in prior years were previously recorded as deferred bond issuance costs. Therefore, the State's governmental activities net position as of July 1, 2013 has been restated. Fiscal 2013 amounts for governmental and business-type activities reported above have not been restated to reflect this change.

Governmental Activities

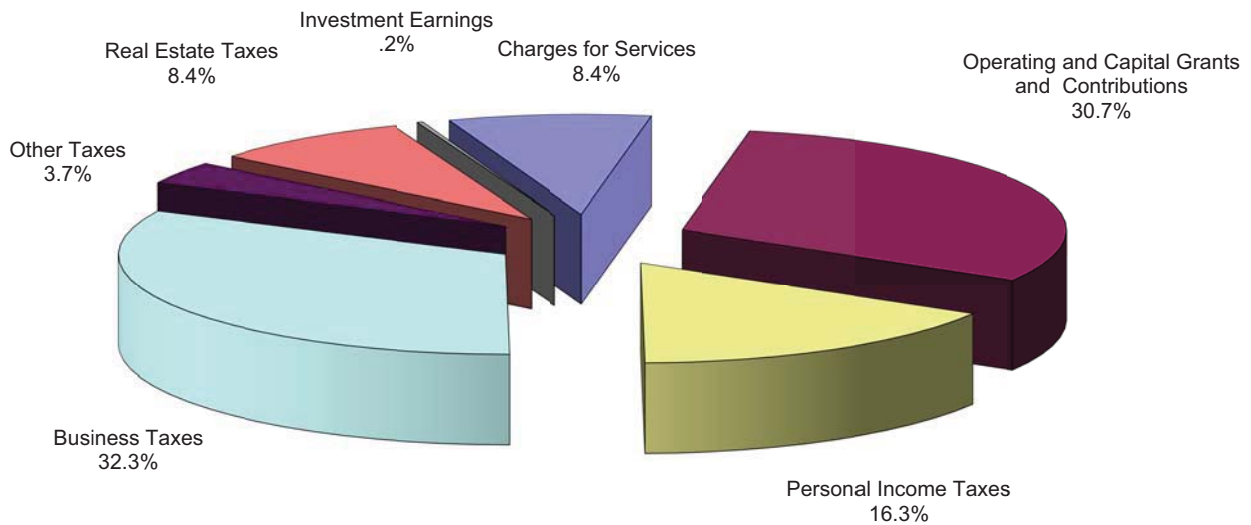
Since fiscal year 2013, the net position for governmental activities has decreased by \$364.9 million. A comparison of the cost of services by function for the State's governmental activities is shown in the following chart, along with the revenues used to cover the net expenses of the

governmental activities. Key elements of the decrease in the State’s net position from governmental activities are as follows:

Total general revenues of governmental activities decreased overall by \$27.1 million (0.7%) relating to decreases in personal income taxes of \$90.2 million (8.0%) and increases in real estate taxes of \$32.8 million (6.5%). The decrease in personal income tax revenues was primarily attributable to increased refunds with the increase in real estate tax revenues mainly the result of increased millage rates along with increased assessments from new construction due to the improved economy.

Program revenues increased by \$379.6 million (18.0%) from the prior year due to an increase in operating grants of \$401.3 million (25.9%). Health and Social Services received additional funding of \$388.7 million (33.8%) due largely to increased Medicaid funds as a result of Medicaid expansion along with noncash commodities for food stamps and vaccinations. Natural Resources and Environmental Control received \$15.9 million (42.9%) more in grant funding for various parks and recreation projects.

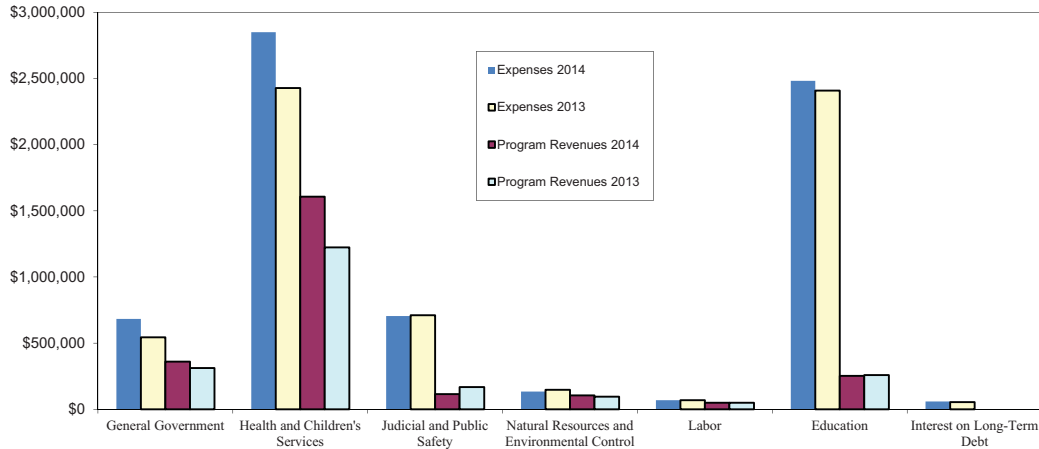
Revenues by Source – Governmental Activities



Expenses for governmental activities increased during fiscal year 2014 by \$620.0 million (9.7%). The increase in governmental activities is due to the increased spending of \$139.7 million (25.7%) for the general government, \$421.4 million (17.4%) for Health and Children’s Services and \$73.9 million (3.1%) for Education. Health and Children’s Services increased as a result of a general increase in the population served and rising health care costs. Education increased due to additional costs for salaries and benefits with the rising student population and general government expenses increased largely as a result of additional costs for tax enforcement measures as well as increases in the costs of benefits.

Expenses and Program Revenues- Governmental Activities

(Expressed in Thousands)



Business-type Activities

The net position for business-type activities increased by \$182.7 million (127.7%) in fiscal year 2014. This increase is comprised of a \$144.8 million (111.1%) increase in net position for DelDOT plus a \$37.9 (197.5%) million increase in the Unemployment Insurance Trust Fund.

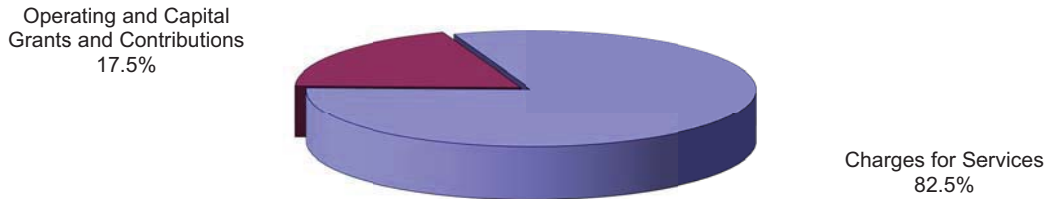
The increase of \$37.9 million in fiscal year 2014 compared to an increase of \$12.8 million in fiscal year 2013 for the Delaware Unemployment Insurance Trust Fund net position is due to a decreased demand for benefits paid by the Trust Fund. The operating revenues (charges for services and operating grants) and operating expenses decreased by \$34.0 million (18.9%) and \$59.4 million (35.1%), respectively due to decreases in the federally funded unemployment benefits and as a result of improvements in the economy with less individuals unemployed and collecting benefits.

DelDOT’s net position at June 30, 2014 was \$144.8 million higher than at June 30, 2013. Change in net position increased from \$130.3 million in fiscal year 2013 to \$144.8 million in fiscal year 2014. DelDOT’s total operating revenues increased by \$22.2 million (4.8%) while operating expenses increased by \$27.0 million (5.0%). The change in revenue is primarily attributable to an increase in toll revenues and an increase in motor vehicle fees a result of continued strong auto sales. The increase in operating expenditures is primarily a result of increases in professional fees and materials and supplies. Total capital assets (net of depreciation) increased \$117.2 million to \$4,272.3 million during fiscal year 2014, primarily due to the inclusion of the Welcome Center, construction of a motor vehicle center, and purchase of transportation revenue vehicles.

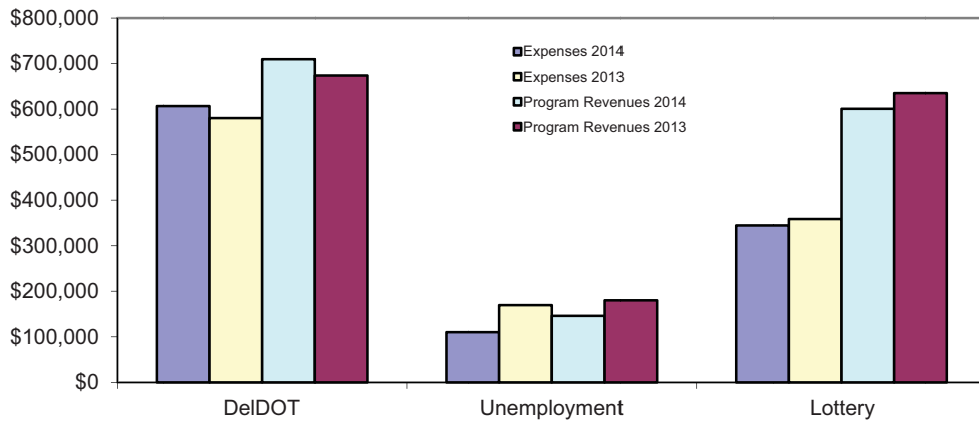
There was no change in the Lottery’s net position. By law, the Lottery’s net position cannot exceed \$1.0 million. Revenue for the Lottery decreased by \$34.4 million (5.4%) from the prior year mainly due to increased competition from casinos operating in Maryland and Pennsylvania. The Lottery transferred \$256.4 million in gaming revenues to the State, a decrease from fiscal year 2013 of \$20.4 million (7.4%). The total costs of games and prizes

decreased by 13.6 million (3.9%) over the previous year due to the decrease in video lottery activity.

Revenues by Source – Business-type Activities



Expenses and Program Revenues – Business-type Activities



Financial Analysis of the State’s Funds

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

Governmental Funds

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

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in

the governmental funds. This is further described in note 1 and note 16 of the basic financial statements.

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1,912.0 million, a decrease of \$301.4 million over the prior year fund balance.

Of this amount, \$287.9 million is nonspendable (15.0%), either due to its form or legal constraints, \$571.0 million (29.9%) is restricted for specific programs by external constraints and \$184.1 million (9.6%) is committed for specific purposes pursuant to constraints imposed by a formal action of the Delaware Legislature. An additional \$80.3 million (4.2%) has been assigned to specific purposes by management. The remaining \$788.7 million (41.3%) of fund balance is unassigned.

General Fund

The General Fund accounts for the operation and administration of the State. The fund balance decreased by \$280.3 million for the fiscal year.

Total General Fund revenues decreased by \$98.8 million (2.4%) due to several factors. Business taxes and other taxes increased by \$9.9 million and \$14.1 million, respectively, which was due to increased enforcement efforts and an increase in business profits. These increases were offset by a decrease in personal income taxes of \$90.2 million due to increased refunds.

Total General Fund expenditures increased by \$226.5 million (5.2%). This was primarily due to increases in General Government of \$149.6 million, Health and Children's Services of \$34.4 million, Public Safety of \$14.7 million, and Education of \$17.8 million. The increase in expenditures for Health and Children's Services was due to an increase in the demand for services. General Government increases were due to additional costs for tax enforcement measures and increased costs of benefits and Education increases were the result of additional salaries and benefits to serve a rising student population.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$788.7 million with total fund balance of \$1,217.2 million.

Federal Funds

Federal Funds represent pass through grants used for designated purposes. These funds report federal grant revenues and the related expenditures to support the State's grant programs. Total federal fund expenditures increased by \$342.8 million. Expenditures increased for Health and Children's Service by \$362.4 million due largely to increased Medicaid expenditures as a result of the Medicaid expansion.

Local School District Funds

These funds are used to account for activities relating to the State's local school districts, which are funded by locally raised real estate taxes and other revenues. The fund balance decreased by \$4.6 million to \$289.6 million due to an increase of expenditures to serve the increasing population.

Capital Project Funds

Capital Project Funds are used to account for the construction and acquisition of capital assets of the primary government. Capital outlay expenditures totaled \$285.7 million in fiscal year 2014, an increase of \$59.6 million due to additional projects for both educational institutions and general government.

Proprietary Funds

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

Total Proprietary Fund net position increased in fiscal year 2014 by \$182.7 million as a result of operations. Pages 12 - 13 discuss the changes in net position of the business-type activities.

General Fund Budgetary Highlights

The Budgetary General Fund is the chief operating fund of the State. At the end of the fiscal year, total fund balance decreased by \$221.4 million.

Revenues were \$157.1 million (4.2%) less than the previous fiscal year. This was due to decreases in the corporate income tax of \$85.9 million (45.7%), abandoned property of \$123.3 million (22.3%) and lottery sales of \$20.7 million (8.8%). The \$123.3 million decrease in abandoned property was the result of the completion of the transfer agent audit project in fiscal year 2013 which significantly increased revenues in the prior year. Offsetting these revenue decreases were increases in franchise fees of \$21.9 million (3.7%) realty transfer taxes of \$18.0 million (42.6%), and limited partnership fees of \$15.9 million (8.8%).

Expenditures were \$135.6 million (3.7%) more than the previous fiscal year. Salaries and wages increased by \$21.2 million (1.6%) and pension costs increased by \$13.9 million (5.1%) Grants-in-Aid increased by \$6.8 million (1.8%), Medicaid costs increased by \$24.7 million (3.9%), contractual services increased by \$33.3 million (6.9%) and supplies and materials increased by \$6.2 million (9.7%).

The original budget authorizes current fiscal year operating and administrative expenditures. Included in the final budget are the original budget, prior year encumbrances, multi-year project budgetary carry-forwards from the prior fiscal years, and all modifications to the original budget.

The most significant components are the original budget and carry-forwards from the prior fiscal year. The unused appropriations from a prior year will carry forward to the final budget for authorized capital projects and grants until the funds are spent.

The significant budget expense variances are \$51.3 million, \$23.6 million and \$26.0 million for Executive, Health and Social Services and Education, respectively due to multi-year ongoing projects. Personal income taxes and business income taxes were \$15.5 million and 52.7 million, respectively less than expected due to increased refunds.

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

Capital Assets and Debt Administration

Capital Assets

The State's investment in capital assets for its governmental and business-type activities, as of June 30, 2014, amounted to \$8,024.7 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles and equipment, easements, roads, highways, and bridges. The total increase in capital assets for governmental activities was \$204.1 million (5.8%) and the increase for business-type activities was \$117.2 million (2.8%).

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

- The increase in business-type activities is due to increased spending at DelDOT for the Turnpike/SR-1 interchange and the US 301 projects and the inclusion of the Welcome Center as a result of a service concession arrangement and the construction of a motor vehicle center.
- The increase in governmental activities is due to several new school buildings, along with completion of projects for Public Safety and Natural Resources and Environmental Control.

As allowed by GASB the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include 4,448 centerline miles and 1,592 bridges that the State is responsible to maintain with a total book value of \$3,723.7 million as of June 30, 2014.

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

Of the State's 1,592 bridges that were rated in fiscal year 2014, 1,198 were rated in good condition, which meets the State's policy of maintaining 75% in good or better 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. 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 condition of the State's road pavement is measured using the Overall Pavement Condition (OPC) system, which is based on the extent and severity of various pavement distresses that are visually observed. The OPC system uses a measurement scale that is based on a condition index ranging from 0.0 for poor pavement to 5.0 for pavement in good condition. The State's policy is to maintain at least 85% of its highways at a fair or better, which the State exceeds.

The fiscal year 2014 estimate to maintain and preserve DelDOT's infrastructure was \$198.9 million, but the actual expenditures were \$234.8 million, which is \$35.9 million over the estimate. The estimated expenditures represent annual budget or bond bill authorizations and the actual expenditures represent the current year spending, which includes cumulative authorizations.

Additional information on the State's capital assets can be found in Note 1 on pages 47 - 48, Note 12 on pages 89 - 90 and starting on page 123 in the Required Supplementary Information.

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

State of Delaware Capital Assets as of June 30, 2014
Net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 468,211	\$ 459,587	\$ 288,612	\$ 283,876	\$ 756,823	\$ 743,463
Land Improvements	155,431	153,346	-	-	155,431	153,346
Buildings	2,407,115	2,422,593	99,558	75,271	2,506,673	2,497,864
Easements	79,750	79,750	-	-	79,750	79,750
Equipment, Vehicles and Computer Software	101,881	73,869	126,376	122,577	228,257	196,446
Infrastructure	-	-	3,723,675	3,670,250	3,723,675	3,670,250
Construction-In-Progress	540,045	359,186	34,086	3,140	574,131	362,326
Total	\$ 3,752,433	\$ 3,548,331	\$ 4,272,307	\$ 4,155,114	\$ 8,024,740	\$ 7,703,445

Long-Term Debt

The State uses general obligation debt to finance capital projects. At the end of the current fiscal year, the State had total general obligation bond debt outstanding of \$1,825.4 million backed by the full faith and credit of the State. The State's debt burden reflects its centralized role in financing school construction projects. As of June 30, 2014, \$538.3 million, or 29.5%, of the State's outstanding debt was issued on behalf of local school districts. Local school districts transferred \$65.8 million of property tax revenue to the State to cover related debt service during fiscal year 2014.

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

- A 5% test restricts new debt authorization to 5% of budgetary general fund revenue as projected by DEFAC in June for the next fiscal year. Should actual revenue collections increase during the year, no additional authorizations are made. For fiscal year 2014, debt authorization was limited to \$187.0 million.
- A 15% test restricts debt issuance if the annual payments on all outstanding debt exceed 15% of estimated budgetary general fund and Transportation Trust Fund Revenue for the next fiscal year. Currently, these annual payments represent approximately 8% of estimated general fund and Transportation Trust Fund revenues.
- Finally, a cash balance test restricts debt issuance if the debt service payment in any year exceeds the estimated cumulative cash balance for the following fiscal year. For fiscal year 2014, the projected cash balance exceeded debt service.

Due to the State's statutory debt limits and its fiscal management, three principal rating agencies, Moody's Investor's Service, Fitch Ratings and Standard & Poor's, reaffirmed their triple-A ratings on the State's general obligation bonds during fiscal year 2014. On March 6, 2014, the State issued \$225.0 million of general obligation bonds maturing between March 1, 2015 and March 1, 2034. The bonds bear coupon rates of between 3% and 5% and yield between .14% and 3.61%. Proceeds were used to fund various capital projects as authorized by the General Assembly.

In addition, the Sustainable Energy Utility, Inc. (SEU) had \$54.5 million of Revenue Bonds, Series 2011 outstanding as of June 30, 2014. These bonds were used to support general government initiatives and have been used to finance construction on energy efficient upgrades to facilities in the State. As such, that debt is reflected in the primary government statements as governmental activities. The bonds are secured by appropriations of the state organizations that are participating in the SEU program, but are not an obligation of the State.

Debt issued by the Delaware Transportation Authority does not constitute a debt of the State or a pledge of its general taxing power or of its full faith and credit. Rather, the outstanding revenue bonds are obligations of the Authority payable solely from and secured by a pledge and assignment of certain tolls and revenues such as motor fuel tax revenues, motor vehicle document fees and motor vehicle registrations. The Delaware Transportation Authority has revenue bonds outstanding of \$939.1 million to support its ongoing capital transportation

program which includes \$94.1 million in Grant Anticipation Vehicle Bonds (GARVEEs), to finance a portion of the costs of completing the final design and right-of-way acquisition for a new U.S. 301.

Subsequent to year end in November, 2014, the State issued \$306.9 million of general obligation bonds, with \$81.9 million used to refund higher priced bonds and \$225.0 million in new bonds to fund capital projects of the State (See Note 20 on page 116 of this report).

Additional information on the State of Delaware's long-term debt can be found in Notes 5, 6 and 7 on pages 70 - 85 of this report.

Financial Management

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

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

Economic Factors and Next Year's Budgets and Rates

DEFAC met on June 16, 2014 to prepare the final revenue and expenditure estimates upon which the fiscal year 2015 operating and capital budgets would be based. Forecasters suggest moderate growth with employment growth exceeding the expected national growth. Tax policy and accounting changes are favorable for fiscal 2015 revenue.

The fiscal year 2015 operating and capital budgets meet budgetary spending limitations imposed by law. The fiscal year 2015 operating budget is \$3,809.5 million, 2.5% more than fiscal year 2014 and was based on projected revenues by DEFAC of \$3,890.0 million. The fiscal year 2015 operating budget included \$23.8 million in supplemental appropriations (historically in the form of cash allocated to the capital budget), a decrease of 60.9% over the fiscal year 2014 budget.

Requests for Information

This financial report is designed to provide a general overview of the State's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the

Department of Finance, Division of Accounting, 820 Silver Lake Boulevard, Suite 200, Silver Lake Plaza, Dover, Delaware 19904 or visit our website at <http://accounting.delaware.gov>.

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

STATE OF DELAWARE
STATEMENT OF NET POSITION
JUNE 30, 2014
(Expressed in Thousands)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Cash Equivalents (Note 2)	\$ 53,057	\$ 134,147	\$ 187,204	\$ 51,085
Cash and Pooled Investments (Note 2)	1,310,072	16,967	1,327,039	77,872
Receivables, Net (Note 3)	683,063	108,800	791,863	337,869
Interfund Balances (Note 4)	12,744	(12,744)	-	-
Inventories	6,630	17,702	24,332	905
Prepaid Items	-	3,778	3,778	5,033
Escrow Insurance Deposits	-	144	144	-
Investments	131,869	105,751	237,620	583,589
Other Assets	-	2,592	2,592	1,165
Restricted Assets:				
Cash and Pooled Investments (Note 2)	585,921	-	585,921	26,706
Deposit on Hold with Trustee (Note 6)	10,282	-	10,282	-
Restricted Investments	-	130,258	130,258	-
Other Restricted Assets	-	-	-	31,145
Capital Assets: (Note 12)				
Non-Depreciable Assets	1,088,006	4,068,473	5,156,479	46,888
Depreciable Capital Assets, Net	2,664,427	203,834	2,868,261	781,723
Total Capital Assets, Net	<u>3,752,433</u>	<u>4,272,307</u>	<u>8,024,740</u>	<u>828,611</u>
Total Assets	<u>6,546,071</u>	<u>4,779,702</u>	<u>11,325,773</u>	<u>1,943,980</u>
DEFERRED OUTFLOWS OF RESOURCES (Note 1)	<u>-</u>	<u>22,823</u>	<u>22,823</u>	<u>1,557</u>
LIABILITIES				
Accounts Payable	529,908	63,754	593,662	10,996
Accrued Liabilities	48,767	34,062	82,829	19,729
Accrued Interest Payable	31,592	21,975	53,567	-
Unearned Revenue	1,173	-	1,173	1,431
Escrow Deposits	-	10,113	10,113	-
Other Liabilities	-	-	-	-
Advances From Federal Government	-	56,338	56,338	-
Due Within One Year (Note 10)	273,636	90,076	363,712	23,616
Due In More Than One Year (Note 10)	4,318,891	1,142,790	5,461,681	749,916
Total Liabilities	<u>5,203,967</u>	<u>1,419,108</u>	<u>6,623,075</u>	<u>805,688</u>
DEFERRED INFLOWS OF RESOURCES (Note 1)	<u>17,995</u>	<u>19,574</u>	<u>37,569</u>	<u>2,966</u>
NET POSITION				
Net Investment in Capital Assets	1,808,658	3,267,409	5,076,067	598,449
Restricted For:				
Debt Service	-	160,506	160,506	-
Federal and State Regulations	728,406	-	728,406	333,417
Bond Covenants	-	-	-	51,725
Unemployment benefits	-	977	977	-
Other Purposes	-	-	-	42,081
Unrestricted (Deficit)	<u>(1,212,955)</u>	<u>(65,049)</u>	<u>(1,278,004)</u>	<u>111,211</u>
Total Net Position	<u>\$ 1,324,109</u>	<u>\$ 3,363,843</u>	<u>\$ 4,687,952</u>	<u>\$ 1,136,883</u>

STATE OF DELAWARE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position			Discretely Presented Component Units
		Charges for Services	Grants and Contributions		Governmental Activities	Primary Government		
			Operating	Capital		Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General Governmental Services	\$ 683,643	\$ 334,285	\$ 25,689	\$ -	\$ (323,669)	\$ -	\$ (323,669)	\$ -
Health and Children's Services	2,850,068	67,698	1,539,124	-	(1,243,246)	-	(1,243,246)	-
Judicial and Public Safety	705,218	72,664	43,067	-	(589,487)	-	(589,487)	-
Natural Resources and Environmental Control	134,294	52,692	52,852	-	(28,750)	-	(28,750)	-
Labor	68,997	7,135	42,913	-	(18,949)	-	(18,949)	-
Education	2,482,569	3,029	249,609	-	(2,229,931)	-	(2,229,931)	-
Interest on Long-term Debt	59,747	-	-	-	(59,747)	-	(59,747)	-
Total Governmental Activities	6,984,536	537,503	1,953,254	-	(4,493,779)	-	(4,493,779)	-
Business-type Activities:								
Lottery	344,389	600,825	-	-	-	256,436	256,436	-
DelDOT	606,738	488,178	10,335	210,985	-	102,760	102,760	-
Unemployment	110,063	112,746	33,425	-	-	36,108	36,108	-
Total Business-type Activities	1,061,190	1,201,749	43,760	210,985	-	395,304	395,304	-
Total Primary Government	\$ 8,045,726	\$ 1,739,252	\$ 1,997,014	\$ 210,985	(4,493,779)	395,304	(4,098,475)	-
Discretely Presented Component Units:								
Delaware State Housing Authority	\$ 92,739	\$ 40,052	\$ 70,405	\$ 493	-	-	-	18,211
Diamond State Port Corporation	40,378	35,929	-	11,345	-	-	-	6,896
Riverfront Development Corporation	9,739	2,022	200	3,927	-	-	-	(3,590)
Delaware State University	130,115	55,228	31,565	4,000	-	-	-	(39,322)
Delaware Charter Schools	130,665	13,899	6,903	1,250	-	-	-	(108,613)
Delaware Agricultural Lands Preservation Foundation	3,600	-	4,800	4,941	-	-	-	6,141
Total Discretely Presented Component Units	\$ 407,236	\$ 147,130	\$ 113,873	\$ 25,956	-	-	-	(120,277)
General Revenues:								
Taxes:								
Personal Income					1,040,341	-	1,040,341	-
Business					2,061,007	-	2,061,007	-
Real Estate					537,395	-	537,395	-
Other					232,017	-	232,017	-
Unrestricted Payments from Primary Government					-	-	-	150,034
Investment Income					14,192	2,375	16,567	6,826
Gain (Loss) on Disposal of Assets					-	-	-	(502)
Miscellaneous					28,878	-	28,878	1,662
Transfers In (Out)					215,006	(215,006)	-	-
Total General Revenues and Transfers					4,128,836	(212,631)	3,916,205	158,020
Changes in Net Position					(364,943)	182,673	(182,270)	37,743
Net Position - Beginning As Restated (Note 1)					1,689,052	3,181,170	4,870,222	1,099,140
Net Position - Ending					\$ 1,324,109	\$ 3,363,843	\$ 4,687,952	\$ 1,136,883

**STATE OF DELAWARE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**
(Expressed in Thousands)

	<u>General</u>	<u>Federal</u>	<u>Local School Districts</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 38,377	\$ 1,647	\$ 13,033	\$ -	\$ 53,057
Cash and Pooled Investments	1,463,101	-	294,117	138,775	1,895,993
Deposit on Hold with Trustee	10,282	-	-	-	10,282
Investments	131,207	-	662	-	131,869
Accounts Receivable, Net	77,945	8,542	470	-	86,957
Taxes Receivable, Net	104,648	-	38,000	-	142,648
Intergovernmental Receivables, Net	-	142,612	-	-	142,612
Loans and Notes Receivable, Net	29,586	281,260	-	-	310,846
Due from Other Funds	31,768	-	-	-	31,768
Inventories	6,630	-	-	-	6,630
TOTAL ASSETS	<u>\$ 1,893,544</u>	<u>\$ 434,061</u>	<u>\$ 346,282</u>	<u>\$ 138,775</u>	<u>\$ 2,812,662</u>
LIABILITIES					
Accounts Payable	\$ 364,451	\$ 129,116	\$ 21,468	\$ 14,873	\$ 529,908
Accrued Liabilities	48,767	-	-	-	48,767
Claims and Judgments	688	-	-	-	688
Escheat Liability	130,000	-	-	-	130,000
Due to Other Funds	2,256	16,768	-	-	19,024
Unearned Revenue	1,173	-	-	-	1,173
Total Liabilities	<u>547,335</u>	<u>145,884</u>	<u>21,468</u>	<u>14,873</u>	<u>729,560</u>
DEFERRED INFLOWS OF RESOURCES	<u>128,970</u>	<u>6,917</u>	<u>35,170</u>	<u>-</u>	<u>171,057</u>
FUND BALANCES					
Nonspendable	6,630	281,260	-	-	287,890
Restricted	157,502	-	289,644	123,902	571,048
Committed	184,091	-	-	-	184,091
Assigned	80,289	-	-	-	80,289
Unassigned (Deficit)	788,727	-	-	-	788,727
Total Fund Balances	<u>1,217,239</u>	<u>281,260</u>	<u>289,644</u>	<u>123,902</u>	<u>1,912,045</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	<u>\$ 1,893,544</u>	<u>\$ 434,061</u>	<u>\$ 346,282</u>	<u>\$ 138,775</u>	<u>\$ 2,812,662</u>

STATE OF DELAWARE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014
(Expressed in Thousands)

Total Fund Balances - Governmental Funds \$ 1,912,045

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

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

Land	468,211	
Land Improvements	155,431	
Buildings	2,407,115	
Easements	79,750	
Equipment, Vehicles and Software	101,881	
Construction in Progress	540,045	
	3,752,433	3,752,433

Deferred inflows of resources related to the State's revenues that will be collected after year-end, but are not available to pay for the current period's expenditures	171,057	171,057
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Deferred outflows of resources related to the deferred gains on refunding of bonds	(17,995)	(17,995)
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Certain liabilities net of related assets are not due and payable in the current period and are not reported in the fund balance sheet.

