

2018  
DELAWARE

Comprehensive Annual  
Financial Report

For the Fiscal Year Ended  
June 30, 2018

# State of Delaware

## Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

John Carney  
Governor

Richard J. Geisenberger  
Secretary, Department of Finance

Jane L. Cole, 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**

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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  
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For the Fiscal Year Ended June 30, 2018  
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# Introductory Section

Comprehensive Annual Financial Report





STATE OF DELAWARE  
DEPARTMENT OF FINANCE  
OFFICE OF THE SECRETARY

RICHARD J. GEISENBERGER  
SECRETARY OF FINANCE

December 13, 2018

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, 2018. 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. The management of the Department of Finance has established a comprehensive framework of internal control to provide a reasonable basis for asserting that, 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. 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. Population estimates from the U.S. Census Bureau in July 2017 indicate almost 962,000 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, 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 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 Division of Small Business, Development and Tourism, the Controller General, and six legislators.

### **Budgetary Control and Financial Management Systems**

Disbursements are controlled by an encumbrance accounting system, via purchase orders, 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 and statutory requirements described in the Budget and Accounting Manual (the BAM), which dictates the process for handling cash, assets, the use of credit cards, payroll, procurement, budgeting and approvals over all financial transactions. (See Notes to Required Supplementary Information for more details.)

The majority of the State's financial transactions are processed through the statewide accounting system, which is a comprehensive, enterprise-wide financial system. However, certain special funds have financial activity external to that system, such as the Delaware Transportation Authority, 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 comprised of 31 members from the executive and legislative branches of State government and the private sector, as appointed by the Governor. DEFAC submits revenue and expenditure forecasts for the Budgetary General Fund and the Transportation Trust Fund to the Governor and the General Assembly regularly throughout the fiscal year. These forecasts are meant to ensure compliance with State constitutional limits on spending authority so future expenditures do not exceed expected revenues. In addition, revenue forecasts near year-end for the next fiscal year are utilized to calculate the corresponding statutory debt limits.

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.

Additionally, 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. Executive Order No. 4, signed by Governor Carney in February 2017, established the Government Efficiency and Accountability Review (GEAR) Board to identify, on an on-going basis, cost savings and continuous improvement opportunities across state government. DEFAC meetings, as well as GEAR meetings, are open to the public and provide a forum for members of the public and private sectors to exchange views on matters of economic and fiscal concern for the State.

On June 30, 2018, Governor Carney signed Executive Order No. 21, which implements key recommendations of a DEFAC advisory panel tasked with studying potential fiscal controls and a budget stabilization fund. The directive orders the Office of Management and Budget to recognize for reporting and planning purposes a Budget Stabilization Fund, atop the State's Budget Reserve Account, and DEFAC to calculate an advisory benchmark index that will be used to calculate an advisory benchmark appropriation and help policymakers determine sustainable levels of base budget growth. The benchmark index will consist of equal weightings

of the 3-year average of i) Delaware personal income growth and ii) Delaware population growth and the Implicit Price Deflator for State and Local Government Purchases.

## **ECONOMIC CONDITION AND OUTLOOK**

Delaware's unemployment rate tends to reflect the national rate, but typically at lower levels. At the end of 2017, however, Delaware's annual unemployment rate of 4.5 percent was 0.4 percent higher than the national average of 4.1 percent. By July of 2018, however, Delaware's unemployment rate had fallen to match that of the U.S. at 3.9 percent.

Delaware's per capita personal income in 2017 ranked 21st in the U.S. and was 97 percent of the national average. Income growth experienced an increase of 2.7 percent over 2016 vs. 2.4 percent in the nation. Aggregate personal income growth is expected to slightly lag national growth levels due, in part, to high levels of in-migration among retirees.

Despite job losses at DuPont and other large employers, employment levels continue to grow due, in part, to continuing growth in financial services and professional and business services and are expected to match national growth rates for the remainder of the decade.