These liabilities consist of:

Interest Payable	(31,592)	
Claims and Judgments (Current and Long-term)	(172,842)	
Compensated Absences (Current and Long-term)	(175,933)	
Other Post Employment Benefits	(1,882,038)	
Pollution Remediation Obligations (Current and Long-term)	(24,863)	
Notes Payable	(28,122)	
Net Pension Obligation	(120,467)	
General Obligation Long-term Debt and Related Accounts	(2,054,427)	
Other Long-term Obligations	(3,147)	
	(4,493,431)	(4,493,431)

Total Net Position of Governmental Activities \$ 1,324,109

STATE OF DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	General	Federal	Local School District Fund	Capital Projects	Total Governmental Funds
Revenues					
Personal Taxes	\$ 1,040,341	\$ -	\$ -	\$ -	\$ 1,040,341
Business Taxes	2,061,007	-	-	-	2,061,007
Other Tax Revenue	232,017	-	537,395	-	769,412
Licenses, Fees, Permits and Fines	351,227	-	562	-	351,789
Rentals and Sales	77,653	-	8,775	-	86,428
Grants	42,785	1,890,212	3,500	-	1,936,497
Interest and Other Investment Income	12,533	-	1,637	-	14,170
Other	176,870	-	18,476	-	195,346
Total Revenues	<u>3,994,433</u>	<u>1,890,212</u>	<u>570,345</u>	<u>-</u>	<u>6,454,990</u>
Expenditures					
Current:					
General Government	596,890	13,183	-	-	610,073
Health and Children's Services	1,359,792	1,489,836	-	-	2,849,628
Judicial and Public Safety	635,306	27,766	-	-	663,072
Natural Resources and Environmental Control	142,691	32,854	-	-	175,545
Labor	31,802	36,150	-	-	67,952
Education	1,462,537	233,653	488,448	-	2,184,638
Unrestricted Payments to Component Unit - Education	115,543	-	34,491	-	150,034
Capital Outlay	-	-	-	285,705	285,705
Debt Service:					
Principal	157,372	-	-	-	157,372
Interest and Other Charges	77,693	-	-	-	77,693
Costs of Issuance of Debt	975	-	-	-	975
Total Expenditures	<u>4,580,601</u>	<u>1,833,442</u>	<u>522,939</u>	<u>285,705</u>	<u>7,222,687</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(586,168)</u>	<u>56,770</u>	<u>47,406</u>	<u>(285,705)</u>	<u>(767,697)</u>
Other Sources (Uses) of Financial Resources					
Transfers In	380,794	2,910	62,789	-	446,493
Transfers Out	(76,795)	(39,077)	(114,827)	(788)	(231,487)
Issuance of General Obligation Bonds	-	-	-	225,000	225,000
Premiums on Bond Sales	-	-	-	24,413	24,413
Other Financing Sources	1,867	-	-	-	1,867
Total Other Sources (Uses) of Financial Resources	<u>305,866</u>	<u>(36,167)</u>	<u>(52,038)</u>	<u>248,625</u>	<u>466,286</u>
Net Change in Fund Balances	<u>(280,302)</u>	<u>20,603</u>	<u>(4,632)</u>	<u>(37,080)</u>	<u>(301,411)</u>
Fund Balances - Beginning as Restated (Note 1)	<u>1,497,541</u>	<u>260,657</u>	<u>294,276</u>	<u>160,982</u>	<u>2,213,456</u>
Fund Balances - Ending	<u>\$ 1,217,239</u>	<u>\$ 281,260</u>	<u>\$ 289,644</u>	<u>\$ 123,902</u>	<u>\$ 1,912,045</u>

STATE OF DELAWARE
RECONCILIATION OF THE NET CHANGES IN FUND BALANCES -
TOTAL GOVERNMENT FUNDS TO CHANGE IN NET POSITION
OF GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

Net Changes in Fund Balances \$ (301,411)

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

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

Capital Outlays	326,661	
Depreciation Expense	(122,559)	
	204,102	204,102

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		16,690
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Components of the debt related adjustments consist of:

Debt Service Principal Repayments	157,372	
New Debt Issued (Face Value)	(225,000)	
Premium Received	(24,413)	
Amortization of Premiums	16,108	
Amortization of Gain on Refundings on Debt	1,833	
	(74,100)	(74,100)

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

Accrued Interest Expense	(1,293)	
Claims and Judgments	(5,616)	
Compensated Absences	(3,186)	
Other Post Employment Benefits	(200,031)	
Pollution Remediation Obligation	2,694	
Pension Obligation	(1,379)	
Notes Payable	(542)	
Other Liabilities	(871)	
	(210,224)	(210,224)

Change in Net Position in the Statement of Activities \$ (364,943)

STATE OF DELAWARE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DeIDOT</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$ 59,887	\$ 789	\$ 73,471	\$ 134,147
Cash and Pooled Investments	282	2,330	14,355	16,967
Accounts Receivable, Net	13,522	12,418	18,190	44,130
Taxes Receivable, Net	25,094	-	-	25,094
Intergovernmental Receivables, Net	-	-	39,121	39,121
Interest Receivable	-	-	455	455
Inventories	-	-	17,702	17,702
Prepaid Items	-	-	3,778	3,778
Escrow Insurance Deposits	-	-	144	144
Due from Other Funds	1,242	1,014	-	2,256
Investments:				
Unrestricted	-	-	105,751	105,751
Restricted	-	114	130,144	130,258
Other Assets	-	2,592	-	2,592
Capital Assets:				
Capital Assets, Non-depreciable	-	-	4,068,473	4,068,473
Capital Assets, Depreciable, Net	-	-	203,834	203,834
Total Capital Assets, Net	<u>-</u>	<u>-</u>	<u>4,272,307</u>	<u>4,272,307</u>
Total Assets	<u>100,027</u>	<u>19,257</u>	<u>4,675,418</u>	<u>4,794,702</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>22,823</u>	<u>22,823</u>
LIABILITIES				
Accounts Payable	2,655	7,842	53,257	63,754
Accrued Liabilities	23,872	4,739	5,451	34,062
Escrow Deposits	-	-	10,113	10,113
Interest Payable	1,242	-	20,733	21,975
Advances from Federal Government	56,281	-	57	56,338
Due to Other Funds	15,000	-	-	15,000
Due Within One Year (Note 10)	-	-	90,076	90,076
Due in More Than One Year (Note 10)	-	5,676	1,137,114	1,142,790
Total Liabilities	<u>99,050</u>	<u>18,257</u>	<u>1,316,801</u>	<u>1,434,108</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>19,574</u>	<u>19,574</u>
NET POSITION				
Net Investment in Capital Assets	-	-	3,267,409	3,267,409
Restricted for:				
Debt Service	-	-	160,506	160,506
Unemployment Benefits	977	-	-	977
Unrestricted (Deficit)	<u>-</u>	<u>1,000</u>	<u>(66,049)</u>	<u>(65,049)</u>
Total Net Position	<u>\$ 977</u>	<u>\$ 1,000</u>	<u>\$ 3,361,866</u>	<u>\$ 3,363,843</u>

STATE OF DELAWARE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DelDOT</u>	<u>Total</u>
Operating Revenues:				
Unemployment Taxes-State Funded	\$ 112,746	\$ -	\$ -	\$ 112,746
Gaming Revenue	-	600,825	-	600,825
Pledged Revenues:				
Turnpike Revenue	-	-	122,404	122,404
Motor Vehicle and Related Revenue	-	-	277,262	277,262
Turnpike Revenue	-	-	47,562	47,562
Passenger Fares	-	-	16,332	16,332
Miscellaneous	-	-	21,205	21,205
	<u>112,746</u>	<u>600,825</u>	<u>484,765</u>	<u>1,198,336</u>
Operating Expenses:				
Unemployment Benefits - State Funded	91,212	-	-	91,212
Unemployment Benefits - Federal Funded	17,145	-	-	17,145
Cost of Sales	-	230,474	-	230,474
Prizes	-	101,994	-	101,994
Transportation	-	-	520,513	520,513
Depreciation	-	-	33,697	33,697
General and Administrative	-	10,921	13,998	24,919
	<u>108,357</u>	<u>343,389</u>	<u>568,208</u>	<u>1,019,954</u>
Operating Income (Loss)	<u>4,389</u>	<u>257,436</u>	<u>(83,443)</u>	<u>178,382</u>
Nonoperating Revenues (Expenses):				
Interest Income	94	-	2,281	2,375
Interest Expense	(1,706)	-	(38,530)	(40,236)
Unemployment Taxes-Federal Funded	18,167	-	-	18,167
Grants	-	-	10,335	10,335
Other Revenue	15,258	-	3,413	18,671
Contributions to Thoroughbred Program	-	(1,000)	-	(1,000)
	<u>31,813</u>	<u>(1,000)</u>	<u>(22,501)</u>	<u>8,312</u>
Income (Loss) Before Transfers and Capital Contributions	36,202	256,436	(105,944)	186,694
Capital Contributions	-	-	210,985	210,985
Transfers In	1,706	-	48,467	50,173
Transfers Out	-	(256,436)	(8,743)	(265,179)
Increase in Net Position	37,908	-	144,765	182,673
Net Position - Beginning of Year, as restated (Note 1)	<u>(36,931)</u>	<u>1,000</u>	<u>3,217,101</u>	<u>3,181,170</u>
Net Position - End of Year	<u>\$ 977</u>	<u>\$ 1,000</u>	<u>\$ 3,361,866</u>	<u>\$ 3,363,843</u>

STATE OF DELAWARE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DelDOT</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Receipts from Employers	\$ 116,425	\$ -	\$ -	\$ 116,425
Payments for Insurance Claims	(112,394)	-	(3,961)	(116,355)
Receipts from Customers and Users	-	599,425	481,661	1,081,086
Other Operating Receipts	-	-	2,900	2,900
Payments to Suppliers for Goods and Services	-	(42,481)	(316,709)	(359,190)
Payments to Employees for Services	-	(5,946)	(177,135)	(183,081)
Payments for Prizes	-	(101,987)	-	(101,987)
Payment for Commissions	-	(192,089)	-	(192,089)
Net Cash Provided (Used) by Operating Activities	<u>4,031</u>	<u>256,922</u>	<u>(13,244)</u>	<u>247,709</u>
Cash Flows from Noncapital Financing Activities:				
Receipts from Federal Government	18,167	-	4,516	22,683
Receipts from Other Grants	-	-	2,159	2,159
Loan from State Government	15,000	-	-	15,000
Interest paid on Advances	(1,988)	-	-	(1,988)
Transfers In	1,988	-	48,467	50,455
Transfers Out	-	(257,397)	(15,419)	(272,816)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>33,167</u>	<u>(257,397)</u>	<u>39,723</u>	<u>(184,507)</u>
Cash Flows from Capital and Related Financing Activities:				
Capital Grants	-	-	207,200	207,200
Purchases of Capital Assets	-	-	(128,158)	(128,158)
Principal Paid on Capital Debt	-	-	(84,593)	(84,593)
Interest Paid on Capital Debt	-	-	(47,746)	(47,746)
Loss from Refunding of Bond Sale	-	-	8,090	8,090
Proceeds from Sale of Land and Equipment	-	-	454	454
Bond Issuance Costs	-	-	2,381	2,381
Proceeds from Bond Issues	-	-	15,983	15,983
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(26,389)</u>	<u>(26,389)</u>
Cash Flows from Investing Activities:				
Interest and Investment Revenues	94	-	2,200	2,294
Repayment on Loan Receivable	-	-	887	887
Escrow Deposits Received	-	-	37	37
Purchase of Investments	-	-	(23,433)	(23,433)
Proceeds from Sales and Maturities of Investments	-	95	26,946	27,041
Net Cash Provided by Investing Activities	<u>94</u>	<u>95</u>	<u>6,637</u>	<u>6,826</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Pooled Investments	37,292	(380)	6,727	43,639
Cash, Cash Equivalents and Pooled Investments- Beginning of Year	<u>22,877</u>	<u>3,499</u>	<u>81,099</u>	<u>107,475</u>
Cash, Cash Equivalents and Pooled Investments - End of Year	<u>\$ 60,169</u>	<u>\$ 3,119</u>	<u>\$ 87,826</u>	<u>\$ 151,114</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 4,389	\$ 257,436	\$ (83,443)	\$ 178,382
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	-	33,697	33,697
Decrease (Increase) in Assets:				
Receivables, Net	3,679	(1,348)	(293)	2,038
Inventories	-	-	723	723
Prepaid Items	-	-	616	616
Increase (Decrease) in Liabilities:				
Accounts and Other Payables	(4,037)	-	7,342	3,305
Accrued Liabilities	-	(145)	(437)	(582)
Accrued Expenses	-	7	4,290	4,297
Accrued Payroll and Related Expenses	-	972	(1,966)	(994)
Post-Employment Benefits	-	-	26,227	26,227
Due To/From Government	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,031</u>	<u>\$ 256,922</u>	<u>\$ (13,244)</u>	<u>\$ 247,709</u>
Schedule of Noncash Noncapital Financing Activities				
Capital Contributions	\$ -	\$ -	\$ 3,785	\$ 3,785
Forgiveness of Advances from Federal Government	15,258	-	-	15,258

STATE OF DELAWARE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>Investment Trust</u>	<u>Agency</u>
Assets:				
Cash and Cash Equivalents	\$ 576,925	\$ 6,989	\$ 3,512	\$ 28,924
Cash and Pooled Investments	4,402	46,206	-	34,253
Receivables:				
Accrued Interest	14,968	-	74	-
Investment Sales Pending	28,396	-	154	-
Employer Contributions	10,869	6,856	-	-
Member Contributions	3,174	51	-	-
Other Receivables	-	-	-	48,007
Investments, at Fair Value:				
Domestic Fixed Income	327,811	96,463	7,015	-
Domestic Equities	2,054,887	96,270	16,301	-
Pooled Equity and Fixed Income	3,179,884	-	17,290	-
Alternative Investments	1,745,297	-	9,490	-
Short Term Investments	-	-	-	2,396
Foreign Fixed Income	188,010	-	1,022	-
Foreign Equities	1,104,654	49,727	8,703	-
	<u>9,239,277</u>	<u>302,562</u>	<u>63,561</u>	<u>113,580</u>
Total Assets				
Liabilities:				
Accounts Payable	-	-	-	113,580
Investment Purchase Payable	42,437	-	231	-
Benefits/Claims Payable	1,325	12,331	-	-
Accrued Investment Expense	5,172	7	28	-
Accrued Administrative Expenses	283	-	-	-
	<u>49,217</u>	<u>12,338</u>	<u>259</u>	<u>113,580</u>
Total Liabilities				
Net Position:				
Assets Held in Trust for Benefits and Pool Participants	<u>\$ 9,190,060</u>	<u>\$ 290,224</u>	<u>\$ 63,302</u>	<u>\$ -</u>

STATE OF DELAWARE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>Investment Trust</u>
Additions:			
Contributions:			
Employer Contributions	\$ 255,067	\$ 196,361	\$ -
Transfer of Contributions from Post-Retirement Increase Fund	27,536	-	-
Transfer of Assets from Outside the System	2,938	6,253	616
Member Contributions	63,019	8,082	-
Other	31	-	-
Total Contributions	<u>348,591</u>	<u>210,696</u>	<u>616</u>
Investments:			
Investment Earnings	126,577	5,354	982
Net Increase in Fair Value of Investments	<u>1,266,785</u>	<u>25,845</u>	<u>8,274</u>
Total Investment Earnings	1,393,362	31,199	9,256
Less Investment Manager/Advisor/Custody Fees	(23,653)	(83)	(132)
Less Investment Administrative Expenses	<u>(570)</u>	<u>-</u>	<u>-</u>
Net Investment Earnings	<u>1,369,139</u>	<u>31,116</u>	<u>9,124</u>
Securities Lending Income	428	-	2
Securities Lending Expense	<u>(65)</u>	<u>-</u>	<u>-</u>
Total Net Securities Lending Income	<u>363</u>	<u>-</u>	<u>2</u>
Total Additions	<u>1,718,093</u>	<u>241,812</u>	<u>9,742</u>
Deductions:			
Transfer of Assets from Post-Retirement Increase Fund	27,536	-	-
Transfer of Assets from Outside the System	971	-	741
Pension/Claim Payments	544,395	173,216	-
Refunds of Contributions to Members	3,980	-	-
Group Life Payments	5,328	-	-
Administrative Expenses	<u>5,621</u>	<u>62</u>	<u>1</u>
Total Deductions	<u>587,831</u>	<u>173,278</u>	<u>742</u>
Change in Net Position	1,130,262	68,534	9,000
Net Position - Beginning of Year	<u>8,059,798</u>	<u>221,690</u>	<u>54,302</u>
Net Position - End of Year	<u>\$ 9,190,060</u>	<u>\$ 290,224</u>	<u>\$ 63,302</u>

STATE OF DELAWARE
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2014
(Expressed in Thousands)

	Delaware State Housing Authority	Diamond State Port Corporation	Riverfront Development Corporation	Delaware State University	Delaware Charter Schools	Delaware Agricultural Lands Preservation Foundation	Total
ASSETS							
Cash and Cash Equivalents	\$ 37,876	\$ 6,569	\$ 347	\$ 6,293	\$ -	\$ -	\$ 51,085
Cash and Pooled Investments	11,498	-	5	21,261	39,039	6,069	77,872
Accounts and Other Receivables, Net	53,982	2,224	456	13,021	1,839	64	71,586
Loans and Notes Receivable, Net	260,083	-	2,990	-	-	3,210	266,283
Inventories	-	905	-	-	-	-	905
Prepaid Items	3,619	779	116	-	519	-	5,033
Investments	570,714	-	-	12,863	12	-	583,589
Other Assets	2	-	672	398	93	-	1,165
Restricted Assets:							
Cash, Cash Equivalents and Investments	833	4,396	2,000	16,243	3,234	-	26,706
Other Restricted Assets	-	21,299	-	9,234	612	-	31,145
Capital Assets:							
Capital Assets - Non-Depreciable	3,686	27,237	-	-	15,965	-	46,888
Capital Assets - Depreciable, Net	13,375	137,731	108,689	226,103	76,972	218,853	781,723
Total Capital Assets, Net	17,061	164,968	108,689	226,103	92,937	218,853	828,611
Total Assets	955,668	201,140	115,275	305,416	138,285	228,196	1,943,980
DEFERRED OUTFLOWS OF RESOURCES							
	271	232	-	-	1,054	-	1,557
LIABILITIES							
Accounts Payable	1,073	257	345	5,980	3,315	26	10,996
Due to Other	-	-	-	-	-	-	-
Accrued Liabilities	8	5,706	174	3,836	9,995	10	19,729
Unearned Revenue	-	37	73	1,238	83	-	1,431
Due Within One Year	11,146	1,811	3,622	4,819	2,218	-	23,616
Due in More Than One Year	510,641	23,451	10,000	121,801	84,023	-	749,916
Total Liabilities	522,868	31,262	14,214	137,674	99,634	36	805,688
DEFERRED INFLOWS OF RESOURCES							
	391	267	-	820	1,488	-	2,966
Net Position							
Net Investment in Capital Assets	17,062	139,671	97,067	115,572	10,224	218,853	598,449
Restricted for:							
Federal and State Regulations	323,216	-	-	894	-	9,307	333,417
Bond Covenants	51,725	-	-	-	-	-	51,725
Other Purposes	-	25,695	-	16,386	-	-	42,081
Unrestricted	40,677	4,477	3,994	34,070	27,993	-	111,211
Total Net Position	\$ 432,680	\$ 169,843	\$ 101,061	\$ 166,922	\$ 38,217	\$ 228,160	\$ 1,136,883

STATE OF DELAWARE
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Net (Expenses) Revenues and Changes in Net Position															
	Program Income Grants and Contributions			Delaware State		Diamond State		Riverfront Development Corporation		Delaware State University		Delaware Charter Schools		Delaware Agricultural Lands Preservation Foundation		Total
	Expenses	Charges for Services	Operating	Capital	Housing Authority	Port Corporation	State Corporation	Development Corporation	University	Schools	Foundation	Total				
	\$ 92,739	\$ 40,052	\$ 70,405	\$ 493	\$ 18,211	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,211	
Delaware State Housing Authority	40,378	35,929	-	11,345	-	6,896	-	-	-	-	-	-	-	-	6,896	
Diamond State Port Corporation	9,739	2,022	200	3,927	-	-	(3,590)	-	-	-	-	-	-	-	(3,590)	
Riverfront Development Corporation	130,115	55,228	31,565	4,000	-	-	-	-	(39,322)	-	-	-	-	-	(39,322)	
Delaware State University	130,665	13,899	6,903	1,250	-	-	-	-	-	(108,613)	-	-	-	-	(108,613)	
Delaware Charter Schools	3,600	-	4,800	4,941	-	-	-	-	-	-	-	-	6,141	-	6,141	
Delaware Agricultural Lands Preservation Foundation	\$ 407,236	\$ 147,130	\$ 113,873	\$ 25,956	18,211	6,896	(3,590)	(39,322)	(39,322)	(108,613)	6,141	6,141	(120,277)	6,141	(120,277)	
General Revenues																
Unrestricted Payments from Primary Government					2,880	22	-	-	34,613	115,421	-	-	-	-	150,034	
Investment Income					-	-	-	-	3,773	150	6,826	1	-	-	6,826	
Gain on Disposal of Assets					-	-	-	-	-	(502)	-	-	-	-	(502)	
Miscellaneous					-	-	175	-	-	808	679	-	-	-	1,662	
Total General Revenues					2,880	22	175	-	38,386	115,877	680	680	-	-	158,020	
Change in Net Position					21,091	6,918	(3,415)	(936)	7,264	6,821	6,821	37,743	-	-	37,743	
Net Position - Beginning of Year as Restated (Note 1)					411,589	162,925	104,476	167,858	30,953	221,339	221,339	1,099,140	-	-	1,099,140	
Net Position - Ending of Year					\$ 432,680	\$ 169,843	\$ 101,061	\$ 166,922	\$ 38,217	\$ 228,160	\$ 228,160	\$ 1,136,883	-	-	\$ 1,136,883	

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

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

The Delaware Technical and Community College (DTCC) was established by 14 Del. C. 91 as a state organization to operate or make available public institutions of learning for persons who have graduated from high school or who are unable to attend public high schools and offer a 2-year college parallel program or associate degree program. The Governor with the consent of the Senate appoints all seven members of the Board of Trustees. DTCC is considered a blended component unit and is shown a part of the Education function in the General Fund of the primary government.

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

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

government-wide financial statements (see note below for description) to emphasize that such are legally separate from the State.

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

Blended Component Units

The Delaware Public Employees' Retirement System (DPERS) is a public employee retirement system, which covers substantially all State employees. The DPERS is a legally separate entity, which includes its blended component unit, the First State Independence Fund I, LLC, a hedge fund-of-funds for which DPERS is considered to be financially accountable. DPERS' Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex-officio members. It provides services and benefits almost exclusively to the primary government, and it is considered a blended fiduciary funds component unit and is shown in the financial statements as part of the primary government as a pension trust fund. The financial report of DPERS for the fiscal year ended June 30, 2014 may be obtained by writing to the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

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

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

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

Discretely Presented Component Units

The following component units are entities that are legally separate from the State, but are financially accountable to the State for reporting purposes or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading. The discretely presented component units' column of the basic financial statements includes the financial data of these entities. Each discretely presented component unit has a June 30, 2014 fiscal year-end.

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

Delaware State Housing Authority (DSHA)

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

Diamond State Port Corporation (DSPC)

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

Riverfront Development Corporation (RDC)

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

Delaware State University (DSU)

Delaware State University is a public institution of higher education. Funding is primarily through State appropriations. State appropriations, without restrictions as to use by the DSU, are reported in general revenue. Additional funding is derived from tuition, federal grants, private donations and grants. The Board of Trustees is comprised of fifteen members, eight appointed by the Governor of Delaware and seven elected by the Trustees. The President of DSU and the Governor of the State of Delaware serve as ex-officio members of the Board. Delaware State University financial data includes its two component units, the Delaware State University Student Housing Foundation and the Delaware State University Foundation, Inc. The State annually appropriates funding for DSU, which totaled more than \$33 million in fiscal year ending June 30, 2014, which is twenty eight percent of DSU's total revenues.

Delaware Charter Schools

The State's 21 Charter Schools are public schools funded primarily through State appropriations. Additional funding is derived from federal grants passed through from the primary government, private donations and funds received from local school districts on a tax portion per child basis. State funding for the Charter Schools totaled \$115.5 million for fiscal year ending June 30, 2014 which represents over eighty-three percent of the Charter Schools' total revenues. Each Charter School is a separate legal entity managed by their own separate board of directors and operate independently under a charter granted by the State Department of Education with the approval of the State Board of Education. Charters are granted for an initial period of three years and renewable every five years thereafter. Charter Schools issue their own debt but are dependent on the State for their primary funding. Financial information for Delaware Charter Schools is presented in the aggregate as they are individually immaterial to the State's basic financial statements.

Delaware Agricultural Lands Preservation Foundation (DALPF)

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

Related Organizations

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

The Delaware Solid Waste Authority (DSWA) is a legally separate entity and the primary government appoints all seven members of its governing board. The primary government's accountability for DSWA does not extend beyond making the appointments. The DSWA is responsible for implementing solid waste disposal, recycling, and resource recovery systems, facilities and services for the State of Delaware. The financial activities of DSWA are not included in the State's financial statements.

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

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

Jointly Governed Organization

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

Other Organization

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the

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

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

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

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-

wide financial statements. Exceptions to this general rule are charges between the State's enterprise operations and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

Governmental Funds

The State reports the following major governmental funds:

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

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

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

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

Proprietary Funds

Proprietary funds are used to account for those activities which are financed and operated in a manner similar to private business enterprises. The costs of providing services to the public on a continuing basis are financed by or recovered primarily through user charges.

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

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

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

The State reports the following major proprietary funds:

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

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

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

Fiduciary Funds

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

The State reports the following fiduciary funds:

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

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

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

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

New Accounting Pronouncements

During fiscal year ending June 30, 2014, the State adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were

previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statements elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term deferred in the financial statement presentations. The adoption of this statement had an effect on the Statement of Net Position and Governmental Funds Balance Sheet as amounts previously reported as assets and liabilities are now reported as deferred outflows of resources and deferred inflows of resources. Specifically, retrospective restatement adjustments of beginning equity were made to eliminate the unamortized portion of bond issuance costs and to recognize revolving loan activity that was previously reported as unearned revenues as follows:

Government Wide Statement of Net Position
(Expressed in Thousands)

	Governmental Activities	Business- Type Activities	Total	Discretely Presented Component Units
Net Position as previously reported at June 30, 2013	\$ 1,693,621	\$ 3,183,550	\$ 4,877,171	\$ 1,109,260
Apply GASB 65:				
Deferred Bond Costs	(5,796)	(2,380)	(8,176)	(2,069)
Revolving Loan Activity	1,227	-	1,227	-
	1,689,052	3,181,170	4,870,222	1,107,191
Other:				
Delaware State University (receivable)	-	-	-	(970)
Delaware State Housing (fair value of loans)	-	-	-	(7,081)
	<u>\$ 1,689,052</u>	<u>\$ 3,181,170</u>	<u>\$ 4,870,222</u>	<u>\$ 1,099,140</u>

Governmental Funds Balance Sheet
(Expressed in Thousands)

	General	Federal	Local School District Fund	Capital Projects	Total
Fund balance as previously reported at June 30, 2013	\$ 1,448,537	\$ (914)	\$ 294,276	\$ 160,982	\$ 1,902,881
Revolving Loans	49,004	261,571	-	-	310,575
Fund balance as restated at July 1, 2013	<u>\$ 1,497,541</u>	<u>\$ 260,657</u>	<u>\$ 294,276</u>	<u>\$ 160,982</u>	<u>\$ 2,213,456</u>

Proprietary Funds Statement of Net Position
(Expressed in Thousands)

	Unemployment			
	Insurance	Lottery	DelDOT	Total
Net position as previously reported at June 30, 2013	\$ (36,931)	\$ 1,000	\$ 3,219,481	\$ 3,183,550
Bond Issuance Costs	-	-	(2,380)	(2,380)
Net Position as restated at July 1, 2013	<u>\$ (36,931)</u>	<u>\$ 1,000</u>	<u>\$ 3,217,101</u>	<u>\$ 3,181,170</u>

During fiscal year ending June 30, 2014, the State adopted GASB Statement No. 66 *Technical Corrections—2012— an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The adoption of Statement No. 66 had no impact on the financial statements of the State.

During fiscal year ending June 30, 2014, the State adopted GASB Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement will replace the requirements of Statements No. 25 *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50 *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The adoption of Statement No. 67 has resulted in changes to the enhancements to the note disclosures and schedules of required supplemental information in the financial statements of DPERS (See Note 15).

During fiscal year ending June 30, 2014, the State adopted GASB Statement No. 70 *Accounting and Reporting for Non-exchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit

organization, a private entity, or individual without directly receiving equal or approximately equal value in exchange (a non-exchange transaction). As a part of this non-exchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity or individual that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a non-exchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive non-exchange financial guarantees. The adoption of Statement No. 70 had no impact on the financial statements of the State.

Impact of Future Accounting Pronouncements

In June of 2012, the GASB issued No. 68 *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement — determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. In addition, this Statement details the recognition and disclosure requirements for employers that participate in a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan. This Statement is effective for fiscal years beginning after June 15, 2014. This will result in an additional liability of approximately \$630 million, which will be included on the statement of net position.

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

In 2013, the GASB issued Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net

pension liability. This statement amends Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this statement are effective for fiscal years beginning after June 15, 2014, concurrent with Statement No. 68. This will result in reporting a deferred outflow of resources for any contribution made after the measurement date of the beginning net pension liability.

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

Cash Equivalents, Cash and Pooled Investments, and Investments

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

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

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

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

DPERS or management generally uses net asset value as reported by investment managers as a practical expedient to fair value for its investments in pooled and alternative investment funds. Net asset values provided by pooled and alternative investment managers are based on quoted prices for the funds' underlying securities (most of which are marketable), as well as estimates, appraisals, assumptions, and methods that are established by valuation committees and reviewed by DPERS or management. Net asset value may differ from fair value, and under some circumstances, DPERS or management may determine, based on other information available, that an underlying investment's reported valuation does not represent fair value. These net asset values are reviewed by DPERS or management and its investment advisor; both management and the custodian receive periodic and audited annual financial reports from the alternative fund managers.