Aided by active economic development policies, strong private sector and academic leadership, an attentive administration and supportive legislators, Delaware's economy continues to do well. 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 to retain important employers. The State's major financial service employers, J.P. Morgan Chase & Co., Bank of America, N.A. and Capital One, continue to maintain a major presence in the State and demonstrate the State's importance as a financial center. The main driver of Delaware's financial sector, the credit card industry has benefited from strong consumer fundamentals, a steady U.S. economic recovery, and rising demand for credit card borrowing. More recently, a rise of 'fintech', or financial services that are delivered through technology, has improved Delaware's competitive position driven by consumers need for mobility. Fintech companies are making news in Delaware. Online loan provider SoFi purchased Claymont-based Zenbanx and is expected to hire 400 workers in Delaware by the end of 2018. J.P. Morgan Chase & Co. announced plans to hire more than 1,800 Delawareans for its technology divisions between 2015 and 2019.

In response to the potential loss of The Chemours Company, Delaware enacted The Delaware Competes Act resulting in Chemours' continued commitment to Delaware by maintaining its administrative headquarters in Wilmington, Delaware and investing \$150 million in the construction of Chemours Discovery Hub, a 312,000 square foot, state-of-the-art research and development facility located at the University of Delaware's STAR (Science, Technology and Advanced Research) campus. Further, when faced with the news that DowDuPont planned to split the merged company into three separate and independent corporations, Delaware responded with The Commitment to Innovation Act, which modernized Delaware's research and development tax credit and established job retention tax credits for firms that establish

worldwide headquarters in the State. The Commitment to Innovation Act was among the critical elements in DowDuPont's decision to locate the headquarters of both the agricultural company and specialty products spin-offs in Delaware and its announcement in September 2017 to locate seven additional business lines in its specialty products unit. In February 2018, DowDuPont announced that the agricultural company would be known as Corteva Agriscience and would combine DuPont Crop Protection, DuPont Pioneer and Dow Agrosiences to become an independent company with \$14.3 billion in sales. The specialty products business will become the new DuPont, and will sell DuPont and Dow legacy products like Kevlar, Tyvek, solar panels, Styrofoam, and Great Stuff foam insulation as part of the combined business with \$21 billion in sales.

To support small, technology start-ups, such as 'fintechs', Governor Carney signed the Angel Investor Job Creation and Innovation Act in May 2018. The Act awards a tax credit worth up to 25% of the investment in a qualified, Delaware-based small business. Businesses that receive the tax credit must pay decent wages, employ fewer than 25 employees and engage primarily in innovation in proprietary technology or research and development of a proprietary nature. By encouraging investment in technology startups with an infusion of capital at a critical time, Delaware continues to improve its economic competitiveness.

The STAR campus, on the site of the former Chrysler plant, is an example of Delaware's efforts to reinvigorate, modernize, and repurpose its manufacturing base and promises to become another of Delaware's economic drivers. In October 2017, the University of Delaware broke ground on a six-story, 200,000 square foot biopharmaceutical research facility. A portion of the building will house the national headquarters of the National Institute for Innovation in Manufacturing Biopharmaceuticals (NIIMBL), the 11th such institute in the country. Established through a grant from the U.S. Department of Commerce, NIIMBL brings together federal, university and industry partners to advance U.S. leadership in making the medicines of the future. The Biopharmaceutical Innovation Building joins the Chemours Discovery Hub and the Tower at STAR, a 10-story building that houses the University's College of Health Sciences as well as accommodating private companies. The Tower is expected to create an environment for the collaboration of industry and partnering organizations that promises to drive economic development for the State.

In close proximity, the Newark Rail Station is undergoing the second of a three-phase renovation project at a total investment of \$50 million that will add a new station building, accessible platforms and new tracks, which now carry Amtrak and SEPTA trains. The modifications are designed to increase capacity at the station and serve the rapidly developing STAR community.

In early 2017, Governor John Carney announced the Delaware Prosperity Partnership (DPP), a change to the way Delaware attracts new investment. The DPP is a public-private, non-profit corporation led by a Board consisting of business leaders and public officials. The goal of DPP is to recruit businesses to the State, lead market and promotional activities that leverage the businesses already incorporated in Delaware and facilitate the development of a stronger entrepreneurial and innovative economic system in Delaware. One example of its early success is bringing high-paying jobs through Adesis, Inc. to the DuPont Experimental Station to

open state-of-the-art labs. Adesis is a contract research organization supporting the pharmaceutical, chemical and biomaterial industries.