Receivables and Payables

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

Inventories and Prepaid Items

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

Restricted Assets

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

The State has the following restricted assets:

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

The discretely presented component units have the following restricted assets:

- Diamond State Port Corporation has restricted investments for capital project outlays.
- Delaware State University has restricted assets for grants, and college endowment funds.
- Delaware State Housing Authority has restricted assets used for the specific purpose of housing development fund activities per enabling legislation.

Capital Assets

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

Capital assets are defined by the State as assets with estimated useful lives in excess of one

year at the date of acquisition. Such assets are recorded at historical cost if purchased or constructed, or estimated historical cost if the original cost is not determinable. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, equipment, and software of the primary government and component units, other than those associated with service concession agreements, are depreciated using the straight line method over the following estimated useful lives:

Asset	Primary Government Years	Discretely Presented Component Unit Years
Buildings and Building Improvements	10 - 40	15 - 75
Land Improvements	20	15 - 45
Furniture and Equipment	3 - 12	3 - 40
Vehicles	7	3 - 6
Software	5	5 - 10

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

The components of deferred outflows of resources and deferred inflows of resources reported in the government wide financial statements as of June 30, 2014 are as follows:

(Expressed in Thousands)

	Governmental Activities	Business- type Activities	Total Primary Government	Discretely Presented Component Units
Deferred Outflows of Resources				
Loss on Refundings of Debt	\$ -	\$ 22,823	\$ 22,823	\$ 503
Derivative Instrument - Interest Rate Swap	-	-	-	1,054
Total Deferred Outflows of Resources	\$ -	\$ 22,823	\$ 22,823	\$ 1,557
Deferred Inflows of Resources				
Service Concession Arrangement	\$ -	\$ 19,574	\$ 19,574	\$ -
Derivative Instrument - Interest Rate Swap	-	-	-	1,488
Gain on Refundings of Debt	17,995	-	17,995	1,478
Total Deferred Inflows of Resources	\$ 17,995	\$ 19,574	\$ 37,569	\$ 2,966

Deferred inflows of resources on the governmental funds balance sheet as of June 30, 2014 are unavailable revenues as follows:

(Expressed in Thousands)

	General Fund	Federal Fund	Local School District Fund	Total Governmental Funds
Deferred Inflows of Resources				
Accounts Receivable	\$ 62,140	\$ 6,917	\$ 160	\$ 69,217
Taxes Receivable	66,830	-	35,010	101,840
Total Deferred Inflows of Resources	\$ 128,970	\$ 6,917	\$ 35,170	\$ 171,057

Advances from Federal Government

In previous years, the amount of unemployment insurance taxes collected by the Division of Unemployment Insurance from Delaware employers was not sufficient to cover the amount of benefits paid to Delaware residents. As a result, the unemployment fund received advances from the federal government to be used for benefit payments. Pursuant to Subchapter XII – *Advances to State Unemployment Funds, 42 U.S.C. §1321*, advances are

made to the unemployment fund once all funds in the trust have been extinguished, and amounts borrowed must be no more than the aggregate amount necessary to provide benefit payments in any three-month period, as certified by the Federal Secretary of Labor. These advances must be repaid when funds become available in the Unemployment Fund. Interest accrues daily, and the interest rate varies, based upon the outstanding balance of the loan. Interest is due annually on September 30 and is to be paid using appropriations from the State General Fund. Total accrued interest was \$1.2 million as of June 30, 2014 and a corresponding receivable due from the State General Fund has been accrued accordingly. The outstanding advance balance totaled \$56.3 million as of June 30, 2014. \$15.3 million of the advance was forgiven by the federal government during the fiscal year ending June 30, 2014.

Compensated Absences

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

Long-term Obligations

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

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Fund Equity

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

The State Constitution provides that certain excess unencumbered budgetary general funds at the end of a fiscal year must be placed in a reserve account (the Budgetary Reserve Account). This account, designed to mitigate the operational impact of any future unanticipated deficits may not exceed 5% of the estimated general fund revenue for the ensuing fiscal year. Total funding of the budgetary reserve account was \$201.7 million at June 30, 2014.

When resources meeting more than one of the classifications (excluding nonspendable) are commingled in an account, assuming that expenditure meets the constraints of the

classification, the assumed order of spending is restricted first, committed second, assigned third and finally unassigned.

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

(d) Grants

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables when entitlement occurs. All other federal reimbursement type grants are recorded as accounts receivable when the related expenditures or expenses are recognized. Related revenue is recorded subject to availability in the governmental funds.

(e) Litigation Revenue

In 1997, several states began litigation against defendant tobacco product manufacturers to recover certain amounts the states expended to provide health care to the users of tobacco products. In 1998, a settlement was reached which provided that the states cease litigation against the manufacturers. As part of the Master Settlement Agreement, certain manufacturers agreed to remit periodic payments to the states until 2025. The State's share of the estimated \$200 billion settlement amounted to \$774.5 million. Amounts to be remitted are calculated based on a variety of specific settlement provisions. Future tobacco product sales are one key factor used in determining periodic payment amounts. A receivable of \$13.7 million has been recorded pursuant to the settlement. The Master Settlement agreement receipts of \$29.7 million are recorded in the general fund as part of other revenue and as miscellaneous general revenue on the government-wide statement of activities. Expenditures of monies received under the Master Settlement Agreement are authorized by legislation and are dedicated to health care and related programs.

(f) Management Estimates

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

NOTE 2 CASH, INVESTMENTS AND RESTRICTED ASSETS

Cash Management Policy and Investment Guidelines

The State Treasurer maintains the majority of the deposits and investments of the primary government and uses professional money managers to invest the State's deposits according to guidelines set in the *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* (the Policy) by the State's Cash Management Policy Board (the Board). The

Board, created by State law, establishes policies for, and the terms, conditions, and other matters relating to, the investment of all money belonging to the State except money in DPERS and the OPEB Trust and money held under the State deferred compensation program. By law, all deposits and investments belonging to the State are under the control of the State Treasurer in various pooled investment funds (State Investment Pool), except for those that, by specific authority, are under the control of other agencies or component units, as determined by the Board. The deposit and investment policies of those entities may differ from those of the State Treasurer. Typically, these agencies follow the deposit and investment policies of the State Treasurer in an effort to minimize deposit and investment risks.

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

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

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

specified purposes.

- Authority Accounts - The State's Authorities (state agencies, local school districts and component units) maintain a variety of fund types, including various operating funds, bond funds and debt service reserve funds.

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

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

Additional permissible investments for special-purpose accounts only:

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

The primary government's accounts are categorized as "authority accounts". At June 30, 2014, investments of the primary government were primarily in commercial paper, corporate obligations, government agency bonds and notes, and municipal obligations. All of these meet the objectives defined by the Policy. The State's Cash Management Policy Board *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* is available by request through the Office of the State Treasurer.

Risks

The following deposits and investments disclosure of the primary government excludes the OPEB Trust and DPERs, which are described on pages 60 - 65.

Custodial Credit Risk

Deposits

For deposits, custodial credit risk is the risk that, in the event of the failure of a depository

financial institution, the deposits or collateral securities may not be recovered from an outside party.

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

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

At June 30, 2014, the carrying amount of the primary government's deposits was \$370.3 million and the bank balance was \$404.8 million. Of the \$404.8 million bank balance, \$76.0 million was fully insured; \$59.9 million represents unemployment insurance taxes collected from Delaware employers that are held in escrow by the U.S. Treasury; and the remaining \$268.9 million was subject to custodial credit risk because they were uninsured and uncollateralized. Included in the primary government's deposits are agency funds. The carrying amount of the agency fund's deposits was \$28.9 million and the bank balance was \$32.0 million. Of the \$32.0 million bank balance, \$1.9 million was fully insured and the remaining \$30.1 million was subject to custodial credit risk because the deposits were not covered by depository insurance or the deposits were uncollateralized, collateralized with securities held by the pledging financial institutions, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name.

Of the primary government's bank balance of \$404.8 million, \$216.4 million is part of the Treasurer's cash pool and the remaining balance represents outside bank accounts of the primary government.

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

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty

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

At June 30, 2014, the primary government's investments were \$2,146.4 million. Of the primary government's investments, \$364.9 million was fully insured and collateralized. Included in the primary government's investments of \$2,146.4 million are agency funds. The amount of the agency funds' investments was \$36.6 million.

The following table provides information on \$1,781.5 million of the primary government's cash and pooled investments that are exposed to custodial credit risk; \$34.2 million of this amount represents the agency funds' investments:

Investment Type	Fair Value (Expressed in Thousands)
Certificates of Deposit	\$ 99,918
Commercial Paper	93,925
Corporate Obligations	505,007
U.S. Government Obligations	865,276
Municipal Obligations	16,297
Money Market	34,250
Other Pooled	1,070
Other Obligations	165,757
	<u>\$ 1,781,500</u>

Interest Rate Risk

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

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

The following table presents the fair value and effective duration of the primary government and agency fund investments by investment type at June 30, 2014:

Investment Type	Treasurer's Pool	Outside Treasurer's Pool	Total	Effective
			Investments (Expressed in Thousands)	Duration (In Years)
Corporate Obligations	\$ 505,007	\$ -	\$ 505,007	1.46
Municipal Obligations	16,297	-	16,297	3.99
U.S. Government Obligations	865,276	165,084	1,030,360	1.56
Non-U.S. Government Obligations	-	825	825	N/A
Other Obligations	165,643	734	166,377	1.92
Other Pooled	-	127,862	127,862	N/A
Money Market	34,250	-	34,250	N/A
Commercial Paper	93,911	70,305	164,216	0.48
Certificates of Deposit	95,735	5,465	101,200	0.80
	<u>\$ 1,776,119</u>	<u>\$ 370,275</u>	<u>\$ 2,146,394</u>	

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

- Cash Account Investment - The maximum maturity for any investment at the time of purchase for the cash account is one year.
- Liquidity Accounts - The maximum maturity for any investment at the time of purchase for the liquidity accounts is two years.
- Reserve Cash (Intermediate) Account - The maximum maturity for any investment at the time of purchase is 10 years. The maximum average maturity of the portfolio is seven years.
- Endowment Accounts - The maximum maturity for any investment at the time of purchase is 10 years. The maximum average maturity of the portfolio is seven years. The Board shall consider tailoring maturity restrictions to meet specific purposes for endowment accounts to be established in the future.
- Authority Operating, Bond and Debt Service Reserve Fund Accounts - Maturity Restrictions: The maximum maturity for any investment at the time of purchase is 10 years, except when prudent to match a specific investment instrument with a known specific future liability, in which case the maturity limitation shall match the maturity of the corresponding liability.

As of June 30, 2014, the primary government and agency funds had the following debt investments and maturities:

Investment Type	Fair Value	Investment Maturities			
		Less Than 1	1 to 5	6 to 10	More than 10
Corporate Obligations					
Corporate Bonds	\$ 436,378	\$ 159,744	\$ 263,398	\$ 13,236	\$ -
Asset-Backed Securities	68,629	4,027	63,579	1,023	-
Municipal Obligations	16,297	1,422	13,346	1,240	289
U.S. Government Obligations					
U.S. Treasury Bonds, Notes	531,648	210,769	296,666	24,213	-
U.S. Agency Bonds, Notes	498,712	127,072	296,164	65,274	10,202
Non US Gov't Obligations	825	825	-	-	-
Other Obligations					
Private Placements	166,377	55,876	110,454	47	-
Pooled Investments	127,862	127,862	-	-	-
Money Market	34,250	34,250	-	-	-
Commercial Paper	164,216	161,457	2,759	-	-
Certificate of Deposit	101,200	89,437	11,763	-	-
Total Investments	\$ 2,146,394	\$ 972,741	\$ 1,058,129	\$ 105,033	\$ 10,491

Credit Risk

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

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

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

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

The following table presents the State's investments which were rated by S & P as of June 30, 2014 the ratings are presented using S & P's rating scale:

Investment Type	Credit Risk - Quality Ratings (Expressed in Thousands)					
	TOTAL	AAA	AA	A	A-1	NR
Corporate Obligations						
Corporate Bonds	\$ 436,378	\$ 24,361	\$ 279,248	\$ 126,906	\$ -	\$ 5,863
Asset-Backed Securities	68,629	50,815	-	-	-	17,814
Municipal Obligations	16,297	-	16,207	-	-	90
U.S. Government Obligations						
U.S. Treasury Bonds, Notes	531,648	-	531,648	-	-	-
U.S. Agency Bonds, Notes	498,712	-	497,805	-	-	907
Non-US Government Obligations	825	-	825	-	-	-
Other Obligations						
Private Placements	166,377	7,034	98,553	12,275	-	48,515
Pooled Investments	127,862	-	-	-	-	127,862
Money Market	34,250	-	-	-	-	34,250
Certificate of Deposit	101,200	-	31,628	20,428	6,023	43,121
Commercial Paper	164,216	-	14	-	151,930	12,272
Total Investments	\$ 2,146,394	\$ 82,210	\$ 1,455,928	\$ 159,609	\$ 157,953	\$ 290,694

NR = Non-Rated Pooled accounts

Concentration of Credit Risk

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

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

- A. U.S. Government - no restrictions.
- B. Government agency - 50% total; 20% in any one agency.
- C. Certificates of deposits, time deposits and bankers acceptances - 50% total; 5% in any one issuer.
 1. Domestic - No additional restrictions.
 2. Non-domestic - 25%, 5% in any one issuer.
 3. Delaware domiciled – Not more than the lesser of \$10 million or 25% of an issuer's

total equity capital may be invested in any one issuer. (Investments due to mature in one business day may be excluded from the computation of this percentage.)

- D. Corporate debt - 50% total; 25% in any one industry; 5% in any one issuer, 5% of any issuer's total outstanding securities.
 - 1. Domestic - No additional restrictions.
 - 2. Non-Domestic - 25%; 5% in any one issuer.
- E. Repurchase agreements - 50% total.
- F. Reverse repurchase agreements - 25% total.
- G. Money market funds - 25% total; 10% in any one fund except for the Cash Account, which may invest 100% of the Account in the Delaware Local Government Investment Pool (DELGIP) Fund. The Investment Guidelines for the DELGIP Fund are defined in Appendix B of the Policy.
- H. Canadian treasuries - 25% total; 10% in any one agency.
- I. Canadian agency securities - 25% total; 10% in any one agency.
- J. Mortgage-backed and asset-backed securities – 10% total (when combined with asset-backed securities and trust certificates if applicable).
- K. Municipal obligations - 5% in any one issuer.
- L. Guaranteed investment contracts - Permitted where it is prudent to match a specific investment instrument with a known specific future liability, subject to credit quality guidelines for commercial paper and corporate bonds and debentures and with adequate exit provisions in the event of the future downgrade of the issuer.
- M. Asset-backed securities and trust certificates – 10% total (when combined with mortgage-backed and asset-backed securities if applicable).

At June 30, 2014, the State's investments have met the requirement of all the State's laws and policies, when applicable. There were no obligations that represented 5% or more of the primary government's investments, except for U.S. government securities, pooled and mutual funds.

Foreign Currency Risk

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

The Policy only permits investments denominated in U.S. dollars; therefore, the State's investments are not exposed to foreign currency risk.

Commitments

At June 30, 2014 the State did not enter into any commitment agreements with any investment managers for future funding of various asset classes.

OPEB Trust Fund (OPEB Trust)**Investment Policy**

The State Board of Pension Trustees is responsible for the management and investment of the funds in the OPEB Trust. The Board authorized its Investment Committee to select the investment managers of the OPEB Trust following the established investment guidelines for the Delaware Public Employees' Retirement System (DPERS) until a separate investment policy is adopted for the OPEB Trust. The System follows the prudent person standard, which requires fiduciaries to discharge their duties solely in the interests of participants and their beneficiaries with such care, skill, prudence, and diligence as a person acting in like circumstances would exercise in the conduct of an enterprise with similar character and with similar aims. The OPEB Trust investment objectives and policies currently include indexed exposure to approximate the System's policy benchmark. The Investment Committee regularly reviews the OPEB investment performance, and considers investment vehicles which strike a balance between risk and return while being mindful of the government's time horizon for the OPEB investments. Of the OPEB trust's investment balance of \$242.5 million, all is invested in three mutual funds and are not in individual investments registered in the Trust's name. For the fixed income type of mutual fund, the investments in maturities is in government agencies and hold a maturity of six to ten years at a fair market value of \$96.5 million with a AA credit rating. The foreign equities type of mutual fund represents \$49.7 million of balance of the trust. These are denominated in US Dollars and are invested in no individual country but an international region. The other \$96.3 million is in an index fund. The OPEB Trust also has \$46.2 million held in cash and pooled investments with the State Treasurer's Office.

Delaware Public Employees' Retirement System (DPERS or System)**Investment Policy**

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

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

- Review actuarial assumptions to ensure consistency with capital market expectations

For the fiscal year ended June 30, 2014, management of the System has operated in accordance with these policies, in all material respects.

Securities Lending

The System entered into a contract with its custodian to allow participation in its securities lending program. The objective of securities lending is to earn income through a conservatively operated and well-controlled program. The custodian is authorized to lend securities within the borrower limits and guidelines established by the System. The System lends fixed income, domestic equity, and international equity securities to approved broker/dealers. Collateral for securities loaned equals 102 percent of fair market value for domestic securities and 105 percent for international securities.

The only types of collateral received from borrowers are obligations issued by the U.S. Government. All rights of ownership to securities pledged as collateral remain with the borrower except in the event of default. The System does not have the ability to pledge or sell collateral securities without a borrower default. As of June 30, 2014, there were no violations of legal or contractual provisions. The System has not experienced any losses resulting from the default of a borrower or lending agent during the year ended June 30, 2014.

At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the System's custodian requires it to indemnify the System if the borrowers fail to return the securities or fail to pay the System for income distributions by the securities' issuers while the securities are on loan. The System manages its market risk by recording investments at fair value daily and maintaining the value of the collateral held by the System in excess of the value of the securities loaned. As of June 30, 2014, the fair value of securities on loan was \$81.7 million. The associated collateral was \$87.0 million.

All open security loans can be terminated on demand by either the System or borrower. The collateral is valued at fair value obtained from independent pricing services.

Investments

The following is a listing of fixed income investments and cash equivalents and related maturity schedule which shows the System's exposure to interest rate risk as of June 30, 2014. It is the System's policy to classify corporate convertible bonds as equity securities because those securities generally convert to preferred equity interests upon maturity. Corporate convertible bonds in the amount of \$784.9 million have been included in the chart below because they have maturity dates and are exposed to interest rate risk.

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

Investment Type/Sector	Fair Value	Less than 1	1 - 6	6 - 10	10 +
Asset Backed Securities	\$ 21,259	\$ -	\$ 5,112	\$ 1,163	\$ 14,984
Bank Loans	16,940	-	10,685	6,255	-
Cash equivalents	484,088	484,088	-	-	-
Commercial Mortgage-Backed	6,097	-	-	-	6,097
Corporate Bonds	385,812	5,094	109,552	126,529	144,637
Corporate Convertible Bonds	784,948	31,966	541,186	129,510	82,286
Government Agencies	17,641	-	17,641	-	-
Government Bonds	54,839	11,910	23,930	6,929	12,070
Municipal/Provincial Bonds	16,038	564	10,991	-	4,483
Pooled Investments	1,299,430	-	293,398	1,006,032	-
Total	<u>\$ 3,087,092</u>	<u>\$ 533,622</u>	<u>\$ 1,012,495</u>	<u>\$ 1,276,418</u>	<u>\$ 264,557</u>

Interest Rate Risk

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

Credit Risk

The System's general investment policy is to apply the prudent-person rule to all risks incurred by the fund: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The System has no investment policy that would further limit its investment choices related to credit risk. As of June 30, 2014, the System's fixed income investments and cash equivalents had the following credit risk characteristics as indicated in the following schedule (expressed in thousands):

Moody's Ratings or Comparable	Percent of Total Fund	Market Value
AAA to A	17.7%	\$ 1,636,430
BBB to B	8.7%	807,422
CCC to C	0.5%	42,577
Not Rated	6.5%	600,663
Total:	<u>33.4%</u>	<u>\$ 3,087,092</u>

Custodial Credit Risk

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

party. At June 30, 2014, the \$585.4 million carrying amount of the System's cash and cash equivalents was comprised of \$574.2 million of short-term investments and \$10.3 million in deposits. Of the \$10.3 million in deposits, \$5.9 million was subject to custodial credit risk because it was uninsured and uncollateralized. The remaining \$4.4 million was held as pooled deposits by the State Treasurer's Office.

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

Investment Concentration Risk

As of June 30, 2014, the System held no concentration of investments in an individual issuer in excess of 5% of the fair value of the System's net assets.

Management Fees

The System paid \$28.5 million in management fees to the alternative investment funds and partnerships for the fiscal year ended June 30, 2014. These fees are netted against investment income.

Investment Commitments

The System has commitments to invest up to an additional \$739.4 million in venture capital limited partnerships in varying amounts as of June 30, 2014, to be drawn down, as called upon at any time during the term of each partnership, which is usually a ten-year period. Generally, these commitments are self-funding, in that the capital calls are met using cash flows generated by the existing venture capital/limited partnerships as managers in this asset class realize the proceeds of their investments.

Foreign Investments

Foreign investments include equity securities, bonds, cash, and cash equivalents. The following is a listing of the System's foreign assets as of June 30, 2014. The listing includes \$6.1 million of investments of domestic issuers which have been classified as domestic, but are denominated in a foreign currency.

Investment Types				
(Expressed in Thousands)				
Currency	Fair Value in U.S. Dollars	Equities	Fixed Income	Cash and Cash Equivalents
Australian Dollar	\$ 33,658	\$ 19,861	\$ 13,797	\$ -
Brazilian Real	13,206	8,180	5,026	-
British Pound Sterling	116,054	89,122	26,855	77
Canadian Dollar	68,344	16,655	51,519	170
Danish Krone	9,645	9,645	-	-
Euro	283,881	78,842	200,081	4,958
Hong Kong Dollar	86,950	62,736	24,028	186
Indonesian Rupiah	21,418	18,327	3,091	-
Japanese Yen	100,297	38,447	61,545	305
Malaysian Ringgit	4,389	4,389	-	-
Mexican Peso	17,770	2,813	14,837	120
New Zealand Dollar	20,600	-	20,600	-
Nigerian Naira	3,405	3,405	-	-
Norwegian Krone	13,369	-	13,369	-
Philippine Peso	18,363	18,363	-	-
Singapore Dollar	14,999	7,867	7,108	24
South African Rand	6,747	6,747	-	-
South Korean Won	8,301	3,093	5,208	-
Swedish Krona	21,833	18,628	3,165	40
Swiss Franc	43,664	40,982	2,674	8
Thai Baht	3,403	3,403	-	-
Turkish Lira	10,507	10,507	-	-
United Arab Emirates Dirham	4,745	4,745	-	-
Total Foreign Currencies	925,548	466,757	452,903	5,888
Foreign Issued Investments Denominated in U.S. Dollars	386,154	149,384	236,770	-
Pooled International Investments Denominated in U.S. Dollars	598,014	598,014	-	-
Total	\$ 1,909,716	\$ 1,214,155	\$ 689,673	\$ 5,888

Derivatives

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

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

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

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

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

The Investment Committee monitors the System’s derivative holdings on a regular basis to ensure that the derivatives used by managers of the System will not have a material adverse impact on its financial condition. Total derivative instruments at June 30, 2014 were not material to the system.

Risk and Uncertainty

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

Discretely Presented Component Units

Delaware State Housing Authority (DSHA)

As of June 30, 2014, the carrying value and bank balances of DSHA’s deposits were \$38.7 million and \$39.8 million, respectively, all of which are insured by the FDIC.

Investment Policies

DSHA has an investment policy that encompasses all moneys related to the issuance of bonds, as well as all funds otherwise held by DSHA. DSHA seeks first and foremost to ensure safety of principal, and secondly, to attain the highest possible return available given the risk constraints. DSHA is allowed to invest in certain qualified investments as defined by amended Subchapter II, Section 4013, Chapter 40, Title 31, of the Delaware Code and DSHA's formal investment policy.

Investments

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

Investment Type	Investment Maturities (in Years)					
	Fair Value	Less than 1	1 - 5	5 - 10	10 - 20	20 - 30
U.S. Treasury Notes	\$ 12,446	\$ 5,480	\$ 6,814	\$ -	\$ 152	\$ -
US Treasury Strips	197	8	-	-	189	-
U.S. Treasury Bonds	26	-	-	-	26	-
U.S. Agencies	18,353	3,382	14,971	-	-	-
Commercial Paper	6,987	6,987	-	-	-	-
Corporate Notes	14,313	1,254	13,059	-	-	-
Investment Agreements	733	-	-	-	238	495
Money Market Savings Accounts	6,680	6,680	-	-	-	-
Bank Money Market Accounts	41,654	41,654	-	-	-	-
State of Delaware Investment Pool	11,498	11,498	-	-	-	-
Total Investments	112,887	76,943	34,844	-	605	495
Securitized Mortgage Loans	469,325	-	-	-	-	469,325
Total Investments & Securitized Mortgage Loans	\$ 582,212	\$ 76,943	\$ 34,844	\$ -	\$ 605	\$ 469,820

Credit Risk

DSHA's general investment policy is to make investments with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived. As of June 30, 2014, DSHA's investments were rated as follows:

Ratings (S & P)
(Expressed in Thousands)

Investment Type							U.S. Government
	AAA	AA+	AA	AA-	A1+	A1	Guaranteed
U.S. Treasury Notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,446
U.S. Treasury Strips	-	-	-	-	-	-	197
U.S. Treasury Bonds	-	-	-	-	-	-	26
U.S. Agencies	-	18,353	-	-	-	-	-
Corporate Notes	764	962	6,113	6,474	-	-	-
Commercial Paper	-	-	-	-	2,246	4,740	-
Securitized Mortgage Loans	-	-	-	-	-	-	469,325
Total	\$ 764	\$ 19,315	\$ 6,113	\$ 6,474	\$ 2,246	\$ 4,740	\$ 481,994

NOTE 3 RECEIVABLES

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

Taxes receivable represent the amount of personal, business, and other taxes determined to be measurable at June 30, 2014. Uncollectibility for taxes receivable primarily results from identified assessment problems, inability to locate taxpayers, and accounts of decedents.

The State levies taxes on real property through its school districts. Each of the three counties of the State establishes the assessed values of real estate and bills and collects its own property taxes. Local school property taxes are levied by local school districts based on the assessed value of real estate, as determined by county taxation formulas. Taxes are levied on July 1 and are payable on or before September 30. Taxes paid after the payable date are assessed a 6% penalty for nonpayment and 1% interest per month thereafter. Taxes are billed and collected by the counties with funds remitted to the local school district to be used for the local share of school operating costs and debt service on general obligation bonds issued for capital improvements. Receivables as of year-end for the State's individual funds, including the applicable allowances for uncollectible accounts, are as follows:

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

	General Fund	Federal Funds	Local School District Funds	Total Receivables
Receivables:				
Taxes	\$ 208,487	\$ -	\$ 38,189	\$ 246,676
Accounts	318,711	98,873	470	418,054
Loans and Notes	50,146	281,503	-	331,649
Intergovernmental	-	142,612	-	142,612
Total Receivables	577,344	522,988	38,659	1,138,991
Allowance for Doubtful Accounts	(365,165)	(90,574)	(189)	(455,928)
Total Receivables, Net	\$ 212,179	\$ 432,414	\$ 38,470	\$ 683,063
Amounts not Scheduled for Collection During the Subsequent Year	\$ 79,847	\$ 262,947	\$ 26,024	\$ 368,818

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

	Unemployment	Lottery	DelDOT	Total Receivables
Receivables:				
Taxes	\$ 52,784	\$ -	\$ -	\$ 52,784
Accounts	27,752	13,203	18,190	59,145
Interest	-	-	455	455
Intergovernmental	-	-	39,121	39,121
Total Receivables	80,536	13,203	57,766	151,505
Allowance for Doubtful Accounts	(41,920)	(785)	-	(42,705)
Total Receivables, Net	\$ 38,616	\$ 12,418	\$ 57,766	\$ 108,800
Amounts not Scheduled for Collection During the Subsequent Year	\$ -	\$ -	\$ -	\$ -

Discretely Presented Component Units

Delaware State Housing Authority (DSHA)

Total receivables as of June 30, 2014 are as follows:

(Expressed in Thousands)

Receivables:		
Mortgage Loans	\$	261,026
Accrued Interest		53,072
Other Receivables		675
Grants Receivable		474
Total Receivables		<u>315,247</u>
Allowance for Doubtful Accounts		<u>(1,182)</u>
Total Receivables, Net	\$	<u>314,065</u>
Amounts not Scheduled for Collection During the Subsequent Year	\$	<u>294,716</u>

Mortgage loans receivable which total \$261.0 million consist of single family and multi-family loans and are collateralized by first, second or third mortgages on the properties and in limited instances are guaranteed by corporate sponsors. Interest rates on the loans vary from 4.5% to 11.5% and loan maturities are between one and forty years depending on the type of mortgage loan issued.

NOTE 4 INTERFUND BALANCES AND TRANSFERS

(a) Due To/From to Other Funds

Receivables reported as “due from other funds” and the related payables reported as “due to other funds” represent amounts owed to State organizations by other organizations within the State primary government. Amounts receivable from or payable to other levels of government are reported as intergovernmental receivables or payables and are expected to be repaid within one year from the date of these financial statements. The composition of due from/due to balances at June 30, 2014, expressed in thousands, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General	Federal	\$ 16,768
Primary Government		
General	Unemployment	15,000
Unemployment	General	1,242
Lottery	General	1,014

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

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

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

(b) Transfers In From/Out to Other Funds

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

A schedule of transfers in and transfers out for the year ended June 30, 2014 is presented below (expressed in thousands):

	Transfers In					Total
	General	Federal	Local School District	Unemployment	DelDOT	
Transfers Out						
General	\$ -	\$ 2,910	\$ 23,712	\$ 1,706	\$ 48,467	\$ 76,795
Federal		-	39,077	-	-	39,077
Local School District	114,827	-	-	-	-	114,827
Capital Projects	788	-	-	-	-	788
Lottery	256,436	-	-	-	-	256,436
DelDOT	8,743	-	-	-	-	8,743
Total	\$ 380,794	\$ 2,910	\$ 62,789	\$ 1,706	\$ 48,467	\$ 496,666

NOTE 5 GENERAL OBLIGATION BONDS

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

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

On March 6, 2014, the State issued \$225.0 million of general obligation bonds maturing between March 1, 2015 and March 1, 2034. The bonds bear coupon rates of between 3% and 5% and yield between .14% and 3.61%. Proceeds were used to fund various capital projects as authorized by the General Assembly

Bonds issued and outstanding totaled \$1,825.3 million at June 30, 2014. Of this amount, \$538.3 million is supported by property taxes collected by the local school districts. During fiscal year 2014, the local school district funds transferred \$65.8 million of property tax revenue to the State to meet the required debt service on their share of the debt.