Delaware's business-friendly legal system continues to attract incorporations and limited liability company and partnership formations. Two-thirds of Fortune 500 companies are incorporated in Delaware and more than 80% of U.S.-based new initial public offerings (IPOs) choose Delaware as their legal home. New entity formations rose 11.2% in 2017 to a record 198,000. As of December 2017, the total number of active business entities registered with the Division of Corporations exceeded 1,317,000.

Delaware's gaming portfolio continues to diversify. On June 5, 2018, less than a full month after the Supreme Court's ruling to overturn the Professional and Amateur Sports Protection Act, Delaware's three casinos opened their doors to full-scale, Las Vegas style sports betting. In addition to sports betting, the Delaware Lottery offers scratch-off games and multi-jurisdictional games (i.e. Powerball, Mega Millions), video lottery and table games at the racinos, limited video lottery at fraternal and veteran's organizations, Keno and Internet Gaming (i-Gaming). Since 2013, Delaware, Nevada, and more recently New Jersey participate in a Multi-State Internet Gaming Agreement allowing the member states to share poker players (liquidity) in regulated, multi-jurisdictional online poker rooms.

### **INDEPENDENT AUDIT**

The accounting firm of CliftonLarsonAllen, LLP has audited the State's basic financial statements for the fiscal year ended June 30, 2018. Based upon that audit, the independent auditor has issued an unmodified opinion that the State of Delaware's basic financial statements are presented fairly, in all material respects, 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 Office of Management and Budget Uniform Grant Guidance. 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, 108 East Water 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, 2017. 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 23 consecutive years (fiscal years 1995 - 2017). 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: <https://accounting.delaware.gov/cafr/default.shtml> .

Sincerely,



Richard J. Geisenberger  
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, 2017**

*Christopher P. Morill*

Executive Director/CEO

**State of Delaware**  
**Selected State Officials**  
**As of June 30, 2018**

**KEY ELECTED OFFICIALS:**

Governor	John Carney
Lt. Governor	Bethany Hall-Long
Attorney General	Matthew Denn
State Treasurer	Kenneth A. Simpler
Auditor of Accounts	R. Thomas Wagner, Jr.
Insurance Commissioner	Trinidad Navarro