The State is authorized to issue an additional \$161.1 million of general obligation bonds at June 30, 2014. Interest rates and maturities of the outstanding general obligation bonds are detailed as follows:

General Obligation Bonds - Governmental Activities

(Expressed in Thousands)

Sale #	Description	Interest Rates	Maturity Date (Fiscal Year)	Balance Outstanding at June 30, 2014
221	GO 2014A	3.00% - 5.00%	2034	\$ 225,000
220	GO 2013B	2.00% - 5.00%	2033	213,155
219	GO 2013A3	2.00% - 5.00%	2026	35,940
218	GO 2013A2	4.00% - 5.00%	2025	40,210
217	GO 2013A1	2.00% - 5.00%	2027	35,180
216	GO 2011A2	2.00%-5.00%	2032	155,075
215	GO 2011A1	2.00%-5.00%	2032	83,930
214	GO 2010D	4.55%	2030	59,580
213	GO 2010C	3.10%-4.60%	2031	115,775
212	GO 2010B2	5.00%	2024	80,665
211	GO 2010B1	2.00%-4.00%	2025	23,055
210	GO 2010A2	2.00%-3.00%	2019	20,125
209	GO 2010A1	1.50%-5.00%	2025	73,895
208	GO 2009D	3.70%-5.30%	2030	179,315
207	GO 2009C2	2.00%-3.00%	2025	31,915
206	GO 2009C1	3.00%-5.00%	2028	229,495
205	GO 2009B	4.75%-5.00%	2026	64,300
204	GO 2009A2	4.75%-5.00%	2017	5,275
203	GO 2009A1	4.75%-5.00%	2029	49,925
202	GO 2008B	4.75%-5.00%	2016	24,770
201	GO 2008A	3.00%-5.00%	2016	2,550
200	GO 2007A	4.00%-5.00%	2027	13,925
199	GO 2006C	0.25%	2023	1,433
198	GO 2006B	4.00%-5.50%	2027	11,180
197	GO 2006A	3.75%-4.50%	2014	2,440
195	GO 2005C	5%	2023	45,335
192	QZAB 2004B	0%	2021	224
190	QZAB 2003D	0%	2019	908
186	QZAB 2002B	0%	2017	760
Total, gross				1,825,335
Plus: unamortized bond premium				174,557
Total general obligation bonds				\$ 1,999,892

General Obligation Bonds - Business-type Activities

(Expressed in Thousands)

194	GO 2005B	5%	2015	\$103
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The following table sets forth the future debt service requirements on outstanding general obligation bonds at June 30, 2014:

Total General Obligation Bonds - Governmental Activities
(Expressed in Thousands)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 167,540	\$ 78,832	\$ 246,372
2016	161,530	71,255	232,785
2017	156,355	63,679	220,034
2018	144,135	56,174	200,309
2019	126,563	50,273	176,836
2020-2024	526,017	175,949	701,966
2025-2029	368,385	74,882	443,267
2030-2034	174,810	12,174	186,984
Total	<u>\$ 1,825,335</u>	<u>\$ 583,218</u>	<u>\$ 2,408,553</u>

Total General Obligation Bonds - Business-type Activities
(Expressed in Thousands)

2015	<u>\$ 103</u>	<u>\$ 4</u>	<u>\$ 107</u>
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Changes in general obligation bonded debt during the year ended June 30, 2014 are summarized in Note 10.

In prior years, the State has defeased certain general obligation bonds by creating separate irrevocable trust funds. New debt has been issued or cash appropriated and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt. Accordingly, the debt has been considered defeased and has been removed as a liability from the government-wide financial statements. At June 30, 2014, a total of \$280.6 million of defeased bonds were outstanding.

NOTE 6 REVENUE BONDS

Revenue Bonds

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

Primary Government

In August, 2011, pursuant to the Delaware Energy Act, 29 Del. C. §8059, the Sustainable Energy Utility, Inc. (the "SEU"), a Delaware nonprofit corporation created by and for the benefit of the

State issued \$67.4 million of its Sustainable Energy Utility, Inc. Energy Efficiency Revenue Bonds, Series 2011 (the “SEU Bonds”). Of the total amount, \$56.2 million of the SEU Bonds were issued to finance energy conservation measures for multiple State organizations and the remaining amount of \$11.2 million was issued on behalf of Delaware State University. Under separate Installment Payment Agreements, each organization and Delaware State University, is obligated to make installment payments to the SEU in accordance with the Energy Performance Contracting Act, 29 Del. C. §6971. Further, each organization and Delaware State University separately entered into Guaranteed Energy Savings Agreements with various energy services companies, which guaranteed that the savings achieved will be sufficient to cover the financing costs associated with the SEU bonds upon completion of the energy conservation measures. In the event that savings are not realized, the energy services companies will be held responsible for the deficiency.

The SEU Bonds are limited obligations of the SEU, secured by the trust estate and payable only from amounts appropriated by the State that are eligible for payment under the Installment Payment Agreements. The bonds are not direct obligations of the State. No funds appropriated to any organization for any purpose are available to pay the Installment Payments of any other organization or Delaware State University.

The final maturity of the SEU bonds is September 15, 2034. As of June 30, 2014, \$10.3 million of the SEU Bonds issued to finance projects at State agencies was unspent and held by PNC Bank.

Sustainable Energy Utility Revenue Bonds

(Expressed in Thousands)

Fiscal Year	Principal	Interest	Total
2015	\$ 1,610	\$ 2,509	\$ 4,119
2016	3,045	2,439	5,484
2017	2,915	2,324	5,239
2018	3,055	2,179	5,234
2019	1,855	2,067	3,922
2020-2024	10,640	8,898	19,538
2025-2029	13,275	6,097	19,372
2030-2034	15,620	2,546	18,166
2035	2,520	63	2,583
Total	<u>\$ 54,535</u>	<u>\$ 29,122</u>	<u>\$ 83,657</u>

DelDOT Fund

Delaware Transportation Authority (Authority)

The Authority is subject to oversight by the DelDOT and is included in the DelDOT fund. The

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

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

The Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and is therefore not reported as a liability. At June 30, 2014, the amount of defeased debt outstanding amounted to \$297.5 million.

The Authority has a total of \$235.6 million in authorized but unissued revenue bonds at June 30, 2014. Bonds outstanding at June 30, 2014 amounted to \$939.1 million and are presented as follows:

Delaware Transportation Authority Revenue Bonds

(Expressed in Thousands)

Description	Interest Rates	Maturity Date (Fiscal Year)	Balance Outstanding At June 30, 2014
Transportation System Senior Revenue Bonds - Series			
2003	5.0%	2023	\$ 18,090
2004	4.0% - 5.0%	2024	9,620
2005	4.25% - 5.0%	2025	15,450
2006	3.5% - 5.0%	2026	44,620
2007	4.0% - 5.0%	2021	56,095
2008	4.0% - 5.0%	2028	64,400
2008	4.0% - 5.0%	2029	101,995
2009	5.00%	2029	96,250
2010	4.0% - 5.0%	2019	36,960
2010	3.95% - 5.80%	2030	72,120
2012	3.0% - 5.0%	2024	220,625
2014	2.25% - 5.0%	2024	108,760
Transportation System Grant Anticipation Bonds 2010 Series	3.0% - 5.0%	2025	94,070
	Total, Gross		939,055
	Less: Current Portion of Debt Outstanding		77,655
	Long-term Portion of Debt Outstanding		\$ 861,400

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

Delaware Transportation Authority Revenue Bonds

(Expressed in Thousands)

Fiscal Year	Principal	Interest	Total
2015	\$ 77,655	\$ 41,467	\$ 119,122
2016	72,580	39,768	112,348
2017	70,595	36,317	106,912
2018	69,880	32,895	102,775
2019	73,945	29,336	103,281
2020-2024	351,360	93,874	445,234
2025-2029	215,830	16,161	231,991
2030-2033	7,210	-	7,210
Total	\$ 939,055	\$ 289,818	\$ 1,228,873

The transportation system revenue bonds have fixed interest rates and are limited obligations of the Authority secured only by the pledged revenues of the trust funds. Summary financial information at June 30, 2014 for the trust funds, which is the segment of DelDOT that supports the revenue bonds, is presented below and on the following page:

Condensed Statement of Net Position

(Expressed in Thousands)

Assets:	
Current Assets	\$ 208,572
Capital Assets	1,383,309
Other Assets	86,180
Total Assets	<u>1,678,061</u>
Deferred Outflows of Resources	<u>22,823</u>
Total Assets and Deferred Outflows	<u>\$ 1,700,884</u>
Liabilities:	
Current Liabilities	\$ 132,392
Noncurrent Liabilities	920,315
Total Liabilities	<u>1,052,707</u>
Deferred Inflows of Resources	<u>19,574</u>
Net Position:	
Net Investment in Capital Assets	378,412
Unrestricted	93,605
Restricted	156,586
Total Net Position	<u>628,603</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 1,700,884</u>

**Condensed Statements of Revenues
Expenses and Changes in Net Position**

(Expressed in Thousands)

Operating Revenues (Pledged Against Bonds)	\$ 399,666
Other Operating Revenues	60,311
Depreciation Expense	(155)
Other Operating Expenses	<u>(173,216)</u>
Operating Income	<u>\$ 286,606</u>
Nonoperating Revenues (Expenses):	
Investment Income	\$ 2,257
Other Investment Income	10,312
Interest Expense	(38,529)
Transfer to Other Agencies	(3,743)
Transfer from General Fund	43,467
Transfer to DTC	(83,878)
Transfer to DELDOT	<u>(112,792)</u>
Change in Net Position	103,700
Beginning Net Position, as restated*	<u>524,903</u>
Ending Net Position	<u><u>\$ 628,603</u></u>

* Restated for the implementation of GASB 65, which resulted in expensing bond issuance costs previously recorded as deferred bond issuance costs.

Condensed Statements of Cash Flows

(Expressed in Thousands)

Net Cash Provided by (Used In):	
Operating Activities	\$ 284,167
Noncapital Financing Activities	(156,947)
Capital and Related Financing Activities	(139,809)
Investing Activities	<u>6,731</u>
Net Decrease	(5,858)
Beginning Cash and Cash Equivalents	<u>49,153</u>
Ending Cash and Cash Equivalents	<u><u>\$ 43,295</u></u>

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

The total principal and interest remaining to be paid on the revenue bonds as of June 30, 2014 was \$1,228.9 million. Principal and interest paid on the revenue bonds for the year ended June 30, 2014 was \$122.3 million. Total pledged revenues for the year ended June 30, 2014 were \$401.9 million.

Discretely Presented Component Units

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

Delaware State Housing Authority (DSHA)

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

The revenue bonds outstanding have been issued to provide financing for mortgage loans. The bonds are secured by the mortgage loans made or purchased under the applicable resolutions, the revenues, prepayments and foreclosures proceeds received related to the mortgage loans, and certain funds and accounts established pursuant to the applicable bond resolutions. All bonds are callable subject to certain restrictions. Interest rates on bonds outstanding range from 0.95% to 7.75% with maturities of such bonds up through January 1, 2049.

On December 31, 2013, the Authority called all remaining bonds of the Single Family Mortgage Revenue Bonds 2004 Series A issue and sold all remaining mortgage backed securities associated with the bond issue.

Outstanding bonds at June 30, 2014 amounted to \$483.7 million. Future debt service requirements for DSHA's bonds are shown on the following table:

Delaware State Housing Authority Revenue Bonds (Expressed in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 11,122	\$ 18,448	\$ 29,570
2016	10,495	18,069	28,564
2017	10,830	17,671	28,501
2018	11,000	17,233	28,233
2019	11,295	16,750	28,045
2020-2024	63,748	75,885	139,633
2025-2029	79,009	61,961	140,970
2030-2034	65,548	44,646	110,194
2035-2039	75,460	28,551	104,011
2040-2044	127,247	25,789	153,036
2045-2049	17,971	1,439	19,410
Total	<u>\$ 483,725</u>	<u>\$ 326,442</u>	<u>\$ 810,167</u>

Delaware State University (DSU)

Revenue bonds payable at June 30, 2014 are as follows:

Revenue Bonds Payable	
(Expressed in Thousands)	
Revenue Bonds	\$ 3,130
Revenue Refunding Bonds	47,836
Energy Efficiency Revenue Bonds	11,930
Revenue Refunding Bonds Series 2012	31,148
Student Housing Foundation Bonds	14,873
	<hr/>
Total Revenue Bonds Outstanding as of June 30, 2014	<u>\$ 108,917</u>

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

On March 1, 2012, DSU issued revenue refunding bonds in the amount of \$32.1 million (par value) through the DEDA which were in part used to refund certain maturities of Series 1999 bonds. The issuance of Series 2012 bonds and refunding resulted in a \$2.7 million reduction in Series 1999 bond obligations. As of June 30, 2014, \$3.1 million remained outstanding on the 1999 Revenue Bonds.

On December 20, 2007, DSU issued revenue refunding bonds in the amount of \$47.6 million (par value) through the DEDA. The bonds are interest only through October 1, 2018; due on October 1, 2036; and are secured by un-appropriated gross revenues of DSU. DSU has pledged all operating and non-operating revenues, except State appropriations and restricted gifts, grants and bequests, for each academic year during which any of the bonds remain outstanding. As of June 30, 2014, \$47.8 million remained outstanding on the 2007 revenue bonds.

DSU entered into a Guaranteed Energy Savings Agreement with Johnson Controls, Inc. in the amount of \$11.3 million. In connection with this agreement and to fund energy efficiency projects, energy efficiency revenue bonds were issued through the State of Delaware Sustainable Energy Utility, Inc. on August 1, 2011. The bonds are due September 15, 2032 and are limited obligations of DSU, payable only from amounts appropriated by the State that are eligible for payment of the Installment Payments pursuant to the Energy Performance Contracting Act. The 2011 bonds are equally and ratably secured by the trust estate, and failure of the State to appropriate each year sufficient available funds will cause insufficient funds to be deposited into the bond fund to pay all principal and interest on the bonds when due. Johnson Controls, Inc. guaranteed that the savings achieved will be sufficient to cover the financing cost associated with the bond, upon completion of the energy upgrades to various buildings and systems throughout DSU. In the event that the savings are not realized, Johnson Controls, Inc. will be responsible for the amount of that deficiency. As of June 30, 2014, \$11.9 million remained outstanding on the 2011 energy efficiency bonds.

On March 1, 2012, DSU issued revenue refunding bonds in the amount of \$32.1 million (par value) through the DEDA. The bonds are due October 1, 2036 and are secured by a pledge of certain un-appropriated revenues of DSU. The proceeds of the 2012 bonds were used to finance: (1) the refunding of certain maturities of The Delaware Economic Development Authority Revenue Refunding Bonds (Delaware State University Project) Series 1999; (2) the purchase of the University Village, a four building, 628 bed student housing facility and dining hall located on the campus of the University, the construction of which was financed by the Kent County, Delaware Variable Rate Demand Student Housing Revenue Bonds (Delaware State University Student Housing Foundation Project) Series 2004B; (3) the funding of any required reserve funds relating to the 2012 Bonds; and (4) the costs of issuance and any credit enhancement of the 2012 Bonds. As of June 30, 2014, \$31.1 million remained outstanding on the 2012 revenue bonds.

Remaining maturities and interest due relating to DSU's revenue bonds at June 30, 2014 are as follows

Delaware State University Revenue Bonds
(Expressed in thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,030	\$ 4,054	\$ 6,084
2016	2,100	3,981	6,081
2017	2,230	3,886	6,116
2018	2,370	3,778	6,148
2019	2,630	3,699	6,329
2020 - 2024	15,190	16,749	31,939
2025 - 2029	18,730	13,153	31,883
2030 - 2034	26,745	9,497	36,242
2035 - 2039	19,275	2,352	21,627
Total	91,300	<u>\$ 61,149</u>	<u>\$ 152,449</u>
Plus Unamortized Bond Premiums and Discount	<u>2,744</u>		
Total Revenue Bonds Payable	<u>\$ 94,044</u>		

The Delaware State University Housing Foundation (Housing Foundation), a component unit of DSU refinanced its Series 2000A and 2002A Bonds with a loan payable in an aggregate amount of \$18.4 million funded with proceeds from the issuance of student housing revenue bonds, Series 2004A (Delaware State University Student Housing Foundation Project). The liability of the Housing Foundation under the loan agreements is limited to the value of the building and improvements, pledged revenues and amounts deposited with the trustee. The first monthly interest payment on the Series 2004A Bonds began on July 1, 2004.

Maturities of long-term debt at June 30, 2014 are as follows:

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

<u>Fiscal Year</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	4.00%	\$ 435	\$ 736	\$ 1,171
2016	4.20%	455	717	1,172
2017	4.30%	475	698	1,173
2018	4.40%	495	677	1,172
2019	4.50%	515	654	1,169
2020 - 2024	5.00%	2,980	2,854	5,834
2025 - 2029	5.00%	3,795	2,012	5,807
2030 - 2035	5.0-5.125%	5,970	960	6,930
Total, Gross		15,120	\$ 9,308	\$ 24,428
Less: Unamortized Bond Discount		247		
Total Bonds Payable		<u>\$ 14,873</u>		

NOTE 7 LOANS AND NOTES PAYABLE

Primary Government

Banc of America Master Lease/Purchase

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

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

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

Red Clay Consolidated School District Agreement
(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ (144)	\$ 555	\$ 411
2016	329	556	885
2017	406	546	952
2018	454	534	988
2019	503	520	1,023
2020-2024	3,362	2,343	5,705
2025-2029	5,076	1,746	6,822
2030-2034	7,283	870	8,153
2035	1,773	39	1,812
Total	<u>\$ 19,042</u>	<u>\$ 7,709</u>	<u>\$ 26,751</u>

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

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

Delaware State Police Agreement
(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 989	\$ 179	\$ 1,168
2016	1009	159	1,168
2017	1030	138	1,168
2018	1051	117	1,168
2019	1073	96	1,169
2020-2023	3,929	161	4,090
Total	<u>\$ 9,081</u>	<u>\$ 850</u>	<u>\$ 9,931</u>

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

Loan and notes payable of the DSPC at June 30, 2014 are shown below:

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

Transportation Trust Fund Loan	\$	17,692
City of Wilmington Port Debt Service Notes		4,971
Delaware River and Bay Authority		2,599
Total	\$	25,262

Transportation Trust Fund Loan

In November 2001, DSPC entered into a loan agreement with DelDOT. DSPC borrowed \$27.5 million. The funds were used to repay the balances in full of the original Delaware River and Bay Authority Note and the Wilmington Trust Company Note, and, at a discount, the City of Wilmington Deferred Payment Note. The interest rate was 3.99% during 2014. The loan matures March 2029.

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

Transportation Trust Fund Loan
 (Expressed in Thousands)

Fiscal Year	Principal	Interest	Total
2015	\$ 923	\$ 704	\$ 1,627
2016	960	667	1,627
2017	999	629	1,628
2018	1039	589	1,628
2019	1081	547	1,628
2020-2024	6,090	2,049	8,139
2025-2029	6,600	725	7,325
Total	\$ 17,692	\$ 5,910	\$ 23,602

City of Wilmington Note

In 1995, in consideration of the acquisition of the Port of Wilmington assets from the City of Wilmington (the City), Delaware, DSPC issued to the City two separate notes consisting of a Port Deferred Payment Note in the amount of \$39.9 million and Port Debt Service Notes with an original face amount of \$51.1 million. These notes are secured by a first lien on substantially all of the DSPC's assets. These notes obligate DSPC to pay the City amounts that generally

represent the outstanding principal balance of certain DSPC-related City general obligation bonds. The interest rates on the City bonds range from 3.2% to 6.4%.

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

Port Debt Service Note
(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 701	\$ 233	\$ 934
2016	742	195	937
2017	683	157	840
2018	253	136	389
2019	274	123	397
2020-2023	2,318	230	2,548
Total	<u>\$ 4,971</u>	<u>\$ 1,074</u>	<u>\$ 6,045</u>

Delaware River and Bay Authority (DRBA) Obligation

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

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

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

Delaware River and Bay Authority Obligation
(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 186	\$ 75	\$ 261
2016	192	70	262
2017	197	64	261
2018	158	104	262
2019	166	95	261
2020-2024	977	330	1,307
2025-2027	723	61	784
Total	<u>\$ 2,599</u>	<u>\$ 799</u>	<u>\$ 3,398</u>

NOTE 8 LEASE COMMITMENTS

The State has entered into various property and equipment operating leases (terms in excess of one year) with aggregate future rentals approximating \$169.8 million, of which \$146.5 million relates to property leases and \$23.3 million relates to equipment leases. Operating leases contain various renewal options. Any escalation clauses, sublease rentals and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures of the related fund when incurred. Lease payments for fiscal year 2014 were approximately \$32.2 million, of which \$25.7 million was for office space and \$6.5 million, was for equipment. The equipment leases held by the State consists mainly of computers, data processing equipment and fleet vehicles.

Significant annual equipment rentals include \$3.6 million for fleet vehicles and data processing equipment for the Office of Management and Budget, and \$1.5 million for data processing equipment for the Department of Education. Significant annual real estate rentals include \$6.7 million for leases for Health and Social Services facilities, \$2.2 million for the Department of Services for Children, Youth and Their Families, \$3.1 million for office space for the Department of Correction, and \$3.2 million for the Department of Labor.

Future minimum lease commitments for operating leases as of June 30, 2014 are shown in the following table:

Lease Commitments	
(Expressed in Thousands)	
Fiscal Year	Operating Leases
2015	\$ 30,741
2016	26,932
2017	24,974
2018	20,926
2019	19,178
2020-2024	40,880
2025-2029	5,446
2030-2034	738
Total	<u>\$ 169,815</u>

NOTE 9 OTHER LONG-TERM OBLIGATIONS

Compensated absences payable are reported in the government-wide financial statements and in the proprietary fund financial statements. They represent benefits accrued to State employees for vacation earned as of year-end and sick leave estimated to be paid out at retirement for services rendered as of June 30, 2014. Employees earn from 1.25 to 1.75 days of vacation leave per month depending on years of service. Employees or their estates are paid for unused vacation upon termination of employment. Employees earn 1.25 days of sick leave per month. The State's obligation for sick leave credit is a maximum of 45 workdays. \$175.9 million has been accrued for the Governmental Activities and \$12.3 million in the Business-type Activities for the total compensated absences liability. The current portion of the long-term obligation for compensated absences is \$13.0 million in the Governmental Activities and \$1.8 million in the Business-type Activities. Approximately \$151.1 million (85.9%) of the long-term obligation for compensated absences will be liquidated by the General Fund. Of the remainder, approximately \$9.8 million (5.6%) and \$15 million (8.5%) will be paid with Federal Funds and Local School District Funds, respectively.

The State has recorded \$130.0 million relating to the accrual of the obligation for escheated (abandoned) property of which \$26.0 million was recorded as the current portion.

The State has incurred obligations relating to scholarship and physician loan repayment programs, resulting in an additional long-term obligation of \$3.8 million, of which \$688.5 thousand was recorded as the current portion.

NOTE 10 CHANGES IN LONG-TERM OBLIGATIONS

The following table provides a summary of changes in long-term obligations of the primary government for the year ended June 30, 2014:

Changes in Long-Term Obligations Primary Government (Expressed in Thousands)					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Net Pension Obligation (Note 15)	\$ 119,088.0	\$ 24,443.0	\$ (23,064.0)	\$ 120,467.0	\$ -
Other Postemployment Benefits (Note 14)	1,682,007.7	457,077.7	(257,047.0)	1,882,038.4	-
Compensated Absences (Note 9)	172,747.0	16,800.0	(13,613.9)	175,933.1	12,956.8
Claims and Judgments (Notes 13 and 19)	167,225.5	41,970.1	(36,354.0)	172,841.6	38,861.8
Escheat Payable (Note 9)	95,000.0	44,900.0	(9,900.0)	130,000.0	26,000.0
Notes Payable (Note 7)	28,550.3	541.8	(969.6)	28,122.5	845.1
Pollution Remediation Obligations (Note 19)	27,557.8	1,737.7	(4,431.6)	24,863.9	8,110.2
Bonds Payable:					
General Obligation Bonds (Note 5)	1,755,030.2	225,000.0	(154,695.0)	1,825,335.2	167,540.0
Bond Issue Premium, Net of Accumulated Amortization	166,252.0	24,413.3	(16,107.9)	174,557.4	17,023.4
Revenue Bonds (Note 6)	56,170.0	-	(1,634.8)	54,535.2	1,610.0
Physician and Scholarship Programs (Note 9)	3,574.9	1,203.8	(946.5)	3,832.2	688.5
Governmental Activities Long-term Liabilities	4,273,203.4	838,087.4	(518,764.3)	4,592,526.5	273,635.8
Business-type Activities:					
Other Postemployment Benefits (Note 14)	170,874.6	45,885.3	(19,255.6)	197,504.3	\$ -
Compensated Absences (Note 9)	14,227.3	237.3	(2,198.0)	12,266.6	1,787.1
Pollution Remediation Obligations (Note 19)	4,004.7	-	(493.2)	3,511.5	1,280.0
Liabilities Payable from Restricted Assets (Notes 13 and 17)	12,394.8	4,695.4	(2,403.8)	14,686.4	2,427.0
Bonds Payable:					
General Obligation Bonds (Note 5)	246.3	-	(142.9)	103.4	103.4
Revenue Bonds (Note 6)	1,023,505.0	108,760.0	(193,210.0)	939,055.0	77,655.0
Bond Issue Premium, Net of Accumulated Amortization	55,690.0	15,983.1	(5,933.9)	65,739.2	6,823.9
Business-type Activities Long-term Liabilities	\$ 1,280,942.7	\$ 175,561.1	\$ (223,637.4)	\$ 1,232,866.4	\$ 90,076.4

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

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

financial statements. These bonds are issued through the Delaware Economic Development Authority. The principal amount of bonds outstanding at June 30, 2014 for this entity amounted to \$672.1 million.

NOTE 12 CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2014 were as follows:

Governmental Activities	Capital Assets (Expressed in Thousands)			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets, Not Being Depreciated				
Land	\$ 459,587	\$ 8,857	\$ (233)	\$ 468,211
Easements	79,750	-	-	79,750
Construction-In-Progress	359,186	297,855	(116,996)	540,045
Total Capital Assets, Not Being Depreciated	898,523	306,712	(117,229)	1,088,006
Capital Assets, Being Depreciated				
Vehicles	81,726	8,035	(3,086)	86,675
Buildings	3,598,832	65,347	(8,140)	3,656,039
Equipment	99,498	6,080	(4,723)	100,855
Land Improvements	226,330	14,519	-	240,849
Computer Software	65,718	44,052	(2,764)	107,006
Total Capital Assets Being Depreciated	4,072,104	138,033	(18,713)	4,191,424
Less Accumulated Depreciation For:				
Vehicles	(63,219)	(5,607)	3,032	(65,794)
Buildings	(1,176,239)	(80,389)	7,704	(1,248,924)
Equipment	(72,940)	(4,794)	4,361	(73,373)
Land Improvements	(72,984)	(12,434)	-	(85,418)
Computer Software	(36,914)	(19,335)	2,761	(53,488)
Total Accumulated Depreciation	(1,422,296)	(122,559)	17,858	(1,526,997)
Total Capital Assets, Being Depreciated, Net	2,649,808	15,474	(855)	2,664,427
Governmental Activities Capital Assets, Net	\$ 3,548,331	\$ 322,186	\$ (118,084)	\$ 3,752,433

Capital Assets				
(Expressed in Thousands)				
Business-type Activities DeIDOT	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 283,876	\$ 4,736	\$ -	\$ 288,612
Infrastructure	3,670,250	53,425	-	3,723,675
Other Buildings and Improvements	-	22,100	-	22,100
Construction In Progress	<u>3,140</u>	<u>33,891</u>	<u>(2,945)</u>	<u>34,086</u>
Total Capital Assets, Not Being Depreciated	<u>3,957,266</u>	<u>114,152</u>	<u>(2,945)</u>	<u>4,068,473</u>
Capital Assets, Being Depreciated				
Buildings & Improvements	109,638	9,571	(579)	118,630
Furniture & Equipment	<u>268,900</u>	<u>39,520</u>	<u>(11,944)</u>	<u>296,476</u>
Total Capital Assets, Being Depreciated	<u>378,538</u>	<u>49,091</u>	<u>(12,523)</u>	<u>415,106</u>
Less Accumulated Depreciation For:				
Buildings & Improvements	(34,367)	(6,805)	-	(41,172)
Furniture & Equipment	<u>(146,323)</u>	<u>(26,437)</u>	<u>2,660</u>	<u>(170,100)</u>
Total Accumulated Depreciation	<u>(180,690)</u>	<u>(33,242)</u>	<u>2,660</u>	<u>(211,272)</u>
Total Capital Assets, Being Depreciated, Net	<u>197,848</u>	<u>15,849</u>	<u>(9,863)</u>	<u>203,834</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,155,114</u>	<u>\$ 130,001</u>	<u>\$ (12,808)</u>	<u>\$ 4,272,307</u>

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

Depreciation Expense	
(Expressed in Thousands)	
Governmental Activities:	
General Government	\$ 26,413
Health and Children's Services	13,082
Judicial and Public Safety	14,931
Natural Resources and Environmental Control	4,836
Labor	134
Education	<u>63,163</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 122,559</u>
Business-type Activities:	
DeIDOT	<u>\$ 33,242</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 33,242</u>

NOTE 13 RISK MANAGEMENT

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

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

The management of the State estimates that the amount of actual or potential claims against the State at June 30, 2014, for workers' compensation, automobile accident and health-care claim liabilities is \$220.0 million. The claim liabilities relating to health-care totaling \$48.8 million have been recorded as accrued liabilities in governmental activities. The liability for workers' compensation and automobile accident liabilities totaling \$171.2 million has been recorded in governmental activities as claims and judgments. The current portion of these claims totals \$38.9 million. Other claim liabilities relating to police professional malpractice and property and casualty were not recorded at June 30, 2014 as the total of these liabilities were not material to the financial statements. Changes in the balances of claim liabilities during fiscal years 2014 and 2013 were as follows:

(Expressed in Thousands)

Fiscal Year	Beginning Balance July 1	Current Year Claims and Changes in Estimates	Actual Claim Payments	Ending Balance June 30
2013	\$ 198,895	\$ 640,376	\$ (631,434)	\$ 207,837
2014	\$ 207,837	\$ 703,221	\$ (691,064)	\$ 219,994

DelDOT

The Delaware Transit Corporation (DTC) maintains coverage on auto insurance through both the retention of risk and the purchase of commercial insurance. The DTC has recorded \$12.0 million of claim liabilities as Insurance Loss Reserve. Of this amount, \$2.4 million has been recorded as current.

NOTE 14 OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

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

Membership of the plan consisted of the following at June 30, 2014:

Retirees and Beneficiaries Receiving Benefits	20,411
Terminated Plan Members Entitled to But Not Yet Receiving the Benefits	1,942
Active Eligible Plan Members	<u>36,562</u>
Total	<u><u>58,915</u></u>

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

Eligibility:

State Employees:

Early Retirement:

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

Normal Retirement:

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

Benefits:

During the fiscal year ended June 30, 2014, the State provided health insurance options through several providers.

Spouse and Survivor Coverage:

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

Employee Contributions:

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

Retiree Contributions (hired on or after 07/01/1991):

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

Funding Policy

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

Contributions

The contribution rates for the employer and retiree are established annually by the budgeting process of the State. Those rates include an employer contribution based on projected pay-as-you-go financing requirements as a percent of covered payroll, with an additional amount to prefund benefits, which is not actuarially determined. For fiscal year 2014, the State contribution in relation to the annual required contribution (ARC) totaled \$202.6 million.

Retiree contribution rates are affected by the retiree date of hire, with eligible retirees hired after June 30, 1991 paying a proportionately higher rate if their years of service total less than 20.

Retiree contributions for health coverage totaled \$8.1 million.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. Amounts "required" but not actually set aside to pay for these benefits are accumulated as part of the net OPEB obligations. The following table shows the components of the State's annual OPEB for fiscal year 2014, the amount actually contributed to the plan, and the State's net OPEB obligation (dollar amounts in millions):

	Total	Governmental Activities	Business-Type Activities *
Net OPEB Obligation at June 30, 2013	\$ 1,852.9	\$ 1,682.0	\$ 170.9
Annual Required Contribution	424.1	385.2	38.9
Interest on Net OPEB Obligation	78.9	71.9	7.0
Adjustment to Annual Required Contribution	(72.5)	(65.2)	(7.3)
Subtotal	2,283.4	2,073.9	209.5
Employer Contributions	(203.9)	(191.9)	(12.0)
 Net OPEB Obligation at June 30, 2014	 \$ 2,079.5	 \$ 1,882.0	 \$ 197.5

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the OPEB Trust for the fiscal years 2014, 2013, and 2012 are as follows (dollar amounts in millions):

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 413.6	50%	\$ 1,988.5
2013	397.8	52%	1,777.5
2012	490.5	38%	1,581.5

Funded Status and Funding Progress

As of June 30, 2014, the plan was 4.9% funded. The actuarial accrued liability for benefits was \$5,946.0 million, and the actuarial value of assets was \$290.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,656.0 million for the primary government. The covered payroll (annual payroll of active employees covered by the plan) was \$2,038.0 million and the ratio of the UAAL to the covered payroll was 277%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the

employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the June 30, 2014 actuarial valuation, the entry age normal actuarial cost method was used. Investments are valued at fair value. The actuarial assumptions included a 4.25% investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the State's own investments calculated based on the funded level of the plan at the valuation date, and a medical inflation rate of 4.25%. The UAAL is being amortized as a level percentage of projected payroll on a level percent open basis over 30 years using a 3.25% rate of salary increase.

Delaware Transit Corporation (DTC)

In June 2010, the Delaware Transit Corporation OPEB Trust Fund (the DTC OPEB Trust) was established pursuant to Section 115 of the Internal Revenue Code. The DTC OPEB Trust is administered by DTC. Policy for and management of the OPEB benefits provided to retirees are the responsibility of DTC. No stand-alone financial report is issued for the DTC OPEB Trust.

Plan Description

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

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

the coverage drops to \$5,000. DTC must contribute \$0.23 per month per \$1,000 of coverage for each employee.

The numbers of participants are 810 active employees and 193 retirees as of June 30, 2014, the effective date of the other post-employment benefit (OPEB) actuarial valuation report.

Funding Policy

DTC funds the DTC OPEB Trust on a pay-as-you-go basis with additional funding on an ad hoc basis. Funds are recorded in the DTC OPEB Trust for the payment of retiree healthcare claims and administrative and investment expenses. Administrative costs are financed through investment earnings. Employer contributions and retiree contributions for healthcare are recorded in the DTC OPEB Trust. The funds available are invested under DTC's management, which acts as the Trustee and is responsible for the financial management of the DTC OPEB Trust. The cash basis costs associated with these benefits was \$1.3 million for the fiscal year ended June 30, 2014.

Annual OPEB Cost and Net Obligation

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

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

Annual Required Contribution	\$	17,371
Interest on Net OPEB Obligation		2,992
Adjustment to Annual Required Contribution		(3,615)
Annual OPEB Cost (Expense)		<u>16,748</u>
Contributions Made		<u>(1,288)</u>
Increase in Net OPEB Obligation		15,460
Net OPEB Obligation - Beginning of Year		75,498
Net OPEB Obligation - End of Year	\$	<u><u>90,958</u></u>

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

Ended June 30	OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
2014	\$ 16,748	7.69%	\$ 90,958
2013	15,671	7.62%	75,498
2012	17,074	6.84%	61,021

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the Plan was 1.4% funded. The actuarial accrued liability was \$135.2 million and the actuarial value of the assets was \$1.9 million, resulting in an unfunded actuarial accrued liability of \$133.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$38.5 million and the ratio of the UAAL to the covered payroll was 346.0%.

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

Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the projected unit credit method was used with linear proration to assumed benefit commencement. The actuarial assumptions included a 4.0% investment rate of return, 3.0% payroll growth rate, a 2.5% inflation rate, and a healthcare cost trend rate of 8.0% reduced by decrements to 5.9% after 10 years. The ultimate healthcare cost trend rate will remain constant at 4.2% after 2098. The unfunded liability is being amortized as a level percentage of payrolls over a 30-year closed amortization period.

NOTE 15 PENSIONS**Pension Plans**

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

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

- Diamond State Port Corporation Pension Plan; and
- Closed State Police Pension Plan.

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

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

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

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

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

Non-DPERS Fund Descriptions and Contributions

County & Municipal Police and Firefighters' COLA Fund

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

Post-Retirement Increase Fund (PRI)

The State passed legislation which established a mechanism for funding ad hoc post-retirement increases granted by the General Assembly to members retired under the State Employees' Plan, the New State Police Plan, and the Judiciary Plans (Closed and Revised) beginning in fiscal year 1994. The mechanism allows the State to appropriate actuarially determined employer contributions to a separate PRI fund managed by the Board. The actuary uses the current actuarial assumptions, methods, and population data to calculate the estimated additional liability resulting from granted ad hoc benefit increases. When the Legislature grants an ad hoc post-retirement adjustment, funds are transferred from this PRI fund on a monthly basis based on a five-year actuarial funding schedule to the appropriate pension plan from which the additional benefits are disbursed. For the fiscal year ended June 30, 2014, \$27.5 million was transferred to the appropriate plans in DPERS.

As of June 30, 2014 recently granted post-retirement increases have outstanding liabilities totaling \$132.5 million, which will be funded by the State and transferred to the appropriate plans over the next six fiscal years as follows:

<u>Fiscal Year</u>	<u>Expressed in Thousands</u>
2015	\$ 33,493
2016	39,808
2017	31,136
2018	10,945
2019	11,300
2020	5,834
Total	<u>\$ 132,516</u>

The Board adopts actuarially determined funding for the Post-Retirement Increase Fund. Funding for fiscal year 2014 was 1.51% of covered payroll. Funding for fiscal year 2015 will be 1.66%.

Local Government Retirement Investment Pool (DELRIP)

In June 1996, the State established DELRIP in the custody of the Board to allow local governments the option to pool their pension assets with the System for investment purposes. The DELRIP is an external investment pool that allows local governments within the State to potentially maximize their rate of return and reduce administrative expenses related to the investment of funds. Participation in the pool is voluntary. There were three participating entities in DELRIP as of June 30, 2014, which comprise the pool in its entirety: Sussex County and the Towns of Elsmere and Newport.

DELRIP is subject to the oversight of the System's Investment Committee and not subject to the regulatory oversight of the Securities and Exchange Commission (SEC). The System has not provided or obtained any legally binding guarantees during the year to support the value of shares. The fair value of the shares in the pool is determined in the same manner as the value of

the Master Trust shares. Since this pool is a portion of the total System, the same accounting and investment policies apply.

Plan Membership, Benefit and Contribution Provisions

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

State Employees' Pension Plan

Plan Description and Eligibility:

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

There are two tiers within this plan:

- 1) Employees hired prior to January 1, 2012 (Pre-2012)
- 2) Employees hired on or after January 1, 2012 (Post-2011)

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

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

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

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

Survivor Benefits: If employee is receiving a pension, the eligible survivor receives 50% of pension (or 75% with 3% reduction of benefit); if employee is active with

at least 5 years of credited service, eligible survivor receives 75% of the benefit the employee would have received at age 62.

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

Burial Benefit: \$7,000 per member.

Special Fund

Plan Description and Eligibility:

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

Service Benefits: Defined by special legislation.

Vesting: Defined by special legislation.

Retirement: Defined by special legislation.

Disability Benefits: Defined by special legislation.

Survivor Benefits: Same as State Employees' Plan.

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

Burial Benefit: \$7,000 per member.

New State Police Pension Plan

Plan Description and Eligibility:

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

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

Vesting: 10 years of credited service at age 62.

Retirement: Age 62 with 10 years of credited service; age plus credited service (but not

less than 10 years) equals 75; has 10 years of service and is retired due to age; or 20 years of credited service.

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

Non-Duty – same as service benefits, total disability subject to a minimum 50% of final average monthly compensation plus 5% for each dependent not to exceed 20% for all dependents. Partial disability to a minimum of 30% of final average monthly compensation.

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

Contributions: Employer - determined by Board of Pension Trustees.
Member - 7% of compensation.

Burial Benefit: \$7,000 per member.

Judiciary Pension Plans (Closed and Revised)

Plan Description and Eligibility:

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

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

Service Benefits:

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

Vesting: 12 years of credited service.

Retirement:

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

Disability Benefits: Same as service benefits.

Survivor Benefits:

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

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

Contributions: Employer - determined by Board of Pension Trustees.

Member:

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

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

Burial Benefit: Not applicable.

Closed State Police Pension Plan

Plan Description and Eligibility:

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

Survivor Benefits: If employee is active or is receiving a service or service-related disability pension, the eligible survivor receives 75% of pension; if employee is receiving a non-service related disability pension; eligible survivor receives 50% of pension.

Contributions: Employer - funded on a pay-as-you-go basis.

Burial Benefit: \$7,000 per member.

The following plans are managed by DPERS and included in the fiduciary funds statement but are not obligations of the State:

Diamond State Port Corporation Pension Plan

Plan Description and Eligibility:

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

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

Vesting: 5 years of credited service.

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

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

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

Contributions: Employer - determined by Board of Pension Trustees.
Member - 2% of compensation.

Burial Benefit: Not applicable.

County & Municipal Police and Firefighters' Pension Plans

Plan Description and Eligibility:

County & Municipal Police and Firefighters' Pension Plan is a cost-sharing multiple-employer defined benefit plan that cover police officers and firefighters employed by a county or municipality of the State which has become part of the Plan.

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

highest three consecutive years of compensation.

Vesting: 5 years of credited service.

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

Disability Benefits:

Duty - *Total Disability* - 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents.

Partial Disability - calculated the same as service benefits, subject to minimum 50% of final average compensation.

Non-Duty - Same as service benefits, total disability subject to a minimum 50% of final average monthly compensation plus 5% for each dependent not to exceed 20% for all dependents. Partial disability to a minimum of 30% of final average monthly compensation.

Survivor Benefits: If employee is receiving a pension, then eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62. If the member is killed in the line of duty, the eligible survivor receives 75% of the member's compensation.

Contributions: Employer - determined by Board of Pension Trustees.
Member - 7% of compensation.

Burial Benefit: Not applicable.

County and Municipal Other Employees' Pension Plan

Plan Description and Eligibility:

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

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

Vesting: 5 years of credited service.

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

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

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

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

Burial Benefit: Not applicable.

Delaware Volunteer Firemen's Fund

Plan Description and Eligibility:

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

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

Vesting: 10 years of credited service.

Retirement: Age 60 with 10 years credited service.

Disability Benefits: Not applicable.

Survivor Benefits: Not applicable.

Contributions: Employer - determined by Board of Pension Trustees.
Member - \$60 per member per calendar year.

Burial Benefit: Not applicable.

Historical Trend Information

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

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

Funded Status and Progress

Employer contributions, with the exception of the Closed State Police Pension Plan, are actuarially determined and calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. Member contribution rates are established by each plan. The State is responsible to contribute to the following Plans: State Employees, Special, New State Police, Judiciary and Closed State Police Plans. Contributions are funded by the governmental and business type funds allocated to the salaries charged to each fund. During fiscal year ending June 30, 2014, the State contributed \$211.3 million to these Plans based on the actuarial determined contribution amount of \$213.9 million or 98.8% of the actuarial determined contribution. The covered payroll of the Plans was \$1,905.8 million for the fiscal year ended June 30, 2014 and the average contribution rates for these Plans was 11.1%.

The funded status of the Plans as of June 30, 2014, the most recent valuation date, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL AAL AAL (UAAL) (Excess of Assets over Liabilities (2) ·		(4) Funded Ratio (1) / (2)	(5) Annual Covered Payroll	(6) UAAL/ (Excess) as % of Covered payroll (3) / (5)
				(1)	(2)			
State Employees	6/30/2014	\$ 8,389,765	\$ 8,757,980	\$ 368,215		95.8%	\$ 1,840,521	20.0%
Special	6/30/2014	304	200	(104)		152.0%	N/A	N/A
Closed State Police +	6/30/2014	2,002	369,934	367,932		0.5%	N/A	N/A
New State Police	6/30/2014	374,789	390,044	15,255		96.1%	\$ 55,067	27.7%
Judiciary	6/30/2014	73,325	71,968	(1,357)		101.9%	\$ 10,244	-13.3%

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

N/A - Not Applicable

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

Plan	State Employees'	Special	Closed State Police	New State Police	Judiciary
Annual Pension Cost	174,863	N/A	24,443	10,500	2,839
Actuarial Valuation Date	6/30/2014	6/30/2014	6/30/2014	6/30/2014	6/30/2014
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Closed for Plan Bases & Open for Aggregate Gain/Loss	Level Dollar Open	Level Dollar Closed	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	20 years (1)	10 years	25 years	20 years (1)	9.64 years (1)
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:					
Investment Rate of Return	7.5%	7.5%	7.5%	7.5%	7.5%
Projected Salary Increases ¹	3.8% to 11.8%	N/A	4.2% to 4.8%	4.3% to 11.8%	3.8% to 12.5%
Cost-of-Living Adjustments	Ad hoc	Ad hoc	Based on CPI	Ad hoc	Ad hoc

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

Three-Year Trend Information

(Expressed in Thousands)

	Plan Year Ended	Contribution Made	Annual Pension Cost (APC)	Percent Of APC Contributed	Net Pension Obligation
State Employees'	6/30/2014	\$ 174,863	\$ 174,863	100.00%	\$ -
	6/30/2013	160,651	160,651	100.00%	-
	6/30/2012	147,464	147,464	100.00%	-
Judiciary	6/30/2014	\$ 2,839	\$ 2,839	100.00%	\$ -
	6/30/2013	2,762	2,762	100.00%	-
	6/30/2012	2,674	2,674	100.00%	-
New State Police	6/30/2014	\$ 10,500	\$ 10,500	100.00%	\$ -
	6/30/2013	9,292	9,292	100.00%	-
	6/30/2012	8,309	8,309	100.00%	-
Closed State Police	6/30/2014	\$ 23,064	\$ 24,443	94.36%	\$ 120,467
	6/30/2013	23,064	24,155	95.48%	119,088
	6/30/2012	23,064	23,293	99.02%	117,997

NET PENSION OBLIGATION (NPO)

The Annual Pension Cost (APC) and Net Pension Obligation (NPO) for the Closed State Police Pension Plan for the fiscal years ended June 30, 2014, 2013, and 2012 are as follows:

Net Pension Obligation (NPO)

(Expressed in Thousands)

	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2013	Fiscal Year Ended June 30, 2012
Annual Required Contribution	\$ 26,169	\$ 25,696	\$ 24,678
Interest on Net Pension Obligation	8,932	8,850	8,833
Adjustment to Annual Required Contribution	(10,658)	(10,391)	(10,218)
Annual Pension Cost	24,443	24,155	23,293
Less Contributions Made	(23,064)	(23,064)	(23,064)
Increase in Net Pension Obligation	1,379	1,091	229
Net Pension Obligation, Beginning of Year	119,088	117,997	117,768
Net Pension Obligation, End of Year	\$ 120,467	\$ 119,088	\$ 117,997

Delaware Transportation Authority

Generally, employees of the Expressways Operations/Toll Administration are covered under DPERS. The Delaware Transit Corporation (DTC), a subsidiary public corporation of the Delaware Transportation Authority, contributes to two single-employer defined benefit plans

consisting of the Contributory Pension Plan and the Delaware Transit Corporation (DTC) Pension Plan. Each plan provides retirement, disability and death benefits to plan members and beneficiaries. Each plan issues a publicly available financial report that includes financial statements and required supplementary information. Financial data for these plans has not been included in the fiduciary statements due to immateriality.

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

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

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

Plan	DTC Pension Plan	Contributory Pension Plan
Contribution Rates:		
Employer	8.70%*	5.00%
Participants	3.00%	5.00%
Annual Pension Cost	\$ 1,156,145	\$ 853,917
Contributions Made	\$ 1,156,072	\$ 1,249,884
Actuarial Valuation Date	07/01/13	01/01/14
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Remaining Amortization Period	20	15
Asset Valuation Method	Five-Year Smoothed Market	Five-Year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.00%
Projected Salary Increases	2.50%	4.00%

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

*Actuarially determined

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

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

	DTC Pension Plan	Contributory Pension Plan
For the Year Ended	6/30/2014	12/31/2013
Annual Required Contribution (ARC)	\$ 1,156,145	\$ 773,130
Interest on Net Pension Obligation (NPO)	-	(239,466)
Actuarial Adjustment	-	320,253
Annual Pension Cost (APC)	1,156,145	853,917
Less: Actual Contributions	(1,156,072)	(1,249,884)
Increase (Decrease) in NPO	73	(395,967)
Net Pension Obligation (Asset), Beginning of the Year	108,847	(3,420,938)
Net Pension Obligation (Asset), End of the Year	<u>\$ 108,920</u>	<u>\$ (3,816,905)</u>

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

	Plan Year Ended	Contribution Made	Annual Pension Cost (APC)	Percent Of APC Contributed	Net Pension Asset
DTC Pension Plan	6/30/2014	\$ 1,156,072	\$ 1,156,145	99.99%	\$ (108,920)
	6/30/2013	963,253	962,682	100.06%	(108,847)
	6/30/2012	996,777	996,827	99.99%	(109,418)
Contributory Pension	12/31/2013	\$ 1,249,884	\$ 853,917	146.37%	\$ 3,816,905
	12/31/2012	1,080,068	788,421	136.99%	3,420,938
	12/31/2011	1,073,948	658,363	163.12%	3,129,291

Deferred Compensation Plan

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

NOTE 16 GOVERNMENTAL FUND BALANCES

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

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

A summary of governmental fund balances at June 30, 2014, is as follows (expressed in thousands):

	<u>General</u>	<u>Federal</u>	<u>Local School District</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Nonspendable					
Federal Restrictions	\$ -	\$ 281,260	\$ -	\$ -	\$ 281,260
Inventories	6,630	-	-	-	6,630
Total Nonspendable	<u>6,630</u>	<u>281,260</u>	<u>-</u>	<u>-</u>	<u>287,890</u>
Restricted:					
Health and Children's Services	8,039	-	-	-	8,039
Judicial and Public Safety	12,313	-	-	-	12,313
Natural Resources and Environmental Control	119,573	-	-	-	119,573
Agriculture	306	-	-	-	306
Labor	9,442	-	-	-	9,442
Education	3,632	-	289,644	123,902	417,178
Economic Development	559	-	-	-	559
Other	3,638	-	-	-	3,638
Total Restricted	<u>157,502</u>	<u>-</u>	<u>\$ 289,644</u>	<u>123,902</u>	<u>571,048</u>
Committed					
Health and Children's Services	17,011	-	-	-	17,011
Judicial and Public Safety	4,831	-	-	-	4,831
Natural Resources and Environmental Control	34,495	-	-	-	34,495
Agriculture	13,939	-	-	-	13,939
Labor	5,090	-	-	-	5,090
Education	8,875	-	-	-	8,875
Economic Development	82,858	-	-	-	82,858
Other	16,992	-	-	-	16,992
Total Committed	<u>184,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,091</u>
Assigned					
Health and Children's Services	3,526	-	-	-	3,526
Judicial and Public Safety	5,164	-	-	-	5,164
Natural Resources and Environmental Control	5,562	-	-	-	5,562
Agriculture	7,699	-	-	-	7,699
Education	50,462	-	-	-	50,462
Economic Development	122	-	-	-	122
Other	7,754	-	-	-	7,754
Total Assigned	<u>80,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,289</u>
Unassigned					
	<u>788,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>788,727</u>
Total Fund Balance	<u>\$ 1,217,239</u>	<u>\$ 281,260</u>	<u>\$ 289,644</u>	<u>\$ 123,902</u>	<u>\$ 1,912,045</u>

Fund Balance Restricted by Enabling Legislation

The restricted Fund Balance for the Local School Districts Fund are funds that are used to account for activities relating to Delaware's 19 local school districts, which are funded by locally raised real estate taxes and other revenues. The total amount in the fund was \$289.6 million at June 30, 2014.

NOTE 17 Affiliated Organizations**State Lottery****Multi-State Lottery Association**

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

The amount the Lottery had on deposit with the MUSL, as of June 30, 2014 was \$2.6 million. These amounts are also reported as a liability on the Lottery's statement of net position as they represent the amount to be paid to the State upon separation from the MUSL if the MUSL is not required to use a portion of the Lottery's reserves held by the MUSL.

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

NOTE 18 COMMITMENTS

The State has entered into various contractual commitments for services and for construction of various highway, capital and lottery projects. Commitments of the proprietary fund include \$304.9 million for DelDOT.

Encumbrances which represent commitment related to unperformed contracts for goods or services are included in restricted, committed, or assigned fund balance as appropriate. Encumbrances lapse at the end of the applicable appropriation, unless re-appropriated by the Legislature. Encumbrances outstanding against continuing appropriations at the end of fiscal year 2014 are as follows: general fund \$186.2 million, federal funds \$67.6 million, local school funds \$18.1 million and capital project funds \$112.9 million.

NOTE 19 CONTINGENCIES

Various parties have made claims against the State. For those cases in which it is reasonably possible that a loss will be incurred and in which the amount of the potential judgment can be reasonably estimated, the State estimates the liability to be \$6.3 million. The State recognized \$1.6 million in governmental activities as claims and judgments liabilities for pending litigation settlements estimated to be probable as of June 30, 2014. In the opinion of the Attorney General of the State, however, the remaining cases are either subject to a valid defense or are not

expected to result in an impairment of the State's financial position. Management believes the settlement in aggregate of claims outstanding will not result in amounts material to the financial statements of the State.

The State receives significant financial assistance from the federal government in the form of grants and entitlements. The right to these resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the State. The State does not believe that the liabilities that may result from such audits for periods through June 30, 2014 would have a material effect on its financial position or the results of operations.

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

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

At June 30, 2014, the State had a total pollution remediation liability of \$28.4 million.

The State Lottery has discharged its primary responsibility for payment of annual installments (generally 14 to 20 years) to winners of jackpots greater than \$150,000 by purchasing annuities from private insurance companies. The Lottery remains liable for future periodic payments of deferred prize obligations (approximately \$100 thousand at June 30, 2014) in the event that the annuity issuers default on their obligations.

NOTE 20 SUBSEQUENT EVENTS

On November 6, 2014, the State issued \$306.9 million of its general obligation bonds maturing between July 1, 2015 and July 1, 2034. Of the \$306.9 million issued as Series 2014B, \$81.9 million was issued to refund higher priced bonds resulting in a net present value savings of \$5.4 million, or 6.0% of the principal refunded. The Series 2014B bonds were sold to retail and institutional investors and bore coupons between 2.0% and 5.0% and yield between 0.11% and 3.14%.

The proceeds of the new money bonds, \$225.0 million, will be used to provide funds to capital projects to various school facilities and other State capital projects.

**State of Delaware
Comprehensive Annual
Financial Report**

**Required
Supplementary
Information**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY REPORTING

BUDGETARY BASIS VS. GAAP

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

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

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

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

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

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

Statutory/Budgetary Presentation

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

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriations bill as of June 30, 2014, and do not include encumbrances and multi-year projects budgetary carry-forwards from the prior fiscal year. GAAP requires that the final legal budget be reflected in the “final budget” column; therefore, updated revenue estimates available for appropriations as of the last Delaware Economic and Financial Advisory Council (DEFAC) meeting in June 2014, as well as the amounts shown in the original budget, are reported. The final legal budget also reflects encumbrances and multi-year projects budgetary carry-forwards from the prior fiscal year.

The tables on the following page represent the Budgetary Statements of Revenues, Expenditures and Changes in Fund Balance – General and Special Funds. Also included is a schedule showing the budgetary fund balance designations for the General Fund. Of the \$416.0 million budgetary general fund balance at June 30, 2014, \$201.7 million is reserved for the budgetary reserve account, \$194.8 million is designated as continuing and encumbered appropriations and \$19.5 million is classified as undesignated fund balance. The undesignated fund balance is subjected to Legislative review and changes.

**Budgetary Comparison Schedule-General and Special Fund
Budget to Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014
(Expressed in Millions)**

	<u>General Fund</u>				<u>Special Fund</u>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>		
Revenues								
Personal Income Taxes	\$ 1,172.5	\$ 1,183.4	\$ 1,167.9	\$ (15.5)	\$ -	\$ -	\$ -	\$ -
Business Taxes	1,739.8	1,620.3	1,567.6	(52.7)	-	-	-	-
Other Taxes	176.4	174.8	175.0	0.2	-	-	-	-
License, Permits, Fines and Fees	355.5	358.2	357.8	(0.4)	-	-	-	-
Rentals and Sales	-	-	-	-	-	-	-	-
Interest Earnings	9.0	2.8	2.8	-	-	-	-	-
Lottery Sales	237.1	216.5	214.6	(1.9)	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Other Non-tax Revenue	50.3	8.7	87.0	78.3	1,069.8	1,069.8	1,094.3	24.5
Total Revenues	3,740.6	3,564.7	3,572.7	8.0	1,069.8	1,069.8	1,094.3	24.5
Expenditures								
Legislative	15.7	19.1	14.4	4.7	-	-	-	-
Judicial	94.1	96.0	93.8	2.2	11.8	11.8	8.6	3.2
Executive	139.8	184.8	133.5	51.3	102.7	102.7	43.0	59.7
Department of Technology & Information	38.6	39.1	38.5	0.6	30.5	30.5	26.6	3.9
Other Elective Offices	162.4	185.1	185.2	(0.1)	106.3	106.3	91.5	14.8
Legal	54.4	55.8	56.0	(0.2)	12.2	12.2	5.7	6.5
Department of State	24.8	25.3	25.0	0.3	52.1	52.1	49.6	2.5
Department of Finance	15.1	39.5	34.1	5.4	110.5	110.5	98.8	11.7
Department of Health & Social Services	1,089.6	1,110.8	1,087.2	23.6	125.3	125.3	100.0	25.3
Department of Services to Children, Youth and Their Families	153.7	149.8	149.5	0.3	23.7	23.7	24.3	(0.6)
Department of Corrections	269.7	267.1	273.5	(6.4)	4.1	4.1	3.2	0.9
Department of Natural Resources and Environmental Control	36.3	55.7	49.6	6.1	96.7	96.7	59.0	37.7
Department of Safety & Homeland Security	146.4	145.8	145.6	0.2	22.4	22.4	16.6	5.8
Department of Transportation	-	-	-	-	342.4	342.4	348.7	(6.3)
Department of Labor	9.3	9.0	9.0	-	13.8	13.8	11.7	2.1
Department of Agriculture	8.3	8.1	8.4	(0.3)	7.6	7.6	4.6	3.0
Department of Elections	4.3	4.4	3.9	0.5	-	-	-	-
Fire Prevention Commission	5.3	5.4	5.4	-	2.6	2.6	1.9	0.7
Delaware National Guard	4.8	4.2	4.2	-	-	-	-	-
Higher Education	227.6	234.1	234.6	(0.5)	-	-	-	-
Department of Education	1,217.9	1,268.7	1,242.7	26.0	5.1	5.1	2.6	2.5
Total Expenditures	\$ 3,718.1	\$ 3,907.8	\$ 3,794.1	\$ 113.7	\$ 1,069.8	\$ 1,069.8	\$ 896.4	\$ 173.4
Excess (Deficiency) of Revenues over (under) Expenditures	22.5	(343.1)	(221.4)	121.7	-	-	197.9	197.9
Budgetary Fund Balance, Beginning of Year	719.7	619.1	637.4	18.3	630.7	630.7	777.7	147.0
Budgetary Fund Balance, End of Year	\$ 742.2	\$ 276.0	\$ 416.0	\$ 140.0	\$ 630.7	\$ 630.7	\$ 975.6	\$ 344.9
Budgetary Fund Balance								
Designated:								
Budget Reserve Account			\$ 201.7					
Continuing and Encumbered Appropriations			194.8					
Undesignated			19.5					
Total			\$ 416.0					

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

Statutory/Budgetary Reconciliations

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

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

Budget vs GAAP Revenue Reconciliation For the Fiscal Year Ended June 30, 2014 (Expressed in Millions)

Total Budget Basis General and Special Fund Revenue for Fiscal Year 2014		\$ 4,667.0
Adjustments:		
The financial reporting revenues do not include revenues that are part of the general budgetary revenues	(627.3)	
Non-budgetary General Revenues Reclassified to General Fund Revenue	743.9	
To Adjust Revenues, Other Financing Sources and Related Receivables and Deferred Inflows of Resources	<u>(789.1)</u>	
Total General Fund Revenues for Fiscal Year 2014		\$ 3,994.5
Federal Fund Revenue	1,890.2	
Local School District Fund Revenue	570.3	
Capital Projects Fund Revenue	<u>-</u>	
		<u>2,460.5</u>
Total GAAP Basis Governmental Funds Revenue for Fiscal Year 2014		<u>\$ 6,455.0</u>

Budget vs GAAP Expenditures Reconciliation
For the Fiscal Year Ended June 30, 2014
(Expressed in Millions)

Total Budget Basis General and Special Fund Expenditures for Fiscal Year 2014		\$ 4,690.5
Adjustments:		
The financial reporting expenditures do not include expenditures that are part of the general budgetary revenues	(527.3)	
Non-budgetary General Expenditures Reclassified to General Fund Expenditures	764.0	
To Adjust Expenditures, Other Financing Uses and Related Accounts Payable, Accrued Liabilities	<u>(346.6)</u>	
Total General Fund Expenditures for Fiscal Year 2014		\$ 4,580.6
Federal Fund Expenditures	1,833.4	
Local School District Fund Expenditures	523.0	
Capital Projects Fund Expenditures	<u>285.7</u>	
		<u>2,642.1</u>
Total GAAP Basis Governmental Funds Expenditures for Fiscal Year 2014		<u>\$ 7,222.7</u>

Required Supplementary Information

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include 4,448 centerline miles and 1,592 bridges that the State is responsible to maintain.