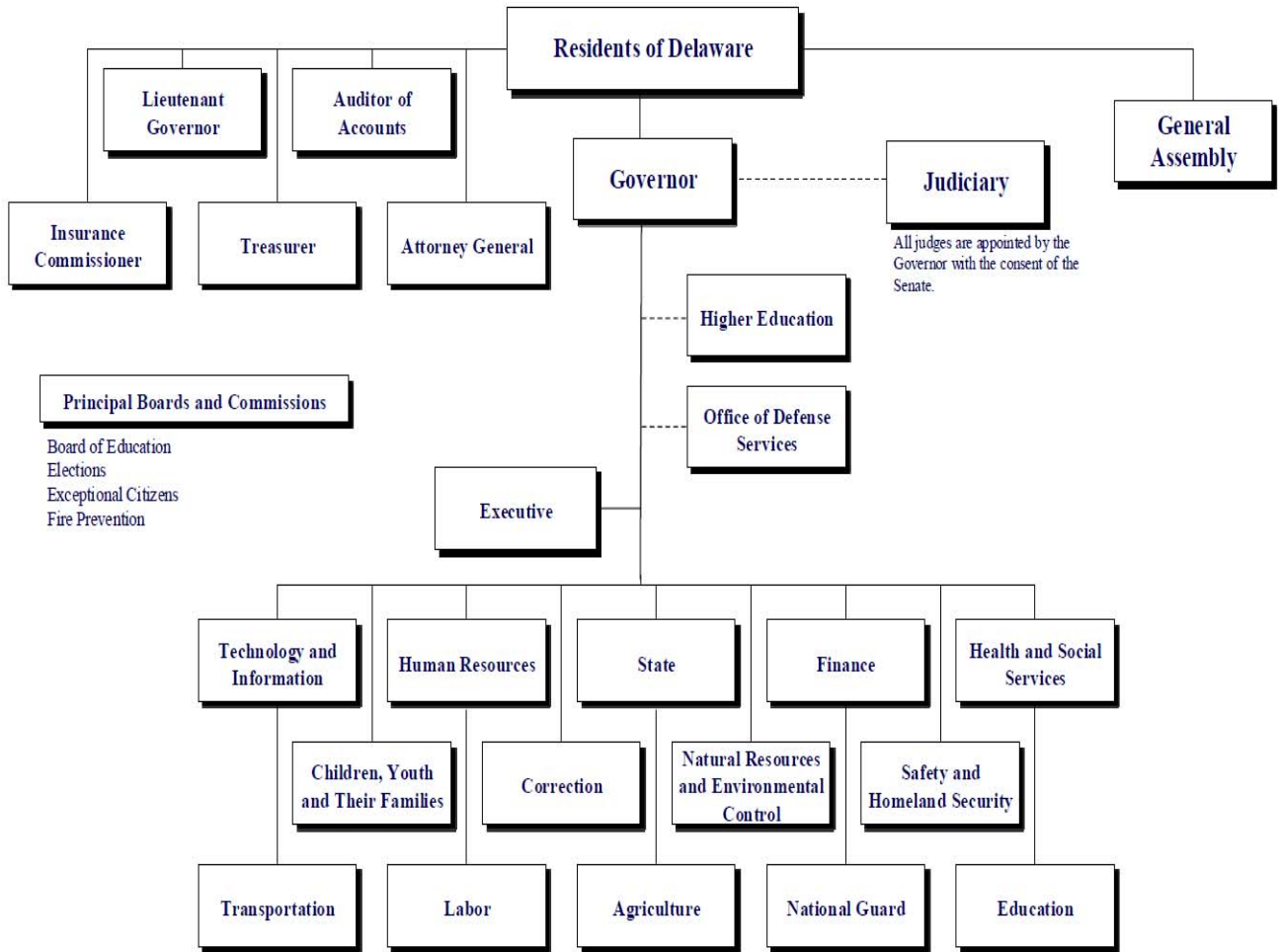
**KEY LEGISLATIVE OFFICIALS:**

President Pro Tem of the Senate	David B. McBride
Senate Majority Leader	Margaret Rose Henry
Senate Minority Leader	F. Gary Simpson
Speaker of the House of Representatives	Peter C. Schwartzkopf
House of Representatives Majority Leader	Valerie J. Longhurst
House of Representatives Minority Leader	Daniel B. Short

**CABINET POSITIONS AND OTHER APPOINTED OFFICIALS:**

Agriculture	Michael T. Scuse
Correction	Perry Phelps
Delaware State Housing Authority	Anas Ben Addi
Education	Dr. Susan Bunting
Finance	Richard J. Geisenberger
Health and Social Services	Dr. Kara Odom Walker
Human Resources	Saundra Ross Johnson
Department of Labor	Cerron Cade
Delaware National Guard	Adjutant General Carol Timmons
Natural Resources and Environmental Control	Shawn M. Garvin
Office of Management and Budget	Michael S. Jackson
Safety and Homeland Security	Robert Coupe
Services for Children, Youth and Their Families	Josette D. Manning
State	Jeffrey W. Bullock
Technology and Information	James Collins
Transportation	Jennifer Cohan

# State of Delaware Organizational Chart



# Financial Section

Comprehensive Annual Financial Report



**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, 2018, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of certain agencies and component units of the State, which represent the indicated percent of total assets and deferred outflows of resources and total revenues as presented in the table below. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it related to the amounts included for those funds and component units, is based solely on the reports of the other auditors.

	Percentage Audited by Other Auditors	
	Assets and Deferred Outflows of Resources	Revenues
Governmental Activities	1%	0%
Business-type Activities	97%	94%
Discretely Presented Component Units	85%	75%
General Fund	2%	0%
Lottery Fund	100%	100%
DeIDOT Fund	100%	100%
Aggregate Remaining Fund Information	100%	100%

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

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 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 as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter – Change in Accounting Principle**

During the fiscal year ended June 30, 2018, the State adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of this standard, the State reported a restatement for the change in accounting principle (See Note 24). Our auditors' opinion was not modified with respect to the restatement.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*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 and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, 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, based on our audit and the report of other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section has 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 it.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 13, 2018