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

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

It is the State’s policy to maintain at least 85% of its highways at a fair or better condition level and 75% of its bridge systems at a good or better condition level. No more than 10% of bridges and 15% of roads should be in substandard condition. Condition assessments are determined every year for roads and every two years for bridges. Due to the timing of these condition assessments, information for the fiscal year ended June 30, 2014 is not available.

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

Structural Rating Numbers and Percentages for Bridges

Calendar Year Ended December 31

		2014		2013		2012	
BCR Condition	Rating	Number	Percent	Number	Percent	Number	Percent
Good	6-9	1,198	75.3	1,152	73.1	1,140	72.8
Fair	5	307	19.3	331	21.0	310	19.8
Poor	0-4	87	5.4	92	5.8	116	7.4
Totals		1,592	100	1,575	100	1,566	100

Deck Rating Numbers and Percentages for Bridges

Calendar Year Ended December 31

		2014		2012		2010	
OPC Condition	Rating	Square Feet	Percent	Square Feet	Percent	Square Feet	Percent
Good	6-9	5,886,694	74.9	5,936,967	75.4	6,670,643	85.1
Fair	5	1,650,327	21.0	1,549,714	19.7	679,289	8.7
Poor	0-4	321,851	4.1	384,961	4.9	487,778	6.2
Totals		7,858,872	100	7,871,642	100	7,837,710	100

Center-Line Mile Numbers and Percentages for Road Pavement

Calendar Year Ended December 31

		2013		2011		2009	
OPC Condition	Rating	Center-Line Mile	Percent	Center-Line Mile	Percent	Center-Line Mile	Percent
Good	3.0-5.0	4,032	90.6	3,796	86.7	3,423	78.5
Fair	2.5-3.0	356	8.0	400	9.1	575	13.2
Poor	Below 2.5	60	1.4	182	4.2	362	8.3
Totals		4,448	100	4,378	100	4,360	100

Comparison of Estimated-to-Actual Maintenance/Preservation*

(Expressed In Thousands)

Fiscal Year ended June 30

	2014	2013	2012
Estimated	\$ 198,873	\$ 185,399	\$ 243,600
Actual	\$ 234,800	\$ 233,810	\$ 285,923

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

Required Supplementary Information – Pension

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

Delaware Public Employees' Retirement System (DPERS)

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

Schedule of Funding Status and Progress
(Expressed in Thousands)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL AAL AAL (UAAL) (Excess of Assets over	(4) Funded Ratio (1) / (2)	(5) Annual Covered Payroll	(6) UAAL/ (Excess as % of Covered payroll (3) / (5)
				Liabilities (2) - (1)			(3) / (5)
State Employees	6/30/2014	\$ 8,389,765	\$ 8,757,980	\$ 368,215	95.8%	\$ 1,840,521	20.0%
	6/30/2013	7,519,770	8,257,270	737,500	91.1%	1,877,105	39.3%
	6/30/2012	7,270,430	7,949,855	679,425	91.5%	1,881,097	36.1%
Special	6/30/2014	\$ 304	\$ 200	\$ (104)	152.0%	N/A	N/A
	6/30/2013	329	224	(105)	146.9%	N/A	N/A
	6/30/2012	366	264	(102)	138.6%	N/A	N/A
Closed State Police +	6/30/2014	\$ 2,002	\$ 369,934	\$ 367,932	0.5%	N/A	N/A
	6/30/2013	2,668	294,533	291,865	0.9%	\$ -	N/A
	6/30/2012	2,748	293,808	291,060	0.9%	124	234725.8%
New State Police	6/30/2014	\$ 374,789	\$ 390,044	\$ 15,255	96.1%	\$ 55,067	27.7%
	6/30/2013	317,814	350,885	33,071	90.6%	56,289	58.8%
	6/30/2012	292,262	324,898	32,636	90.0%	54,412	60.0%
Judiciary	6/30/2014	\$ 73,325	\$ 71,968	\$ (1,357)	101.9%	\$ 10,244	-13.3%
	6/30/2013	63,512	66,567	3,055	95.4%	10,416	29.3%
	6/30/2012	59,279	65,946	6,667	89.9%	10,387	64.2%

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

N/A - Not Applicable

DelDOT - Delaware Transit Corporation – Pension Data

The most recent information available for Delaware Transit Corporation’s annual pension cost and related information for each plan is as follows:

Schedule of Funding Status and Progress
(Expressed in Dollars)

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (Excess of Assets over AAL) (a-b)	(d) Funded Ratio (a / b)	(e) Annual Covered Payroll	(f) UAAL (Excess) as % of Covered Payroll (c / e)
DTC Pension Plan	07/01/2013	\$ 17,714,631	\$ 20,057,791	\$(2,343,160)	88.83%	\$ 11,308,455	(20.7)%
	07/01/2012	15,941,868	16,990,051	(1,048,183)	93.83%	11,041,527	(9.49)%
	07/01/2011	15,121,491	16,236,313	(1,114,822)	93.13%	11,253,210	(9.91)%
Contributory Plan	01/1/2014	\$ 37,520,422	\$ 37,483,272	\$ 37,150	100.0%	\$ 25,747,945	(.14)%
	01/1/2013	32,243,870	34,423,975	(2,180,105)	93.67%	24,788,597	(8.79)%
	01/1/2012	30,863,722	32,171,013	(1,307,291)	95.94%	22,985,063	(5.69)%

Required Supplementary Information – OPEB Trust

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

OPEB Trust

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

Schedule of Funding Status and Progress

(Expressed in Millions)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded Actuarial Accrued Liabilities (UAAL)	(4) Funded Ratios (1) (2)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (3) / (5)
7/1/2014	\$ 290	\$ 5,946	\$ 5,656	4.90%	\$ 2,038	277%
7/1/2013	222	5,988	5,766	3.70%	1,944	297%
7/1/2012	163	5,805	5,642	2.80%	1,885	299%

Valuation Date	July 1, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.25%
Rate of Salary Increases	3.25% (Plus Merit Scale)
Ultimate Rate of Medical Inflation	4.25%

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

Schedule of Employer Contributions

(Expressed in Millions)

Fiscal Year	Annual Required Contribution	Percentage of Annual Annual OPEB Costs Contributed
2014	\$406.7	50%
2013	397.8	52%
2012	490.5	38%

Required Supplementary Information – DTC OPEB Trust

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

Schedule of Funding Status and Progress (Expressed in Dollars)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	Excess (deficit) Of assets Over AAL (1-2)	Funded Ratio (1/2)	(3) Covered Payroll	(4) UAAL Excess (deficit) Excess (deficit) as a percentage of covered payroll ((1-2)/3)
07/1/2013	\$ 1,878,000	\$ 135,237,000	\$ (133,359,000)	1.39%	\$ 38,546,221	(345.97)%
07/1/2012	1,755,283	121,627,000	(119,871,717)	1.44%	34,537,878	(347.07)%
07/1/2011	1,605,000	125,866,000	(124,261,000)	1.28%	31,883,191	(389.74)%

**State of Delaware
Comprehensive Annual
Financial Report**

**Supplementary
Information —
Combining Statements**

STATE OF DELAWARE
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 JUNE 30, 2014
 (Expressed in Thousands)

	State Employees' Pension Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	Delaware Volunteer Firemen's Fund	Diamond State Port Corporation Plan	County and Municipal Police and Firefighters' Plans	County and Municipal Police and Firefighters' Cola Fund	County and Municipal Other Employees' Plan	DPERS Post Retirement Increase Fund	Closed State Police Plan	Totals
Assets												
Cash, Cash Equivalents and Pooled Investments	\$ 529,960	\$ 19	\$ 23,580	\$ 4,613	\$ 260	\$ 1,572	\$ 15,895	\$ 754	\$ 2,182	\$ 481	\$ 2,011	\$ 581,327
Receivables:												
Accrued Interest	13,980	1	515	107	-	32	288	5	37	3	-	14,968
Investment Sales Pending	25,985	1	1,161	227	-	77	780	37	107	21	-	28,396
Employer Contributions	7,753	-	454	118	-	60	944	-	146	1,394	-	10,869
Member Contributions	2,579	-	171	12	-	14	334	-	64	-	-	3,174
Total Receivables	50,297	2	2,301	464	-	183	2,346	42	354	1,418	-	57,407
Investments at Fair Value												
Domestic Fixed Income	299,981	10	13,400	2,622	-	893	9,003	422	1,235	245	-	327,811
Domestic Equities	1,864,678	68	83,294	16,295	17,215	5,550	55,963	2,624	7,678	1,522	-	2,054,887
Pooled Equity and Fixed Income	2,909,917	106	129,985	25,430	-	8,661	87,333	4,095	11,982	2,375	-	3,179,884
Alternative Investments	1,597,126	57	71,344	13,956	-	4,754	47,933	2,247	6,576	1,304	-	1,745,297
Foreign Fixed Income	172,048	7	7,685	1,504	-	512	5,163	242	709	140	-	188,010
Foreign Equities	1,010,872	37	45,155	8,834	-	3,009	30,338	1,422	4,162	825	-	1,104,654
Total Investments	7,854,622	285	350,863	68,641	17,215	23,379	235,733	11,052	32,342	6,411	-	8,600,543
Total Assets	<u>8,434,879</u>	<u>306</u>	<u>376,744</u>	<u>73,718</u>	<u>17,475</u>	<u>25,134</u>	<u>253,974</u>	<u>11,848</u>	<u>34,878</u>	<u>8,310</u>	<u>2,011</u>	<u>9,239,277</u>
Liabilities												
Investment Purchases Payable	38,831	2	1,735	340	-	116	1,165	54	161	33	-	42,437
Benefits Payable	1,281	-	5	11	13	-	-	-	8	-	7	1,325
Accrued Investment Expenses	4,736	-	210	41	-	14	141	7	19	4	-	5,172
Accrued Administrative Expenses	266	-	5	1	-	1	6	-	2	-	2	283
Total Liabilities	45,114	2	1,955	393	13	131	1,312	61	190	37	9	49,217
Assets Held in Trust for Pension Benefits and Pool Participants	<u>\$ 8,389,765</u>	<u>\$ 304</u>	<u>\$ 374,789</u>	<u>\$ 73,325</u>	<u>\$ 17,462</u>	<u>\$ 25,003</u>	<u>\$ 252,662</u>	<u>\$ 11,787</u>	<u>\$ 34,688</u>	<u>\$ 8,273</u>	<u>\$ 2,002</u>	<u>\$ 9,190,060</u>

STATE OF DELAWARE
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	State Employees' Pension Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	Delaware Volunteer Firemen's Fund	Diamond State Port Corporation Plan	County and Municipal Police and Firefighters' Plans	County and Municipal Firefighters' Cola Fund	County and Municipal Other Employees' Plan	DPERS Post Retirement Increase Fund	Closed State Police Plan	Totals
Additions:												
Contributions:												
Employer Contributions	\$ 174,863	\$ -	\$ 10,500	\$ 2,839	\$ 1,561	\$ 1,009	\$ 10,283	\$ -	\$ 2,049	\$ 28,899	\$ 23,064	\$ 255,067
Transfer of Contributions from Post-Retirement Increase Fund	26,877	-	494	165	-	-	-	-	-	-	-	27,536
Transfer of Assets from Outside the System	-	-	-	-	-	-	-	2,938	-	-	-	2,938
Member Contributions	52,793	-	3,862	317	166	236	4,897	-	748	-	-	63,019
Other	-	-	31	-	-	-	-	-	-	-	-	31
Total Contributions	254,533	-	14,887	3,321	1,727	1,245	15,180	2,938	2,797	28,899	23,064	348,591
Investments:												
Investment Earnings	115,825	4	5,063	999	317	335	3,341	143	453	95	2	126,577
Net Increase in Fair Value	1,160,771	45	50,520	9,970	1,956	3,342	33,297	1,430	4,519	935	-	1,266,785
Total Investment Income	1,276,596	49	55,583	10,969	2,273	3,677	36,638	1,573	4,972	1,030	2	1,393,362
Less Investment Manager/Advisor/Custody Fees	(21,676)	(1)	(955)	(188)	(2)	(63)	(635)	(28)	(86)	(19)	-	(23,653)
Less Investment Administrative Expenses	(538)	-	(8)	(1)	-	(3)	(10)	-	(5)	-	(5)	(570)
Net Investment Income (Loss)	1,254,382	48	54,620	10,780	2,271	3,611	35,993	1,545	4,881	1,011	(3)	1,369,139
Securities Lending Income	392	-	17	4	-	1	12	-	2	-	-	428
Securities Lending Expense	(59)	-	(2)	(1)	-	-	(2)	-	(1)	-	-	(65)
Net Securities Lending Income	333	-	15	3	-	1	10	-	1	-	-	363
Deductions:												
Transfer of Assets from Post-Retirement Increase Fund	-	-	-	-	-	-	-	-	-	27,536	-	27,536
Transfer of Assets Outside the System	-	-	-	-	-	-	-	971	-	-	-	971
Pension Claim Payments	500,978	42	10,591	3,588	1,819	611	2,989	-	581	-	23,196	544,395
Refunds of Contributions to Members	3,624	-	21	68	18	171	-	-	78	-	-	3,980
Burial Benefit Payments	5,216	-	7	-	-	-	-	-	-	-	105	5,328
Administrative Expenses	5,242	1	82	13	34	43	100	-	60	-	46	5,621
Total Deductions	515,060	43	10,701	3,601	1,921	672	3,260	971	719	27,536	23,347	587,831
Change in Net Position	994,188	5	58,821	10,503	2,077	4,185	47,923	3,512	6,960	2,374	(286)	1,130,262
Net Assets Held in Trust for Pension Benefits:												
Net Position - Beginning of Year	7,395,577	299	315,968	62,822	15,385	20,818	204,739	8,275	27,728	5,899	2,288	8,059,798
Net Position - End of Year	\$ 8,389,765	\$ 304	\$ 374,789	\$ 73,325	\$ 17,462	\$ 25,003	\$ 252,662	\$ 11,787	\$ 34,688	\$ 8,273	\$ 2,002	\$ 9,190,060

STATE OF DELAWARE
COMBINING STATEMENT OF NET POSITION
INVESTMENT TRUST FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	Delaware Local Government Retirement Investment Pool	Delaware Local Government OPEB Investment Trust	Total Investment Trust Funds
Assets:			
Cash and Cash Equivalents	\$ 3,133	\$ 379	\$ 3,512
Receivables:			
Accrued Interest	74	-	74
Investment Sales Pending	154	-	154
Investments, at Fair Value:			
Domestic Fixed Income	1,783	5,232	7,015
Domestic Equities	11,079	5,222	16,301
Pooled Equity and Fixed Income	17,290	-	17,290
Alternative Investments	9,490	-	9,490
Foreign Fixed Income	1,022	-	1,022
Foreign Equities	6,006	2,697	8,703
	<u>50,031</u>	<u>13,530</u>	<u>63,561</u>
Total Assets			
Liabilities:			
Investment Purchase Payable	231	-	231
Accrued Investment Expense	28	-	28
	<u>259</u>	<u>-</u>	<u>259</u>
Total Liabilities			
Net Position:			
Assets Held in Trust for Pension Benefits and Pool Participants	<u>\$ 49,772</u>	<u>\$ 13,530</u>	<u>\$ 63,302</u>

STATE OF DELAWARE
COMBINING STATEMENT OF CHANGES IN NET POSITION
INVESTMENT TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Delaware Local Government Retirement Investment Trust Funds	Delaware Local Government OPEB Investment Trust	Total Investment Trust Funds
Additions:			
Contributions:			
Transfer of Assets from Outside the Trust	\$ -	\$ 616	\$ 616
Total Contributions	<u>-</u>	<u>616</u>	<u>616</u>
Investments:			
Investment Earnings	678	304	982
Net Increase in Fair Value of Investments	6,774	1,500	8,274
Total Investment Earnings	<u>7,452</u>	<u>1,804</u>	<u>9,256</u>
Less Investment Manager/Advisor/Custody Fees	<u>(128)</u>	<u>(4)</u>	<u>(132)</u>
Net Investment Earnings	<u>7,324</u>	<u>1,800</u>	<u>9,124</u>
Net Securities Lending Income	<u>2</u>	<u>-</u>	<u>2</u>
Total Additions	<u>7,326</u>	<u>2,416</u>	<u>9,742</u>
Deductions:			
Transfer of Assets Outside the Trust	166	575	741
Administrative Expenses	<u>1</u>	<u>-</u>	<u>1</u>
Total Deductions	<u>167</u>	<u>575</u>	<u>742</u>
Change in Net Position	<u>7,159</u>	<u>1,841</u>	<u>9,000</u>
Net Position - Beginning of Year	<u>42,613</u>	<u>11,689</u>	<u>54,302</u>
Net Position - End of Year	<u>\$ 49,772</u>	<u>\$ 13,530</u>	<u>\$ 63,302</u>

STATE OF DELAWARE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

Child Support Collection	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Assets				
Cash and Cash Equivalents	\$ 3,857	\$ 278,494	\$ 278,769	\$ 3,582
Receivables, Net	309	3,583	3,026	866
Total Assets	<u>4,166</u>	<u>282,077</u>	<u>281,795</u>	<u>4,448</u>
Liabilities				
Accounts Payable	4,166	282,077	281,795	4,448
Total Liabilities	<u>4,166</u>	<u>282,077</u>	<u>281,795</u>	<u>4,448</u>
Court Fines and Restitution	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Assets				
Cash and Cash Equivalents	12,238	19,148	18,134	13,252
Cash and Pooled Investments	8,675	6,134	7,417	7,392
Investments	163	4,683	4,683	163
Receivables, Net	45,863	8,384	7,106	47,141
Total Assets	<u>66,939</u>	<u>38,349</u>	<u>37,340</u>	<u>67,948</u>
Liabilities				
Accounts Payable	66,939	38,349	37,340	67,948
Total Liabilities	<u>66,939</u>	<u>38,349</u>	<u>37,340</u>	<u>67,948</u>
All Other Agency Funds	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Assets				
Cash and Cash Equivalents	12,599	36,952	37,461	12,090
Cash and Pooled Investments	16,326	43,094	32,559	26,861
Investments	2,610	190	567	2,233
Total Assets	<u>31,535</u>	<u>80,236</u>	<u>70,587</u>	<u>41,184</u>
Liabilities				
Accounts Payable	31,535	80,236	70,587	41,184
Total Liabilities	<u>31,535</u>	<u>80,236</u>	<u>70,587</u>	<u>41,184</u>
Totals - All Agency Funds	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Assets				
Cash and Cash Equivalents	28,694	334,594	334,364	28,924
Cash and Pooled Investments	11,285	6,324	7,984	34,253
Investments	2,773	4,873	5,250	2,396
Receivables, Net	46,172	11,967	10,132	48,007
Total Assets	<u>88,924</u>	<u>400,662</u>	<u>357,730</u>	<u>113,580</u>
Liabilities				
Accounts Payable	102,640	400,662	389,722	113,580
Total Liabilities	<u>\$ 102,640</u>	<u>\$ 400,662</u>	<u>\$ 389,722</u>	<u>\$ 113,580</u>

STATE OF DELAWARE
 COMBINING BALANCE SHEET
 LOCAL SCHOOL DISTRICT FUNDS
 June 30, 2014
 (Expressed in Thousands)

	Appoquinimink	Brandywine	Caesar Rodney	Cape Henlopen	Capital	Christina	Colonial	Delmar	Indian River	Lake Forest
Assets										
Cash and Cash Equivalents	\$ 8	\$ 1,664	\$ 1,853	\$ -	\$ 1,647	\$ 37	\$ 1,607	\$ 44	\$ 508	\$ 357
Cash and Pooled Investments	10,484	13,480	15,987	24,925	24,858	40,909	31,304	869	29,561	7,656
Investments	-	-	-	-	-	-	521	-	-	-
Accounts Receivable, Net	-	-	-	-	-	312	-	-	-	-
Taxes Receivable, Net	1,887	2,800	1,262	1,618	2,390	5,512	3,715	450	3,657	1,091
Total Assets	12,379	17,944	19,102	26,543	28,895	46,770	37,147	1,363	33,726	9,104
Liabilities										
Accounts Payable	1,018	2,107	1,060	4,396	1,008	2,886	1,423	65	1,161	627
Total Liabilities	1,018	2,107	1,060	4,396	1,008	2,886	1,423	65	1,161	627
Deferred Inflows of Resources	1,787	2,593	1,231	1,363	2,110	5,199	3,494	392	3,232	1,054
Fund Balances										
Restricted Fund Balance	9,574	13,244	16,811	20,784	25,777	38,685	32,230	906	29,333	7,423
Total Fund Balances	9,574	13,244	16,811	20,784	25,777	38,685	32,230	906	29,333	7,423
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 12,379	\$ 17,944	\$ 19,102	\$ 26,543	\$ 28,895	\$ 46,770	\$ 37,147	\$ 1,363	\$ 33,726	\$ 9,104

STATE OF DELAWARE
 COMBINING BALANCE SHEET - CONTINUED
 LOCAL SCHOOL DISTRICT FUNDS
 June 30, 2014
 (Expressed in Thousands)

	Laurel	Milford	NCC			Polytech	Red Clay	Seaford	Smyrna	Sussex Co		DOE		Totals
			Vo-Tech	Vo-Tech	Vo-Tech					Vo-Tech	Woodbridge	Administration		
Assets														
Cash and Cash Equivalents	\$ 894	\$ 238	\$ 61	\$ 9	\$ 2,878	\$ 1,157	\$ 4	\$ 7	\$ 60	\$ -	\$ -	\$ -	\$ 13,033	
Cash and Pooled Investments	4,005	7,666	15,133	9,171	28,222	9,609	8,865	5,187	6,145	81	81	81	294,117	
Investments	141	-	-	-	-	-	-	-	-	-	-	-	662	
Accounts Receivable, Net	-	-	-	-	-	-	-	158	-	-	-	-	470	
Taxes Receivable, Net	1,039	1,080	1,683	587	4,356	1,770	859	954	1,290	-	-	-	38,000	
Total Assets	6,079	8,984	16,877	9,767	35,456	12,536	9,728	6,306	7,495	81	81	81	346,282	
Liabilities														
Accounts Payable	143	365	554	145	3,051	196	525	154	584	-	-	-	21,468	
Total Liabilities	143	365	554	145	3,051	196	525	154	584	-	-	-	21,468	
Deferred Inflows of Resources	975	1,003	1,575	539	3,966	1,614	813	1,020	1,210	-	-	-	35,170	
Fund Balances														
Restricted Fund Balance	4,961	7,616	14,748	9,083	28,439	10,726	8,390	5,132	5,701	81	81	81	289,644	
Total Fund Balances	4,961	7,616	14,748	9,083	28,439	10,726	8,390	5,132	5,701	81	81	81	289,644	
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 6,079	\$ 8,984	\$ 16,877	\$ 9,767	\$ 35,456	\$ 12,536	\$ 9,728	\$ 6,306	\$ 7,495	\$ 81	\$ 81	\$ 81	\$ 346,282	

STATE OF DELAWARE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 LOCAL SCHOOL DISTRICT FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014
 (Expressed in Thousands)

	Appoquinimink	Brandywine	Caesar Rodney	Cape Henlopen	Capital	Christina	Colonial	Delmar	Indian River	Lake Forest
Revenues										
Real Estate Taxes	\$ 33,330	\$ 74,725	\$ 9,863	\$ 32,777	\$ 22,187	\$ 108,309	\$ 47,894	\$ 1,991	\$ 39,044	\$ 6,284
Licenses, Fees, Permits and Fines	-	7	42	-	-	-	26	-	1	-
Rentals and Sales	314	1,091	119	239	57	589	46	62	766	1,748
Federal Government	447	25	56	152	5	514	-	278	663	137
Interest & Other Investment Income	65	110	69	102	146	212	136	6	130	37
Other	1,165	350	2,386	566	2,409	2,043	2,955	95	(146)	(214)
Total Revenues	35,321	76,308	12,535	33,836	24,804	111,667	51,057	2,432	40,458	7,992
Expenditures										
Education	24,640	61,433	11,732	31,776	17,662	102,987	38,993	2,107	35,719	7,866
Unrestricted Payments to Component Unit - Education	1,202	1,795	(30)	252	1,701	17,746	5,037	(47)	149	(21)
Total Expenditures	25,842	63,228	11,702	32,028	19,363	120,733	44,030	2,060	35,868	7,845
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,479	13,080	833	1,808	5,441	(9,066)	7,027	372	4,590	147
Other Sources (Uses) of Financial Resources	603	2,055	5,211	12,906	1,078	22,562	899	619	8,130	545
Transfers In	(6,532)	(9,305)	(5,223)	(12,700)	(8,465)	(22,388)	(7,966)	(921)	(11,553)	(1,239)
Transfers Out										
Total Other Sources (Uses) of Financial Resources	(5,929)	(7,250)	(12)	206	(7,387)	174	(7,067)	(302)	(3,423)	(694)
Net Change in Fund Balances	3,550	5,830	821	2,014	(1,946)	(8,892)	(40)	70	1,167	(547)
Fund Balances - Beginning	6,024	7,414	15,990	18,770	27,723	47,577	32,270	836	28,166	7,970
Fund Balances - Ending	9,574	13,244	16,811	20,784	25,777	38,685	32,230	906	29,333	7,423

STATE OF DELAWARE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CONTINUED
 LOCAL SCHOOL DISTRICT FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014
 (Expressed in Thousands)

	Laurel	Milford	NCC Vo-Tech	Polytech	Red Clay	Scaford	Smyrna	Sussex Co Vo-Tech	Woodbridge	DOE Administration	Totals
Revenues											
Real Estate Taxes	\$ 4,480	\$ 8,423	\$ 28,214	\$ 4,755	\$ 85,478	\$ 7,174	\$ 9,312	\$ 8,230	\$ 4,925	\$ -	\$ 537,395
Licenses, Fees, Permits and Fines	1	1	-	12	-	-	406	-	66	-	562
Rentals and Sales	70	76	276	1,152	297	134	1,234	425	80	-	8,775
Federal Government	4	39	179	186	238	186	65	104	335	-	3,500
Interest & Other Investment Income	59	37	80	57	214	51	46	37	42	1	1,637
Other	125	186	2,286	73	4,483	(1,092)	(336)	821	320	1	18,476
Total Revenues	4,739	8,762	31,035	6,122	90,710	6,453	10,727	9,617	5,768	2	570,345
Expenditures											
Education	2,207	6,612	30,436	6,111	82,740	4,899	8,017	9,140	5,546	(2,175)	488,448
Unrestricted Payments to Component Unit - Education	142	151	-	-	5,792	275	319	-	28	-	34,491
Total Expenditures	2,349	6,763	30,436	6,111	88,532	5,174	8,336	9,140	5,574	(2,175)	522,939
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,390	1,999	599	11	2,178	1,279	2,391	477	194	2,177	47,406
Other Sources (Uses) of Financial Resources											
Transfers In	283	356	1,274	511	3,727	236	317	113	1,364	-	62,789
Transfers Out	(1,613)	(3,343)	(2,711)	(675)	(9,667)	(1,676)	(3,523)	(1,151)	(2,001)	(2,175)	(114,827)
Total Other Sources (Uses) of Financial Resources	(1,330)	(2,987)	(1,437)	(164)	(5,940)	(1,440)	(3,206)	(1,038)	(637)	(2,175)	(52,038)
Net Change in Fund Balances	1,060	(988)	(838)	(153)	(3,762)	(161)	(815)	(561)	(443)	2	(4,632)
Fund Balances - Beginning	3,901	8,604	15,586	9,236	32,201	10,887	9,205	5,693	6,144	79	294,276
Fund Balances - Ending	\$ 4,961	\$ 7,616	\$ 14,748	\$ 9,083	\$ 28,439	\$ 10,726	\$ 8,390	\$ 5,132	\$ 5,701	\$ 81	\$ 289,644

Statistical Section Index

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

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Sources: Unless otherwise noted, the information in these schedules is derived from the State's Comprehensive Annual Financial Report for the relevant fiscal year.