## **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, 2018. 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-viii 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 liabilities and deferred inflows of resources of the State exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$2,390.1 million (net deficit). Discretely presented component units reported a net position of \$683.1 million, a decrease of \$11.3 million from the previous year as restated, with the implementation of GASB 75.
- As a result of its operations, the primary government's total net position increased by \$341.8 million (12.5%) in fiscal year 2018 when compared to the previous year's ending net position as restated with the implementation of GASB 75. Net position of governmental activities increased by \$195.4 million (3.1%) from the previous year, while net position of the business-type activities increased \$146.4 million (4.1%) from the previous year.
- The State's governmental funds reported combined ending fund balances of \$1,756.2 million, an increase of \$480.9 million (37.7%) in comparison with the prior year balance.
- The general fund reported unassigned fund balance of \$424.4 million which was 8.9% of total general fund expenditures.
- The State's total general obligation debt increased \$47.8 million (2.4%) during fiscal year 2018 to \$2,003.6 million. Of the State's outstanding general obligation debt, \$501.2 million (25.0%) 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 \$956.9 million in outstanding revenue bonds with \$43.9 million for energy conservation projects and \$913.0 million for transportation projects.
- The State's adoption of GASB No. 75 requires fully recording the net OPEB liability and additional disclosures of Other Post Employment Benefits (OPEB) information. The implementation of GASB No. 75 resulted in a prior period adjustment of \$5,360.1 for the primary government. This is comprised of the Net OPEB Liability of \$5,577.8 million, offset by the Deferred Outflows of Resources for contributions made during Fiscal Year 2017 of \$217.7 million. Additional information for OPEB can be found in Note 15.



## **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, Delaware State University, the Delaware Agricultural Lands Preservation Foundation, and 24 charter schools. 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 20 - 21 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 for these funds.

The basic governmental funds financial statements can be found on pages 22 - 25 of this report.

The combining schedule for the local school districts that reflects the local school district fund can be found on pages 157 - 160 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 schedules can be found on page 131 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. 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 26 - 28 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 and other post employment benefits trust funds and agency funds.

The basic fiduciary fund financial statements can be found on pages 29 - 30 of this report. The combining fiduciary and agency fund statements can be found on pages 152 - 156.

### **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 33 - 127 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, and required schedules of liability and contributions for the State's pension and OPEB trusts. The RSI can be found on pages 129 - 150 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 liabilities and deferred inflows of resources exceed its assets and deferred outflows of resources by \$2,390.1 million at the close of the most recent fiscal year.

The largest portion of the State's net position of \$5,064.6 million reflects its investment in capital assets (e.g., infrastructure, land, buildings, vehicles, and equipment) less any related outstanding debt used to acquire those assets. The State uses 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 \$1,425.1 million 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 of \$8,879.8 million.

## Condensed Financial Information - Primary Government

As of June 30, 2018

(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Non-capital Assets	\$ 3,271,345	\$ 2,781,022	\$ 722,765	\$ 721,378	\$ 3,994,110	\$ 3,502,400
Capital Assets	3,681,574	3,761,862	4,793,892	4,595,954	8,475,466	8,357,816
Total Assets	6,952,919	6,542,884	5,516,657	5,317,332	12,469,576	11,860,216
Deferred Outflows of Resources	846,673	756,874	68,524	68,824	915,197	825,698
Liabilities:						
Long-term Liabilities						
Outstanding	11,746,988	7,201,606	1,524,149	1,323,208	13,271,137	8,524,814
Other Liabilities	1,229,137	1,200,404	239,823	237,285	1,468,960	1,437,689
Total Liabilities	12,976,125	8,402,010	1,763,972	1,560,493	14,740,097	9,962,503
Deferred Inflows of Resources	956,112	72,925	78,677	22,316	1,034,789	95,241
Net Position:						
Net Investment in						
Capital Assets	1,298,089	1,476,850	3,766,560	3,619,968	5,064,649	5,096,818
Restricted	1,044,556	970,545	380,463	320,957	1,425,019	1,291,502
Unrestricted Deficit	(8,475,290)	(3,622,572)	(404,490)	(137,578)	(8,879,780)	(3,760,150)
Total Net Position*	\$ (6,132,645)	\$ (1,175,177)	\$ 3,742,533	\$ 3,803,347	\$ (2,390,112)	\$ 2,628,170

\*The State implemented GASB Statement No. 75 during fiscal year 2018. The provisions of GASB Statement No. 75 required the State to record its net OPEB liability (asset) and deferred outflows of resources and deferred inflows of resources related to the OPEB liability. This resulted in the restatement of State's net positions as of July 1, 2017. Fiscal year 2017 amounts for governmental and business-type activity reported above have not been restated to reflect this change in accordance with the standard.