STATE OF DELAWARE
Net Position by Component
Last Ten Fiscal Years

(Accrual Basis of Accounting, Expressed in Thousands)

	2005	2006	2007	2008 *	2009	2010	2011	2012	2013***	2014
Governmental Activities										
Net Investment in Capital Assets	\$ 983,693	\$ 1,244,073	\$ 1,385,413	\$ 1,515,272	\$ 1,665,199	\$ 1,799,599	\$ 1,831,490	\$ 1,851,218	\$ 1,701,366	\$ 1,808,658
Restricted	161,050	175,365	182,750	186,430	186,430	186,430	186,430	186,400	408,694	728,406
Unrestricted (Deficit)**	1,159,119	1,089,100	1,183,671	884,060	366,597	269,978	314,021	(56,000)	(416,439)	(1,212,955)
Total Governmental Activities Net Position	\$ 2,303,862	\$ 2,508,538	\$ 2,751,834	\$ 2,585,762	\$ 2,218,226	\$ 2,256,007	\$ 2,331,941	\$ 1,981,618	\$ 1,693,621	\$ 1,324,109
Business-type Activities										
Net Investment in Capital Assets	\$ 2,530,183	\$ 2,616,971	\$ 2,653,221	\$ 2,731,901	\$ 2,727,661	\$ 2,803,634	\$ 2,840,595	\$ 2,956,316	\$ 3,142,841	\$ 3,267,409
Restricted	341,895	358,547	342,263	308,738	202,220	137,831	109,613	169,954	163,539	161,483
Unrestricted (Deficit)	75,335	76,907	89,806	64,577	56,596	5,069	61,721	(85,800)	(122,830)	(65,049)
Total Business-type Activities Net Position	\$ 2,947,413	\$ 3,052,425	\$ 3,085,290	\$ 3,105,216	\$ 2,986,477	\$ 2,946,534	\$ 3,011,929	\$ 3,040,470	\$ 3,183,550	\$ 3,363,843
Primary Government										
Net Investment in Capital Assets	\$ 3,513,876	\$ 3,861,044	\$ 4,038,634	\$ 4,247,173	\$ 4,392,860	\$ 4,603,233	\$ 4,672,085	\$ 4,807,534	\$ 4,844,207	\$ 5,076,067
Restricted	502,945	533,912	525,013	495,168	388,650	324,261	296,043	356,384	572,233	889,889
Unrestricted (Deficit)**	1,234,454	1,166,007	1,273,477	948,637	423,193	275,047	375,742	(141,800)	(539,269)	(1,278,004)
Total Primary Government Net Position	\$ 5,251,275	\$ 5,560,963	\$ 5,837,124	\$ 5,690,978	\$ 5,204,703	\$ 5,202,541	\$ 5,343,870	\$ 5,022,118	\$ 4,877,171	\$ 4,687,952

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

Notes:

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

** Prior year amounts have not been updated for changes made from the adoption of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and amendment of GASB Statements No. 14 and No. 34*, in fiscal year 2013.

*** The State implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during fiscal year 2014. The provisions of GASB Statement No. 65 require that bond issuance costs be expensed as incurred and deferred bond costs expensed at July 1, 2013; therefore the State's net position for fiscal year 2013 has been restated.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General Government	\$ 404,190	\$ 480,490	\$ 513,326	\$ 549,263	\$ 551,390	\$ 436,025	\$ 662,291	\$ 654,311	\$ 543,931	\$ 683,643
Health and Children's Services	1,450,505	1,619,176	1,699,475	1,869,754	1,980,118	2,059,215	2,225,657	2,386,475	2,428,629	2,850,068
Judicial and Public Safety	477,691	539,365	574,809	640,380	641,296	624,565	596,764	660,053	711,361	705,218
Natural Resources and Environmental Control	95,622	114,287	173,331	164,446	154,871	148,776	189,301	161,354	147,733	134,294
Labor	61,360	61,013	74,194	68,172	77,911	74,163	74,063	79,706	69,226	68,997
Education	1,592,035	1,719,901	1,774,528	2,031,009	2,002,158	2,040,439	2,331,626	2,372,080	2,408,647	2,482,569
Payment to Component Unit:										
Education	73,279	81,575	89,945	99,969	100,139	105,819	105,819	-	-	-
Interest	44,003	46,051	50,560	52,224	57,570	55,782	75,522	61,111	54,969	59,747
Total Governmental Activities Expenses	4,198,685	4,661,858	4,950,168	5,475,217	5,565,453	5,544,784	6,155,224	6,375,090	6,364,496	6,984,536
Business-type Activities:										
Lottery	388,062	408,997	424,111	419,223	388,260	353,449	384,611	386,241	358,467	344,389
DelDOT	526,234	485,169	504,466	535,150	602,296	626,012	587,604	641,850	580,392	606,738
Unemployment	92,284	92,025	108,851	113,955	203,817	379,065	300,262	247,932	169,508	110,063
Total Business-type Activities Expenses	1,006,580	986,191	1,037,428	1,068,328	1,194,373	1,358,526	1,272,477	1,276,023	1,108,367	1,061,190
Total Primary Government Expense:	5,205,265	5,648,049	5,987,596	6,543,545	6,759,826	6,903,310	7,427,701	7,651,113	7,472,863	8,045,726
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	130,493	148,056	223,600	172,093	104,268	149,299	214,997	166,979	287,709	334,285
Health and Children's Services	117,708	83,445	110,168	99,438	87,548	121,855	67,485	98,430	73,522	67,698
Judicial and Public Safety	55,026	46,762	49,535	53,803	52,681	60,024	54,681	75,713	126,052	72,664
Natural Resources and Environmental Control	20,806	66,354	56,559	47,374	42,555	58,925	95,460	50,587	59,262	52,692
Labor	2,910	-	10,918	-	-	-	6,370	7,089	7,103	7,135
Education	78,577	65,552	40,317	28,235	57,101	63,099	89,125	22,796	5,565	3,029
Operating Grants and Contributions	905,737	959,567	1,001,981	1,094,610	1,199,961	1,460,903	1,701,136	1,541,931	1,551,954	1,953,254
Capital Grants and Contributions	5,000	3,334	1,740	16,142	9,936	30,861	-	-	-	-
Total Governmental Activities Program Revenues	1,316,257	1,373,070	1,494,818	1,511,695	1,554,050	1,944,966	2,229,254	1,963,525	2,111,167	2,490,757

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Changes for Services:										
Lottery	\$ 689,291	\$ 727,993	\$ 755,127	\$ 742,260	\$ 704,308	\$ 689,652	\$ 728,506	\$ 714,303	\$ 635,264	\$ 600,825
De/IDOT	342,743	379,246	379,387	428,646	426,046	426,924	445,084	449,270	462,609	488,178
Unemployment	73,449	86,632	72,254	74,984	76,608	119,473	117,060	122,334	107,646	112,746
Operating Grants and Contributions	-	-	-	-	-	196,889	170,681	109,037	72,517	43,760
Capital Grants and Contributions	106,389	107,463	103,331	156,740	193,219	238,276	195,030	199,214	211,245	210,985
Total Business-type Activities Program Revenues	1,211,872	1,301,334	1,310,099	1,402,630	1,400,181	1,671,214	1,656,361	1,594,158	1,489,281	1,456,494
Total Primary Government Program Revenues	2,528,129	2,674,404	2,804,917	2,914,325	2,954,231	3,616,180	3,885,615	3,557,683	3,600,448	3,947,251
Net (Expenses) Revenue	(2,882,428)	(3,288,788)	(3,455,350)	(3,963,522)	(4,011,403)	(3,599,818)	(3,925,970)	(4,357,588)	(4,253,329)	(4,493,779)
Business-type Activities	205,292	315,143	272,671	334,302	205,808	312,688	383,884	318,135	380,914	395,304
Total Primary Government Net Expense	(2,677,136)	(2,973,645)	(3,182,679)	(3,629,220)	(3,805,595)	(3,287,130)	(3,542,086)	(4,039,453)	(3,872,415)	(4,098,475)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Personal Income	882,020	1,014,499	1,016,911	1,010,325	914,460	760,617	986,002	1,126,014	1,130,501	1,040,341
Business	1,375,828	1,535,139	1,672,112	1,659,365	1,655,938	1,820,023	1,926,473	1,834,684	2,051,071	2,061,007
Real Estate	317,664	349,728	388,135	398,881	428,878	434,718	464,713	473,351	504,620	537,395
Other	264,165	287,651	254,960	297,971	238,786	250,630	246,268	241,525	344,106	232,017
Investment Earnings	35,624	49,577	82,701	84,449	41,140	20,185	28,356	32,849	11,636	14,192
Gain (Loss) on Sale of Assets	-	721	(72)	-	-	-	-	-	-	-
Miscellaneous	37,570	33,595	24,287	30,629	29,197	15,546	29,201	24,103	25,244	28,878
Transfers	244,518	222,554	259,612	332,132	335,468	335,880	320,891	287,903	238,244	215,006
Total Governmental Activities	3,157,389	3,493,464	3,698,646	3,813,952	3,643,867	3,637,599	4,001,904	4,020,429	4,305,422	4,128,836
Business-type Activities:										
Investment Earnings	18,208	16,634	23,486	21,322	11,686	(15,336)	2,815	4,029	(608)	2,375
Gain (Loss) on Sale of Assets	561	(4,211)	(2,680)	299	235	(415)	587	308	1,018	-
Miscellaneous	-	-	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	-	-	-
Transfers	(244,518)	(222,554)	(259,612)	(332,132)	(335,468)	(335,880)	(320,891)	(287,903)	(238,244)	(215,006)
Total Business-type Activities	(225,749)	(210,131)	(239,806)	(311,511)	(324,547)	(352,631)	(318,489)	(283,566)	(237,834)	(212,631)
Change in Net Position	274,961	204,676	243,296	(149,570)	(367,536)	37,781	75,934	(391,136)	(74,133)	(364,943)
Governmental Activities	(20,457)	105,012	32,865	22,791	(118,739)	(39,943)	65,395	34,569	143,080	182,673
Business-type Activities	254,504	309,688	276,161	(126,779)	(486,275)	(2,162)	141,329	(356,567)	68,947	(182,270)
Total Primary Government	\$ 254,504	\$ 309,688	\$ 276,161	\$ (126,779)	\$ (486,275)	\$ (2,162)	\$ 141,329	\$ (356,567)	\$ 68,947	\$ (182,270)

Source: Statement of Activities, as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year.

STATE OF DELAWARE
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

(Modified Accrual Basis of Accounting, Expressed in Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes (1)	\$ 2,836,555	\$ 3,187,378	\$ 3,322,523	\$ 3,366,308	\$ 3,238,062	\$ 3,249,145	\$ 3,623,456	\$ 3,621,597	\$ 3,904,072	\$ 3,870,760
Licenses, Fees, Permits and Fines	296,011	319,768	339,347	355,604	356,228	392,388	326,249	340,351	336,068	351,789
Rentals and Sales	57,246	51,047	59,547	34,294	37,736	38,615	123,781	118,839	135,530	86,428
Federal Government	929,703	976,143	1,016,215	1,111,247	1,220,072	1,442,722	1,726,141	1,528,034	1,529,921	1,936,497
Interest and Other Investment										
Income	35,624	49,577	82,701	84,313	41,140	20,185	28,356	32,850	11,637	14,170
Other Revenues	266,657	340,827	313,765	109,385	146,967	215,951	106,925	206,356	218,176	195,346
Total Revenues	4,421,796	4,924,740	5,134,098	5,061,151	5,040,205	5,359,006	5,934,908	5,848,027	6,135,404	6,454,990
Expenditures										
General Government (2)	503,097	633,784	681,609	568,408	577,079	471,515	551,988	624,616	459,465	610,073
Health and Children's Services (3)	1,480,000	1,674,907	1,751,795	1,880,828	1,996,677	2,059,159	2,230,948	2,358,293	2,452,766	2,849,628
Judicial and Public Safety (4)	472,406	543,684	580,707	585,648	572,830	578,777	600,911	602,635	663,861	663,072
Natural Resources and Environmental Control	160,840	192,706	212,296	174,823	157,669	156,268	177,823	154,486	172,521	175,545
Labor	68,156	66,646	66,785	65,656	75,804	73,922	69,912	72,444	68,554	67,952
Education (5)	1,633,834	1,773,571	1,821,210	1,836,092	1,851,336	1,886,353	1,982,154	2,069,469	2,159,145	2,184,638
Payment to Component Unit: General Government	-	-	-	-	-	-	-	-	-	-
Education	73,279	81,575	89,945	99,969	100,139	105,819	117,381	131,268	141,700	150,034
Capital Outlay	173,561	223,779	220,635	277,754	270,847	241,050	195,415	187,704	226,123	285,705
Debt Service:										
Principal	107,890	113,781	116,617	151,650	142,069	155,789	140,750	139,325	155,096	157,372
Interest	46,160	49,037	50,609	57,673	60,827	66,222	65,725	72,293	77,136	77,693
Costs of Issuance of Debt	533	343	764	415	841	3,797	628	548	1,118	975
Total Expenditures	4,719,756	5,353,613	5,592,972	5,698,916	5,806,118	5,798,671	6,133,635	6,413,081	6,577,485	7,222,687
Revenues Over (Under) Expenditures	(297,960)	(428,873)	(458,874)	(637,765)	(765,913)	(439,665)	(198,727)	(565,054)	(442,081)	(767,697)

STATE OF DELAWARE
Changes in Fund Balances, Governmental Funds
 Last Ten Fiscal Years

(Modified Accrual Basis of Accounting, Expressed in Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other Financing Sources (Uses)										
Transfer In	\$ 409,038	\$ 374,511	\$ 402,963	\$ 491,038	\$ 470,687	\$ 970,215	\$ 549,639	\$ 540,713	\$ 589,269	\$ 446,493
Transfer Out	(186,194)	(151,957)	(147,411)	(158,906)	(135,219)	(634,335)	(228,749)	(252,810)	(351,025)	(231,487)
Other Financing Sources	-	-	2,281	26	-	-	-	-	29,134	1,867
Operating Transfer Out to Component Unit	-	-	-	-	-	-	-	-	-	-
Issuance of General Obligation Bonds	170,559	132,000	383,133	217,375	236,000	645,130	310,665	275,425	336,330	225,000
Issuance of Revenue Bonds	-	-	-	-	-	-	-	56,170	-	-
Premium on Bond Sales	9,788	4,850	9,661	10,220	17,044	66,054	10,910	37,347	44,635	24,413
Payment to Bond Refunding Agent	(50,145)	-	-	-	-	(460,580)	-	-	-	-
Advance Refunding Escrow	-	-	-	-	-	35,189	54,644	-	-	-
Issuance of Advanced Refundings	-	-	-	-	-	(35,189)	(54,644)	(54,834)	(132,178)	-
Total Other Financing Sources (Uses)	<u>353,046</u>	<u>359,404</u>	<u>650,627</u>	<u>559,753</u>	<u>588,512</u>	<u>586,484</u>	<u>642,465</u>	<u>602,011</u>	<u>516,165</u>	<u>466,286</u>
Net Change in Fund Balance	<u>\$ 55,086</u>	<u>\$ (69,469)</u>	<u>\$ 191,753</u>	<u>\$ (78,012)</u>	<u>\$ (177,401)</u>	<u>\$ 146,819</u>	<u>\$ 443,738</u>	<u>\$ 36,957</u>	<u>\$ 74,084</u>	<u>\$ (301,411)</u>
Debt Service as a Percentage of Non-capital Expenditures	3.52%	3.29%	3.23%	4.02%	3.82%	4.24%	3.61%	3.53%	3.81%	3.52%

Source: Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year.

Notes:

- (1) Taxes include personal income taxes and business taxes.
- (2) General government summarizes the expenditures of the following General Government Departments: Legislative, Executive, Technology and Information, Other Elective Offices, State, Finance, Office of Management and Budget, Agriculture, Elections, and the Advisory Council for Exceptional Citizens.
- (3) Health and Children's Services summarizes the expenditures of the Departments of Health and Social Services, and Services for Children Youth and Their Families.
- (4) Judicial and Public Safety summarizes the expenditures of the following Departments: Judicial, Legal, Corrections, Safety and Homeland Security, Fire Prevention and the Delaware National Guard.
- (5) Education summarizes the expenditures of the Departments of Higher Education and Public Education.

STATE OF DELAWARE
Fund Balances, Governmental Funds
Last Ten Fiscal Years

(Modified Accrual Basis of Accounting, Expressed in Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 314,533	\$ 331,388	\$ 383,719	\$ 369,058	\$ 311,745	\$ 352,732	\$ -	\$ -	\$ -	\$ -
Unreserved	999,231	1,039,370	956,073	856,479	744,435	843,635	-	-	-	-
Nonspendable Fund Balance	-	-	-	-	-	-	9,807	8,121	7,681	6,630
Restricted Fund Balance	-	-	-	-	-	-	209,513	87,507	114,418	157,502
Committed Fund Balance	-	-	-	-	-	-	142,198	236,896	209,557	184,091
Assigned Fund Balance	-	-	-	-	-	-	229,241	100,483	91,597	80,289
Unassigned (Deficit)	-	-	-	-	-	-	786,663	963,986	1,025,284	788,727
Total General Fund	\$ 1,313,764	\$ 1,370,758	\$ 1,339,792	\$ 1,225,537	\$ 1,056,180	\$ 1,196,367	\$ 1,377,422	\$ 1,396,993	\$ 1,448,537	\$ 1,217,239
All Other Governmental Funds:										
Reserved	\$ 156,212	\$ 196,502	\$ 224,018	\$ 189,794	\$ 176,122	\$ 12,202	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported In:										
Federal Fund	(40,172)	(60,841)	(41,060)	14,000	(15,916)	(48,405)	-	-	(914)	-
Local School District Fund	101,952	74,206	106,083	168,077	213,160	296,171	-	-	-	-
Capital Projects Fund	(86,660)	(205,898)	(62,353)	(108,940)	(118,479)	(33,638)	-	-	-	-
Nonspendable Fund Balance	-	-	-	-	-	-	-	-	-	-
Federal Fund	-	-	-	-	-	-	-	-	-	281,260
Restricted Fund Balance	-	-	-	-	-	-	-	-	-	-
Federal Fund	-	-	-	-	-	-	56,030	15,630	-	-
Committed Fund Balance	-	-	-	-	-	-	-	-	-	-
Local School District Fund	-	-	-	-	-	-	338,271	306,397	294,376	289,644
Capital Projects Fund	-	-	-	-	-	-	40,068	110,302	160,982	123,902
Total All Other Governmental Funds	\$ 130,432	\$ 3,969	\$ 226,688	\$ 262,931	\$ 254,887	\$ 226,330	\$ 434,369	\$ 432,329	\$ 454,344	\$ 694,806

Source: Combined Balance Sheet, as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year.

Note: The State changed its fund structure when GASB Statement No. 54 was implemented for Fiscal Year 2011.

STATE OF DELAWARE
Personal Income by Industry
Last Ten Calendar Years
(Expressed in Millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Earnings by Industry										
Farm Earnings										
Farm	\$ 292.0	\$ 207.0	\$ 208.0	\$ 149.0	\$ 162.0	\$ 147.0	\$ 175.0	\$ 199.0	\$ 316.0	\$ 249.0
Non-farm Earnings										
Private Earnings:										
Accommodation and Food Services	\$ 695.0	\$ 740.0	\$ 772.0	\$ 780.0	\$ 746.0	\$ 777.0	\$ 801.0	\$ 838.0	\$ 875.0	\$ 866.0
Administrative and Waste Services	858.0	958.0	988.0	987.0	915.0	938.0	1,016.0	1,037.0	1,134.0	1,172.0
Arts, Entertainment, and Recreation	272.0	287.0	289.0	297.0	301.0	336.0	370.0	357.0	350.0	359.0
Construction	-	2,242.0	2,074.0	1,938.0	1,591.0	1,529.0	1,605.0	1,556.0	1,754.0	1,701.0
Educational Services	255.0	288.0	295.0	303.0	316.0	314.0	316.0	340.0	339.0	411.0
Finance and Insurance	4,051.0	4,109.0	3,820.0	3,593.0	3,624.0	3,818.0	4,078.0	4,171.0	4,424.0	4,605.0
Forestry, Fishing, and Related Activities	16.0	17.0	16.0	*	*	*	*	*	*	*
Health Care and Social Assistance	2,654.0	2,851.0	3,049.0	3,315.0	3,437.0	3,550.0	3,744.0	3,898.0	4,046.0	4,128.0
Information	682.0	664.0	778.0	943.0	962.0	944.0	988.0	920.0	920.0	1,051.0
Management of Companies and Enterprises	1,017.0	1,165.0	1,122.0	1,130.0	1,086.0	1,174.0	1,130.0	1,130.0	990.0	844.0
Manufacturing, Durable and Non-durable	2,401.0	2,481.0	2,670.0	2,456.0	2,177.0	1,998.0	1,922.0	1,973.0	1,950.0	1,975.0
Mining	-	66.0	59.0	*	*	*	*	*	*	*
Professional, Scientific, and Technical Services	2,592.0	2,664.0	2,800.0	3,057.0	2,857.0	2,898.0	3,305.0	3,692.0	3,883.0	4,027.0
Real Estate and Rental and Leasing	682.0	727.0	619.0	771.0	840.0	844.0	838.0	820.0	851.0	944.0
Trade, Retail	1,759.0	1,842.0	1,883.0	1,787.0	1,715.0	1,743.0	1,828.0	1,844.0	1,889.0	1,956.0
Trade, Wholesale	1,196.0	1,372.0	1,326.0	1,335.0	1,263.0	1,264.0	1,324.0	1,326.0	1,279.0	1,255.0
Transportation and Warehousing	609.0	649.0	665.0	652.0	635.0	634.0	681.0	744.0	791.0	835.0
Utilities	239.0	268.0	253.0	277.0	277.0	282.0	277.0	269.0	293.0	273.0
Other Services, Except Public Administration	834.0	922.0	924.0	908.0	860.0	876.0	897.0	927.0	955.0	929.0
Total Private Earnings	\$ 20,812.0	\$ 24,312.0	\$ 24,402.0	\$ 24,529.0	\$ 23,602.0	\$ 23,919.0	\$ 25,185.0	\$ 25,837.0	\$ 26,723.0	\$ 27,331.0
Government and Government Enterprises:										
Federal, Civilian	\$ 383.0	\$ 392.0	\$ 423.0	\$ 490.0	\$ 487.0	\$ 516.0	\$ 525.0	\$ 536.0	\$ 531.0	\$ 523.0
Military	395.0	368.0	385.0	414.0	447.0	468.0	466.0	469.0	486.0	464.00
State and Local Government	3,340.0	3,480.0	3,649.0	3,747.0	3,961.0	3,960.0	3,802.0	3,937.0	3,954.0	4,366.00
Total Government Enterprises	\$ 4,118.0	\$ 4,240.0	\$ 4,457.0	\$ 4,651.0	\$ 4,895.0	\$ 4,944.0	\$ 4,793.0	\$ 4,942.0	\$ 4,971.0	\$ 5,353.0
Total Non-farm Earnings	\$ 24,930.0	\$ 28,552.0	\$ 28,859.0	\$ 29,180.0	\$ 28,497.0	\$ 28,863.0	\$ 29,978.0	\$ 30,779.0	\$ 31,694.0	\$ 32,684.0
Total Earnings by Industry	\$ 25,222.0	\$ 28,759.0	\$ 29,067.0	\$ 29,329.0	\$ 28,659.0	\$ 29,010.0	\$ 30,153.0	\$ 30,978.0	\$ 32,010.0	\$ 32,933.0
Less: Contributions for Government Social Insurance (1)	\$ (2,820.0)	\$ (3,002.0)	\$ (3,085.0)	\$ (3,193.0)	\$ (3,121.0)	\$ (3,146.0)	\$ (2,855.0)	\$ (2,965.0)	\$ (3,453.0)	\$ (3,603.0)
Plus: Adjustment for Residence (2)	(2,244.0)	(2,519.0)	(2,454.0)	(2,511.0)	(2,122.0)	(2,195.0)	(2,626.0)	(2,403.0)	(2,450.0)	(2,525.00)
Plus: Dividends, Interest and Rent (3)	5,748.0	6,548.0	6,944.0	7,044.0	6,327.0	6,154.0	6,686.0	7,082.0	7,381.0	7,447.00
Plus: Personal Current Transfer Receipts (4)	4,510.0	4,884.0	5,296.0	5,895.0	6,634.0	7,086.0	7,459.0	7,805.0	8,188.0	8,347.00
Total Personal Income	\$ 30,416.0	\$ 34,670.0	\$ 35,768.0	\$ 36,564.0	\$ 36,377.0	\$ 36,909.0	\$ 38,817.0	\$ 40,497.0	\$ 41,676.0	\$ 42,599.0

Source:

Personal income by major source and earnings by industry is provided by the Bureau of Economic Analysis, U.S. Department of Commerce (www.bea.gov/regional) through estimates released September 2014.

Notes:

- (1) Contributions for government social insurance are included in earnings by type and industry, but they are excluded from personal income.
- (2) The adjustment for residence is the net inflow of the earnings of interarea commuters. For the United States, it consists of adjustments for border workers: wage and salary disbursements to U.S. residents employed by international organizations and foreign embassies.
- (3) Rental income of persons includes the capital consumption adjustment.
- (4) This component of personal income is payments to persons for which no current services are performed. It consists of payments to individuals and to nonprofit institutions by federal, state, and local governments and by businesses. Government payments to individuals includes retirement and disability insurance benefits, medical payments (mainly Medicare and Medicaid), income maintenance benefits, unemployment insurance benefits, veterans' benefits, and federal grants and loans to students. Government payments to nonprofit institutions excludes payments by the federal government for work under research and development contracts. Business payments to persons consists primarily of liability payments for personal injury and of corporate gifts to nonprofit institutions.

* Not shown to avoid disclosure of confidential information, estimates for items are not included in the totals which results in total personal income less than the personal income tax rates and ratio of outstanding debt schedules

STATE OF DELAWARE
Personal Income Tax Rates
Last Ten Calendar Years
 (Expressed in Millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Personal Income Tax Revenue (1)	\$ 878.2	\$ 1,013.2	\$ 1,012.7	\$ 1,008.5	\$ 914.5	\$ 743.8	\$ 986.0	\$ 1,095.5	\$ 1,130.5	\$ 1,040.3
Personal Income (2)	\$ 32,456.7	\$ 34,671.6	\$ 35,767.5	\$ 36,671.8	\$ 36,419.2	\$ 36,957.6	\$ 38,872.6	\$ 40,557.6	\$ 41,743.5	\$ 42,666.0
Average Effective Rate (3)	2.71%	2.92%	2.83%	2.75%	2.51%	2.01%	2.54%	2.70%	2.71%	2.44%

Personal Income Tax Rates (4)

Tax Year	Taxable Income	Tax Liability	Plus	On Taxable Income Over
2012-2013	\$60,000 and higher	\$2,943.50	6.75%	\$60,000
	\$25,000 - \$59,999	\$1,001.00	5.55%	\$25,000
	\$20,000 - \$24,999	\$741.50	5.20%	\$20,000
	\$10,000 - \$19,999	\$261.50	4.80%	\$10,000
	\$5,000 - \$9,999	\$66.00	3.90%	\$5,000
	\$2,000 - \$4,999	\$0.00	2.20%	\$2,000
	\$1,999 and lower	\$0.00	0.00%	\$0

Tax Year	Taxable Income	Tax Liability	Plus	On Taxable Income Over
2014	\$60,000 and higher	\$2,943.50	6.60%	\$60,000
	\$25,000 - \$59,999	\$1,001.00	5.55%	\$25,000
	\$20,000 - \$24,999	\$741.50	5.20%	\$20,000
	\$10,000 - \$19,999	\$261.50	4.80%	\$10,000
	\$5,000 - \$9,999	\$66.00	3.90%	\$5,000
	\$2,000 - \$4,999	\$0.00	2.20%	\$2,000
	\$1,999 and lower	\$0.00	0.00%	\$0

As an example, for tax year 2013, a taxable income over \$60,000, pays a tax of \$2,943.50 plus 6.75% of the taxable income in excess of \$60,000.

Sources:

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year. Personal income is provided by the Bureau of Economic Analysis, U.S. Department of Commerce (www.bea.gov/regional) through estimates released September 2014. Delaware Department of Finance Fiscal Notebook

Notes:

- (1) Personal income tax revenue is net of refunds, on a cash basis, for the fiscal year.
- (2) Personal income is reported on a calendar basis and includes estimates for items not included to avoid disclosure of confidential information.
- (3) The total direct rate for personal income is not available. Average effective rate equals personal income tax revenue divided by personal income.
- (4) The tax rate table is used to determine gross liability. Amounts shown are for all filing status returns.

STATE OF DELAWARE
Personal Income Tax Filers and Liability by Income Level
Calendar Year 2012 and Ten Years Prior

Delaware AGI Taxpayer Percentile	Tax Year 2002				Tax Year 2012					
	Delaware AGI		Liability Net of Credits		Delaware AGI		Liability Net of Credits			
	Number of Filers	Average DE AGI of Total (1)	Total Liability	Percentage of Total (1)	Number of Filers	Average DE AGI of Total (1)	Total Liability	Percentage of Total (1)		
From: 0	44,957	3,713	0.8%	209,010	0.0%	49,453	4,240	0.8%	116,722	0.0%
To: 10	44,867	9,522	2.2%	1,347,575	0.2%	49,454	11,092	2.0%	2,215,066	0.2%
20	44,860	15,356	3.5%	6,719,603	1.0%	49,453	17,512	3.1%	8,829,703	0.9%
30	44,864	21,172	4.8%	15,577,954	2.4%	49,454	24,094	4.3%	18,505,235	1.8%
40	44,868	26,982	6.2%	25,919,458	4.0%	49,455	31,181	5.6%	33,368,335	3.3%
50	44,863	33,170	7.6%	38,063,071	5.9%	49,453	39,280	7.0%	52,793,001	5.2%
60	44,863	40,521	9.2%	52,160,576	8.1%	49,454	49,129	8.8%	74,492,820	7.3%
70	44,866	50,016	11.4%	69,845,822	10.8%	49,453	62,349	11.2%	102,162,812	10.0%
80	44,867	65,641	15.0%	97,871,960	15.2%	49,454	83,685	15.0%	151,244,895	14.8%
90	22,431	91,979	10.5%	75,639,995	11.7%	24,727	119,511	10.7%	121,852,930	11.9%
95	17,939	151,046	13.8%	114,313,110	17.7%	19,781	205,152	14.7%	196,249,040	19.2%
99	4,487	660,527	15.1%	147,710,572	22.9%	4,946	945,054	16.9%	260,815,817	25.5%

Source: Delaware Division of Revenue

Notes: The number of filers is equal for each 10 percentile.