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:

<b>Changes in Net Position - Primary Government</b>						
<b>For Year End June 30, 2018</b>						
(Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 575,322	\$ 656,591	\$ 1,314,914	\$ 1,302,335	\$ 1,890,236	\$ 1,958,926
Operating Grants and Contributions	2,377,841	2,201,933	236,688	207,338	2,614,529	2,409,271
<b>General Revenues:</b>						
<b>Taxes:</b>						
Personal Income Taxes	1,309,214	1,180,975	-	-	1,309,214	1,180,975
Business Taxes	2,490,985	2,281,220	-	-	2,490,985	2,281,220
Real Estate Taxes	661,856	625,903	-	-	661,856	625,903
Other Taxes	309,194	256,998	-	-	309,194	256,998
Investment Income (Loss)	23,255	18,237	9,908	2,858	33,163	21,095
Miscellaneous	30,033	20,109	-	-	30,033	20,109
<b>Total Revenues</b>	<b>7,777,700</b>	<b>7,241,966</b>	<b>1,561,510</b>	<b>1,512,531</b>	<b>9,339,210</b>	<b>8,754,497</b>
<b>Expenses:</b>						
General Government	725,609	1,167,143	-	-	725,609	1,167,143
Health and Children's Services	3,459,649	3,259,908	-	-	3,459,649	3,259,908
Judicial and Public Safety	723,807	753,778	-	-	723,807	753,778
Natural Resources and Environmental Control	147,578	164,879	-	-	147,578	164,879
Labor	65,780	93,510	-	-	65,780	93,510
Education	2,622,988	2,799,115	-	-	2,622,988	2,799,115
Interest Expense	87,693	62,815	-	-	87,693	62,815
Lottery	-	-	390,901	383,270	390,901	383,270
Transportation/DelDOT	-	-	712,290	671,765	712,290	671,765
Unemployment	-	-	61,137	62,249	61,137	62,249
<b>Total Expenses</b>	<b>7,833,104</b>	<b>8,301,148</b>	<b>1,164,328</b>	<b>1,117,284</b>	<b>8,997,432</b>	<b>9,418,432</b>
<b>Increase (Decrease) in Net Position Before Transfers</b>	<b>(55,404)</b>	<b>(1,059,182)</b>	<b>397,182</b>	<b>395,247</b>	<b>341,778</b>	<b>(663,935)</b>
<b>Transfers</b>	<b>250,778</b>	<b>245,922</b>	<b>(250,778)</b>	<b>(245,922)</b>	<b>-</b>	<b>-</b>
<b>Increase (Decrease) in Net Position</b>	<b>195,374</b>	<b>(813,260)</b>	<b>146,404</b>	<b>149,325</b>	<b>341,778</b>	<b>(663,935)</b>
<b>Net Position - Beginning of Year As Restated*</b>	<b>(6,328,019)</b>	<b>(361,917)</b>	<b>3,596,129</b>	<b>3,654,022</b>	<b>(2,731,890)</b>	<b>3,292,105</b>
<b>Net Position - End of Year</b>	<b>\$ (6,132,645)</b>	<b>\$ (1,175,177)</b>	<b>\$ 3,742,533</b>	<b>\$ 3,803,347</b>	<b>\$ (2,390,112)</b>	<b>\$ 2,628,170</b>

\*The State implemented GASB Statement No. 75 during fiscal year 2018. The provisions of GASB Statement No. 75 required the State to record its net OPEB liability (asset) and deferred outflows of resources and deferred inflows of resources related to the OPEB liability. This resulted in the restatement of State's net positions as of July 1, 2017. Fiscal year 2017 amounts for governmental and business-type activity reported above have not been restated to reflect this change in accordance with the standard.