(1) Percentage of total is each respective income range's share of total AGI or Net Liability.

STATE OF DELAWARE
Franchise Taxes
Last Ten Calendar Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Franchise Tax (In Millions)	\$ 508.1	\$ 524.8	\$ 539.7	\$ 566.3	\$ 574.2	\$ 633.6	\$ 615.8	\$ 612.6	\$ 606.4	\$ 623.4
Number of Filers	239,106.0	239,824.0	231,376.0	233,447.0	219,808.0	214,561.0	214,788.0	216,393.0	219,773.0	224,691.0
Average Amount per Filer	\$ 2,125.0	\$ 2,188.3	\$ 2,332.6	\$ 2,425.8	\$ 2,612.3	\$ 2,953.0	\$ 2,867.0	\$ 2,831.0	\$ 2,759.2	\$ 2,774.5

Authorized Share Method

	Tax Year 2005-2007	Tax Year 2008	Tax Year 2009-2011	Tax Year 2012-2014
3,000 shares or less, Minimum Tax	\$ 35.00	\$ 75.00	\$ 75.00	\$ 75.00
3,001-5,000 shares	\$ 62.50	\$ 75.00	\$ 75.00	\$ 175.00
5,001-10,000 shares	\$ 112.50	\$ 150.00	\$ 150.00	\$ 250.00
Each additional 10,000 shares, add	\$ 62.50	\$ 75.00	\$ 75.00	\$ 75.00
Maximum Yearly Tax	\$ 165,000.00	\$ 165,000.00	\$ 180,000.00	\$ 180,000.00

Assumed Par Value Capital Method

- 1 Calculate "assumed par" by dividing total gross assets by total issued shares carrying the decimal to six places.
- 2 Multiply the assumed par by the number of authorized shares having a par value less than the assumed par.
- 3 Multiply the number of authorized shares with a par value greater than the assumed par value by their respective value.
- 4 Add the results of #2 and #3 above. The result is your assumed par value capital.
- 5 Calculate the tax by dividing the assumed par value capital, rounded up to the next million if it is over \$1,000,000 and multiply by \$200.00 for tax years 2000-2002. For tax years 2003 to 2008, the multiplier is \$250. Beginning tax year 2009, the multiplier increased from \$250 to \$350.

Sources:

Delaware Economic and Financial Advisory Council (DEFAC) Revenue Forecast
Delaware Secretary of State, Division of Corporations
Delaware Department of Finance Fiscal Notebook

STATE OF DELAWARE
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Expressed in Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
General Obligation Bonds	\$ 1,026,947	\$ 1,045,166	\$ 1,307,487	\$ 1,373,212	\$ 1,467,143	\$ 1,495,904	\$ 1,748,454	\$ 1,853,287	\$ 1,941,110	\$ 1,999,892
Revenue Bonds	-	-	4,882	8,563	3,006	212	77	56,170	56,170	54,535
Notes Payable	4,754	3,746	-	-	-	-	-	-	28,500	28,123
Total Governmental Activities	<u>1,031,701</u>	<u>1,048,912</u>	<u>1,312,369</u>	<u>1,381,775</u>	<u>1,470,149</u>	<u>1,496,116</u>	<u>1,748,531</u>	<u>1,909,457</u>	<u>2,025,780</u>	<u>2,082,550</u>
Business-type Activities										
General Obligation Bonds	-	-	3,383	2,783	2,107	1,451	787	441	246	103
Revenue Bonds	861,710	953,265	1,018,815	992,636	1,142,613	1,219,530	1,244,208	1,087,669	1,007,131	939,055
Notes Payable	40,000	-	-	-	-	-	-	-	-	-
Total Business-type Activities	<u>901,710</u>	<u>953,265</u>	<u>1,022,198</u>	<u>995,419</u>	<u>1,144,720</u>	<u>1,220,981</u>	<u>1,244,995</u>	<u>1,088,110</u>	<u>1,007,377</u>	<u>939,158</u>
Total Primary Government	<u>\$ 1,933,411</u>	<u>\$ 2,002,177</u>	<u>\$ 2,334,567</u>	<u>\$ 2,377,194</u>	<u>\$ 2,614,869</u>	<u>\$ 2,717,097</u>	<u>\$ 2,993,526</u>	<u>\$ 2,997,567</u>	<u>\$ 3,033,157</u>	<u>\$ 3,021,708</u>
Personal Income	\$32,456,749	\$34,671,626	\$35,767,509	\$36,671,756	\$36,419,196	\$36,957,646	\$38,872,578	\$40,557,643	\$41,743,501	\$42,666,462
Debt as a Percentage of Personal Income	5.96%	5.77%	6.53%	6.48%	7.18%	7.35%	7.70%	7.39%	7.27%	7.08%
Population	845	859	872	884	892	900	908	917	926	N/A
Amount of Debt per Capita (Expressed in Thousands)	\$2,288	\$2,331	\$2,677	\$2,689	\$2,931	\$3,019	\$3,297	\$3,269	\$3,276	N/A

Sources:
Personal income and population is provided by the Bureau of Economic Analysis, U.S. Department of Commerce (www.bea.gov/regional) through estimates released September 2014.

Notes:
Details regarding the State's outstanding debt can be found in the long-term liabilities note to the financial statements.
All personal income and per capita amounts are updated to reflect revised U.S. Bureau of Economic Analysis estimates.
N/A - Data is not available at this time

STATE OF DELAWARE
Debt Limits
Last Ten Fiscal Years
 (Expressed in Millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Estimated General Fund Revenue	\$ 2,765.1	\$ 3,006.4	\$ 3,274.3	\$ 3,366.1	\$ 3,147.0	\$ 3,190.7	\$ 3,333.2	\$ 3,422.9	\$ 3,689.7	\$ 3,740.5
Projected New Tax-Supported Debt Authorizations (5%)	\$ 138.3	\$ 150.3	\$ 163.8	\$ 168.3	\$ 157.4	\$ 160.0	\$ 167.0	\$ 171.1	\$ 184.5	\$ 187.0

Source:
 Delaware General Assembly

Notes:

There is no constitutional debt limit for the State.

The General Assembly passed legislation to have a three-part debt limit, as follows:

- 1 The aggregate principal amount of new "tax-supported obligations of the State" may not exceed 5% of the estimated budgetary general fund revenue for that fiscal year.
- 2 No "tax-supported obligations of the State" and no "Transportation Trust Fund debt obligations" of the Delaware Transportation Authority may be incurred if the aggregate maximum annual payments on all such outstanding obligations exceed 15% of the estimated budgetary general fund revenue plus Transportation Trust Fund revenue for the fiscal year following the fiscal year in which such obligations is incurred (the 15% test).
- 3 No general obligation debt (with certain exceptions) may be incurred if the maximum annual debt service payable in any fiscal year on all such outstanding obligations will exceed the estimated cumulative cash balances (including all reserves) for the fiscal year following the fiscal year in which the obligation is incurred.

STATE OF DELAWARE
General Obligation Debt Support
 Last Ten Fiscal Years
 (Expressed in Millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Obligation Debt Supported by Budgetary General Fund Revenue										
State Facilities	\$ 428.3	\$ 373.8	\$ 360.9	\$ 334.1	\$ 343.2	\$ 437.6	\$ 471.1	\$ 485.2	\$ 567.6	\$ 592.7
School Facilities (State Share)	260.6	264.8	464.0	522.5	608.7	542.0	604.7	665.6	641.5	694.2
Subtotal	688.9	638.6	824.9	856.6	951.9	979.6	1,075.8	1,150.8	1,209.1	1,286.9
General Obligation Debt Supported by Budgetary Special Fund Revenue										
Highway and Other Transportation Improvements	4.8	4.2	3.4	2.8	2.1	1.5	0.8	0.4	0.2	0.1
School Facilities (Local Share)	332.6	401.8	482.1	516.2	514.9	516.0	536.0	545.3	545.7	538.3
Housing Authority Loans	0.6	0.6	0.5	0.4	0.4	0.3	-	-	-	-
Subtotal	338.0	406.6	486.0	519.4	517.4	517.8	536.8	545.7	545.9	538.4
Total General Obligation Debt Outstanding	\$ 1,026.9	\$ 1,045.2	\$ 1,310.9	\$ 1,376.0	\$ 1,469.3	\$ 1,497.4	\$ 1,612.6	\$ 1,696.5	\$ 1,755.0	\$ 1,825.3
Population (In Thousands)	845.0	859.0	872.0	884.0	892.0	900.0	908.0	917.0	926.0	N/A
Debt per capita (In Thousands)	1.22	1.22	1.50	1.56	1.65	1.66	1.78	1.85	1.90	N/A

Source:
 Delaware Office of the State Treasurer

Notes:
 This table reflects the portion of general obligation debt supported by budgetary general fund and budgetary special fund revenue. Population and Debt per capita line added to conform to GFOA comments and suggestions.
 N/A - Data is not available at this time.

STATE OF DELAWARE
Pledged Revenue Coverage
Last Ten Fiscal Years
(Expressed in Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenue Bonds - DelDOT										
Revenue - Turnpike and Motor Vehicles	\$ 324,962	\$ 337,350	\$ 346,954	\$ 381,590	\$ 367,399	\$ 363,948	\$ 376,186	\$ 378,960	\$ 387,918	\$ 401,922
Debt Service:										
Principal	\$ 53,920	\$ 58,445	\$ 61,370	\$ 67,640	\$ 73,510	\$ 74,380	\$ 71,760	\$ 76,320	\$ 83,230	\$ 75,205
Interest	39,370	40,573	45,534	46,210	43,619	50,885	52,585	56,411	48,097	47,162
Debt Service Requirements	\$ 93,290	\$ 99,018	\$ 106,904	\$ 113,850	\$ 117,129	\$ 125,265	\$ 124,345	\$ 132,731	\$ 131,327	\$ 122,367
Coverage	3.48	3.41	3.25	3.35	3.14	2.91	3.03	2.86	2.95	3.28
Revenue Bonds - DSU										
Revenue - Student Tuition and Fees	\$ 43,695	\$ 50,551	\$ 51,836	\$ 56,381	\$ 57,036	\$ 59,197	\$ 66,712	\$ 75,769	\$ 82,393	\$ 71,439
Less: Operating Expenses	(26,227)	(32,089)	(40,683)	(41,855)	(41,224)	(44,105)	(47,454)	(58,230)	(61,156)	(60,972)
Net Available Revenue	\$ 17,468	\$ 18,462	\$ 11,153	\$ 14,526	\$ 15,812	\$ 15,092	\$ 19,258	\$ 17,539	\$ 21,237	\$ 10,467
Debt Service:										
Principal	1,617	2,078	1,440	1,480	1,585	1,710	1,845	2,030	1,700	2,793
Interest	763	505	2,279	2,814	4,381	3,542	3,510	3,310	4,923	5,233
Debt Service Requirements	\$ 2,380	\$ 2,583	\$ 3,719	\$ 4,294	\$ 5,966	\$ 5,252	\$ 5,355	\$ 5,340	\$ 6,623	\$ 8,026
Coverage	7.34	7.15	3.00	3.38	2.65	2.87	3.60	3.28	3.21	1.30
Revenue Bonds - DSHA										
Gross Revenues	\$ 89,697	\$ 81,632	\$ 82,689	\$ 134,059	\$ 144,322	\$ 294,656	\$ 259,106	\$ 360,467	\$ 314,633	\$ 175,961
Less: Operating Expenses	(1,995)	(1,137)	(660)	(849)	(962)	(893)	(2,944)	(504)	(321)	(267)
Net Available Revenue	\$ 87,702	\$ 80,495	\$ 82,029	\$ 133,210	\$ 143,360	\$ 293,763	\$ 256,162	\$ 359,963	\$ 314,312	\$ 175,694
Debt Service:										
Principal	73,964	58,956	51,517	84,578	79,687	217,757	219,278	232,105	275,434	151,501
Interest *	16,163	18,120	28,791	45,172	52,251	49,496	39,646	39,076	32,161	22,557
Debt Service Requirements	\$ 90,127	\$ 77,076	\$ 80,308	\$ 129,750	\$ 131,938	\$ 267,253	\$ 258,924	\$ 271,181	\$ 307,595	\$ 174,058
Coverage	0.97	1.04	1.02	1.03	1.09	1.10	0.99	1.33	1.02	1.01

Sources:
Delaware Department of Transportation
Delaware State University
Delaware State Housing Authority

Notes:
Gross revenues represent mortgage principal repayment, mortgage insurance claims received, unused bond proceeds and excess reserves. Expenses do not include interest or amortization.
Abbreviations: Delaware Department of Transportation (DelDOT), Delaware State University (DSU), Delaware State Housing Authority (DSHA)

Debt service for Delaware State University includes Delaware State University Student Housing Foundation beginning in years 2004 through current

*Interest on Delaware State University Student Housing Foundation is a variable rate. In 2007, the increase in interest is reflective in interest rates due to the market.

STATE OF DELAWARE
Demographic and Economic Statistics
Last Ten Calendar Years

(Expressed in Thousands, Unless Otherwise Stated)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Population										
State	831	845	859	872	884	892	900	908	917	926
Percentage Change	1.6%	1.7%	1.7%	1.5%	1.4%	0.9%	0.9%	0.9%	1.0%	1.0%
National	292,805	295,517	298,380	301,231	304,094	306,772	309,326	311,588	313,914	316,129
Percentage Change	0.9%	0.9%	1.0%	1.0%	1.0%	0.9%	0.8%	0.7%	0.7%	0.7%
Total Personal Income										
State (In Millions)	\$30,935.8	\$32,456.7	\$34,671.6	\$35,767.5	\$36,671.8	\$36,419.2	\$36,957.6	\$38,872.6	\$40,557.6	\$41,743.5
Percentage Change	6.5%	4.9%	6.8%	3.2%	2.5%	-0.7%	1.5%	5.2%	4.3%	2.9%
National (In Billions)	\$10,043	\$10,606	\$11,376	\$11,990	\$12,429	\$12,074	\$12,423	\$13,180	\$13,729	\$14,081
Percentage Change	5.9%	5.6%	7.3%	5.4%	3.7%	-2.9%	2.9%	6.1%	4.2%	2.6%
Per Capita Personal Income										
State	\$37,236	\$38,404	\$40,350	\$41,030	\$41,490	\$40,841	\$41,072	\$42,805	\$44,224	\$45,092
Percentage Change	4.8%	3.1%	5.1%	1.7%	1.1%	-1.6%	0.6%	4.2%	3.3%	2.0%
National	\$34,300	\$35,888	\$38,127	\$39,804	\$40,873	\$39,357	\$40,163	\$42,298	\$43,735	\$44,543
Percentage Change	5.0%	4.6%	6.2%	4.4%	2.7%	-3.7%	2.0%	5.3%	3.4%	1.8%
Resident Civilian Labor Force and Employment										
Civilian Labor Force	424,900	434,400	440,100	442,800	445,100	439,300	436,000	438,000	441,100	443,000
Employed	408,300	417,200	424,600	427,300	423,400	404,600	401,200	405,500	409,800	413,300
Unemployed	16,600	17,200	15,500	15,500	21,700	34,700	34,800	32,500	31,300	29,700
Unemployment Rate	3.9%	4.0%	3.5%	3.5%	4.9%	7.9%	8.0%	7.4%	7.1%	6.7%

Sources: Population and personal income is provided by the Bureau of Economic Analysis, U.S. Department of Commerce (www.bea.gov/regional) SA05N through estimates released September 2014. Delaware Department of Labor, Office of Occupational and Labor Market Information

Notes:
Total personal income is comprised of earned income, dividends, interest and rents, and government transfer payments.
Per capita income is calculated by dividing personal income by population; amounts may not be exact due to rounding.
Numbers for prior years revised due to releases of updated data by the Bureau of Economic Analysis.

STATE OF DELAWARE
Principal Employers by Industry
Last Ten Calendar Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of Employees by Industry										
Farm Employment										
Farm	3,255	3,163	3,137	3,210	3,041	2,983	3,129	3,084	3,417	3,343
Non-farm Employment										
Private Employment:										
Accommodation and Food Services	33,074	33,639	34,125	34,687	35,329	35,116	35,742	36,642	37,532	38,371
Administrative and Waste Services	27,668	28,233	29,541	30,624	29,671	27,809	27,746	28,359	28,155	29,678
Arts, Entertainment, and Recreation	12,676	12,967	13,077	12,865	13,135	12,909	13,724	14,172	14,124	14,171
Construction	36,191	-	40,579	38,218	34,975	29,750	28,416	28,063	27,049	28,594
Educational Services	8,078	8,618	9,202	9,137	9,187	9,211	9,214	9,021	9,311	9,089
Finance and Insurance	46,535	48,650	47,505	48,929	50,694	52,374	50,612	52,956	53,809	55,118
Forestry, Fishing, and Related Activities	859	862	834	880	-	-	-	-	-	-
Health Care and Social Assistance	51,085	52,861	54,547	56,953	61,062	62,083	62,877	64,377	65,912	67,927
Information	7,386	7,628	7,737	8,024	8,176	7,592	7,148	6,982	6,825	6,630
Management of Companies and Enterprises	13,199	13,196	12,808	12,089	11,874	11,074	10,548	9,198	8,630	7,216
Manufacturing, Durable and Non-durable	35,452	34,048	34,165	34,367	32,754	29,046	27,168	26,811	26,916	26,627
Mining	214	-	181	177	-	*	-	*	-	*
Professional, Scientific, and Technical Services	35,734	34,052	34,105	35,580	36,137	34,364	34,005	36,035	37,381	38,798
Real Estate and Rental and Leasing	18,472	20,522	21,474	23,225	23,009	22,526	22,750	23,868	24,618	23,312
Trade, Retail	61,017	62,370	62,937	63,905	62,057	59,098	58,437	59,618	59,751	60,404
Trade, Wholesale	15,822	16,048	16,358	16,038	15,739	14,478	13,620	13,818	13,866	13,544
Transportation and Warehousing	13,408	13,145	13,812	14,239	13,807	12,874	12,421	12,794	13,245	14,464
Utilities	2,234	2,231	2,236	2,191	2,281	2,185	2,150	2,004	2,057	2,137
Other Services, Except Public Administration	26,531	27,533	28,006	28,520	28,749	27,472	27,064	27,518	28,108	28,390
Total Private Employment	445,635	416,603	463,229	470,648	468,636	449,961	443,642	452,236	457,289	464,470
Governmental and Governmental Enterprises:										
Federal, Civilian	5,431	5,435	5,390	5,538	5,693	5,797	6,156	5,842	5,629	5,551
Military	9,033	8,422	8,032	8,275	8,378	8,464	8,674	8,699	8,974	9,141
State Governmental	29,984	30,556	31,739	32,670	33,176	32,581	32,804	32,570	32,516	33,459
Local Governmental	23,002	23,875	24,435	24,025	24,452	24,810	25,303	25,695	25,913	26,111
Total Governmental Employment	67,450	68,288	69,596	70,508	71,695	71,652	72,937	72,806	73,032	74,262
Total Non-farm Employment	513,085	484,891	532,825	541,156	540,335	521,613	516,579	525,042	530,321	538,732
Total Employment	516,340	488,054	535,962	544,366	543,376	524,596	519,708	528,126	533,738	542,075

Source: Number of employees by industry is provided by the Bureau of Economic Analysis, U.S. Department of Commerce (www.bea.gov/regional/) through estimates released September 2014.

Notes:

Due to statutory requirements (confidentiality provisions), the State can not disclose the number employed by the ten largest employers. As an alternative comparison, this schedule presents the number employed by nonfarm related industries. The ten largest employers are nonfarm related; therefore, the number employed by those employers could be expected to fall within this schedule.

* Not shown to avoid disclosure of confidential information, estimates for items are not included in the totals

STATE OF DELAWARE
State Employees by Function
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Full-Time Employees										
General Government	1,956	1,989	2,162	2,170	2,201	1,971	1,974	1,956	2,024	2,043
Health and Children's Services	5,770	5,888	6,000	6,113	5,761	5,031	5,053	5,024	4,978	4,916
Judicial and Public Safety	5,164	5,325	5,517	5,849	5,496	5,401	5,363	5,411	5,463	5,476
Natural Resources and Environmental Control	1,238	1,293	1,348	855	1,302	713	716	720	706	693
Labor	457	426	439	516	454	1,716	1,732	1,743	1,699	1,684
Transportation	1,950	1,997	1,994	1,843	1,997	445	441	435	434	436
Education	15,940	16,493	16,555	16,655	16,530	16,753	17,039	17,366	17,571	17,786
State Total	32,475	33,411	34,015	34,001	33,741	32,030	32,318	32,655	32,875	33,034

Source:
Delaware Payroll Human Resources Statewide Technology System

Note:
Includes employees of Local School Districts, but not those of Charter Schools.

STATE OF DELAWARE
Operating Indicators by Function
Last Ten Fiscal Years

Department/Agency	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Children, Youth and Their Families										
Number of Youths in Care	7,885	8,882	9,129	8,115	7,532	22,539	23,442	25,068	22,987	21,591
Corrections										
Average Daily Inmate Population	6,655	6,837	7,088	7,156	7,018	6,727	6,577	6,652	6,884	6,951
Department of Natural Resources and Environmental Control										
Number of Visitors to State Park	5,341,852	4,556,931	5,513,777	4,812,961	4,650,000	4,789,780	4,436,936	4,780,745	5,066,857	5,020,518
Education										
Public School Enrollment, Grades K-12	119,109	120,491	121,856	123,615	125,430	128,503	130,620	131,526	133,369	NA
Delaware State University - Students Enrolled	3,270	3,722	3,690	3,756	3,534	3,819	4,178	4,425	4,877	4,857
Delaware Technical & Community College - Enrolled	19,462	19,593	19,565	20,349	20,484	21,352	21,654	21,062	20,366	19,421
Health and Social Services										
Medicaid Eligibles	136,885	142,515	143,386	148,827	156,266	173,769	193,633	207,067	212,693	217,658
Prescription Assistance Program	6,609	9,065	8,515	7,003	6,267	5,995	6,178	6,243	6,075	5,867
Childcare Caseloads	13,926	14,769	15,039	14,009	13,549	13,696	14,461	14,609	14,765	14,063
Client Visits to Service Centers	612,170	406,487	441,196	452,554	605,991	686,606	687,976	708,000	653,243	643,299
Judicial										
Court of Common Pleas - Filings	85,867	90,964	99,345	128,372	136,631	140,139	126,843	119,753	188,082	139,209
Superior Court - Filings	10,878	11,041	12,869	13,177	14,137	15,060	23,265	20,676	20,367	19,497
Labor										
Workers' Compensation Petitions Filed	7,488	7,619	7,414	7,545	8,196	7,641	7,205	6,755	6,841	6,645
Safety and Homeland Security										
Number of Criminal Histories Requested	38,382	35,263	37,321	38,289	37,384	39,627	43,571	45,995	48,821	50,823
Calls to 911 Centers	346,044	605,194	395,701	434,562	596,691	263,424	325,803	296,796	555,060	369,867
Transportation										
Licensed Drivers	614,410	619,877	622,027	632,304	636,580	644,014	651,799	657,978	663,524	717,875
Registered Motor Vehicles	821,716	847,692	862,473	871,010	845,802	832,661	839,733	825,327	833,786	855,239
Bus Ridership - Fixed Routes	8,052,452	8,472,093	8,313,800	8,628,149	9,146,869	9,218,232	9,920,213	11,594,262	11,195,263	10,952,118
Train Ridership - Newark to Philadelphia	838,578	974,890	1,028,631	1,073,296	1,137,709	1,106,742	1,158,650	1,207,644	1,232,098	1,208,279

Sources:

Delaware Department of Services for Children Youth & Their Families
Delaware Department of Corrections
Delaware Department of Education
Delaware State University
Delaware Technical & Community College
Delaware Department of Health & Social Services
Delaware Judicial Department
Delaware Department of Labor
Delaware State Police
Delaware Department of Transportation

Notes:

Licensed drivers and registered motor vehicles are tracked on a calendar year.
NA - not available

STATE OF DELAWARE
Capital Asset Statistics by Function
 Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Acres of Farmland Permanently Preserved	2,770	3,216	1,094	2,948	2,896	4,487	5,927	6,355	5,859	4,360
Health and Children's Services										
Hospitals	5	5	5	6	6	6	6	5	5	5
Service Centers	14	14	14	15	15	15	15	15	15	15
Natural Resources and Environmental Control										
Acres of Wildlife Habitat Actively Managed	7,250	7,975	8,911	8,150	8,557	8,500	8,700	8,700	8,400	8,400
Transportation										
Centerline Miles	4,453	4,454	4,454	4,447	4,360	4,378	4,378	4,378	4,378	4,448
Centerline Miles Rated Good	3,070	3,055	3,071	3,007	3,423	3,796	3,796	3,796	3,796	4,032
Number of Bridges	1,374	1,417	1,457	1,509	1,556	1,562	1,566	1,591	1,601	1,592
Structural Rating of Good	1,048	1,112	1,131	1,118	1,144	1,137	1,140	1,149	1,151	1,198
Square Feet of Bridge Deck	7,241,809	7,267,932	7,289,913	7,311,730	7,330,395	7,341,988	7,354,916	7,174,339	7,614,980	7,858,872
Square Feet of Bridge Deck Rated Good	6,808,227	6,860,141	6,809,939	6,799,842	6,800,531	6,685,282	6,670,643	6,476,158	6,956,457	5,886,694
National Guard										
Number of Armory Facilities	14	14	14	13	12	12	12	10	11	10
Education										
Local School Districts										
Number of Elementary Schools	102	105	105	108	102	100	101	104	106	106
Number of Middle Schools	33	35	35	36	38	40	40	37	38	37
Number of High Schools	31	33	33	32	31	31	31	32	30	30
Number of Special Schools	14	14	14	14	13	13	15	14	14	14
Number of Administration Buildings	19	19	19	19	20	22	23	24	23	25

Source:
 Delaware Department of Agriculture
 Delaware Office of Management and Budget
 Delaware Department of Transportation
 Delaware National Guard

STATE OF DELAWARE
Capital Asset Balances by Function
 Last Ten Fiscal Years
 (Expressed in Thousands)

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Buildings										
General Government	\$ 373,127	\$ 405,941	\$ 444,439	\$ 460,711	\$ 459,906	\$ 468,958	\$ 525,042	\$ 521,673	\$ 523,219	\$ 527,752
Health and Children's Services	145,342	149,535	151,888	158,691	190,450	188,454	193,410	191,778	190,865	194,224
Judicial and Public Safety	350,393	353,106	353,315	358,662	359,135	371,690	373,648	375,424	375,869	387,579
Natural Resources and Environmental Control	7,522	10,892	23,773	27,538	29,149	38,750	42,143	43,130	43,130	43,484
Transportation	60,820	54,857	55,051	77,471	89,564	91,065	98,057	104,837	109,638	307,805
Education	1,162,450	1,251,807	1,479,998	1,705,323	1,890,709	2,093,349	2,271,507	2,382,520	2,465,751	2,503,000
Total Buildings	\$ 2,099,654	\$ 2,226,138	\$ 2,508,464	\$ 2,788,396	\$ 3,018,913	\$ 3,252,266	\$ 3,503,807	\$ 3,619,362	\$ 3,708,472	\$ 3,963,844
Land and Land Improvements										
General Government	\$ 171,809	\$ 184,916	\$ 211,040	\$ 252,200	\$ 274,853	\$ 289,265	\$ 317,066	\$ 337,587	\$ 340,536	\$ 353,082
Health and Children's Services	10,282	10,620	11,469	11,993	13,667	13,518	13,518	13,518	13,518	13,518
Judicial and Public Safety	25,521	25,521	26,102	25,971	25,971	25,987	79,567	80,820	80,820	84,458
Natural Resources and Environmental Control	263,703	284,814	300,525	309,158	323,370	371,079	369,834	375,847	383,945	397,552
Transportation	164,703	211,272	206,411	222,986	249,775	276,761	276,761	276,761	283,876	288,612
Education	60,491	64,374	75,910	84,728	100,968	110,825	138,874	148,668	160,218	165,246
Total Land and Land Improvements	\$ 696,509	\$ 781,517	\$ 831,457	\$ 907,036	\$ 988,604	\$ 1,087,435	\$ 1,195,620	\$ 1,233,201	\$ 1,262,913	\$ 1,302,468
Equipment and Vehicles										
General Government	\$ 36,248	\$ 38,801	\$ 33,825	\$ 34,380	\$ 26,339	\$ 25,826	\$ 25,255	\$ 21,192	\$ 21,472	\$ 21,610
Health and Children's Services	13,740	14,639	18,209	19,684	20,876	17,486	18,203	18,377	17,453	17,490
Judicial and Public Safety	33,825	33,761	37,183	34,091	33,488	31,573	30,960	35,509	36,290	40,310
Natural Resources and Environmental Control	18,445	19,963	21,035	21,500	21,412	22,021	22,731	22,077	24,409	25,290
Transportation	158,779	161,945	179,466	218,606	220,630	237,416	239,415	254,506	268,900	107,302
Labor	730	712	875	875	806	862	862	662	946	1,023
Education	50,422	49,955	56,486	60,185	63,787	62,990	68,287	77,130	80,657	81,807
Total Equipment and Vehicles	\$ 312,189	\$ 319,776	\$ 347,079	\$ 389,321	\$ 387,338	\$ 398,174	\$ 405,713	\$ 430,453	\$ 450,127	\$ 294,832
Infrastructure										
Transportation	\$ 3,201,817	\$ 3,255,998	\$ 3,283,783	\$ 3,345,399	\$ 3,385,364	\$ 3,432,677	\$ 3,481,075	\$ 3,564,347	\$ 3,670,250	\$ 3,723,674

Source:
 Delaware Department of Finance

Notes:

Information regarding Infrastructure can be found in the Required Supplementary Information contained on page 123. Information is given as to the number of bridges and their condition as well as the center-lane miles and their condition for the past three years. The State preserves farmland under the Department of Agriculture which is part of General Government. In addition, land is preserved as park land under the Department of Natural Resources and Environmental Control. Other land is used for functional purposes of the department, including housing building to perform the Department's function.