## Governmental Activities

The capital assets of the governmental activities decreased by \$80.3 million (2.1%) from the prior year. The decrease is due largely to increased depreciation expense and a decrease in new asset additions.

The increase in governmental activities non-capital assets is mainly due to an increase in cash and investments as a result of a decrease in general government and education expenditures, and an increase in receivables.

The increase in governmental activities long-term liabilities outstanding of \$4,545.4 million (63.1%) is primarily due to the recording of the net OPEB liability of \$7,169.2 million, an increase in general obligation bonds, a decrease in the escheat liability, and a decrease in the net pension liability. The State implemented GASB No. 75, which required recording the net OPEB liability – the difference between the OPEB assets and the actuarially determined liability. The net OPEB liability recording resulted in an increase of \$4,613.1 million from the prior year recording of the liability for other post employment benefits. In addition, general obligation long term debt increased by \$47.8 million (2.4% from fiscal year 2017). The State's debt as a percentage of the State's personal income was 6.7% in fiscal year 2018 and 7.1% in fiscal year 2017. The State's debt burden reflects its centralized role in financing facilities, such as schools and prisons. The escheat liability decreased by \$52.5 million (9.1%) as refund processing returns to a normal level after the implementation of improved processing procedures, and the pension liability decreased by \$78.6 million primarily due to increased investment returns.

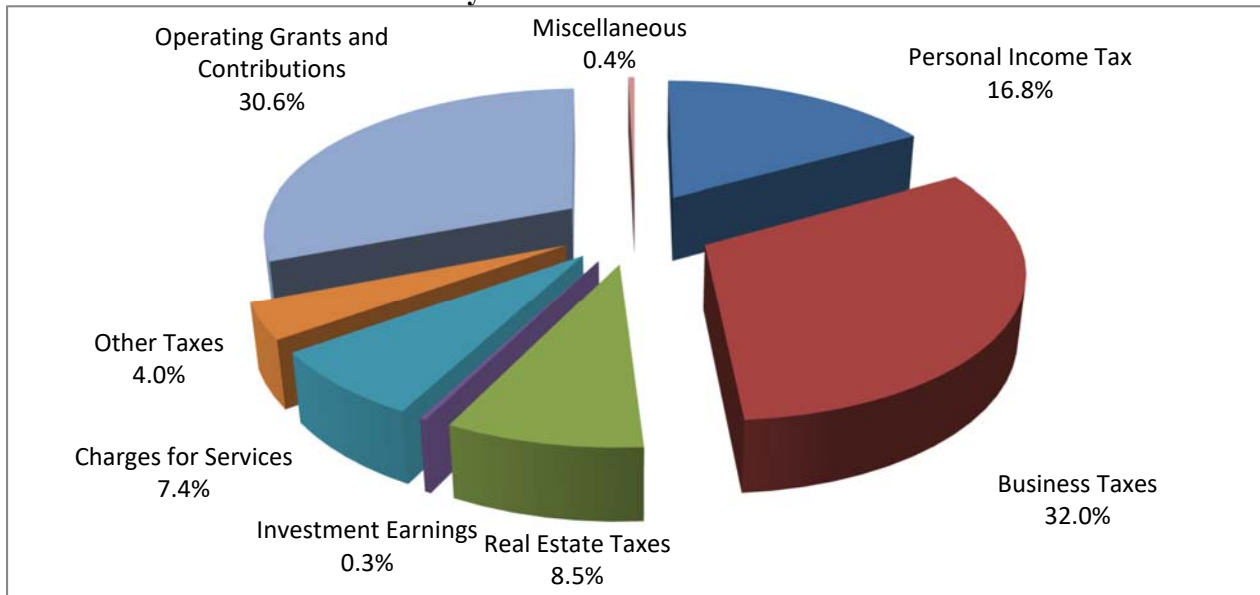
The implementation of GASB No. 75 also required recording deferred outflows of resources and deferred inflows of resources related to the OPEB liability. Deferred outflows of resources were recorded in the amount of \$194.7 million, largely for the OPEB contributions made subsequent to the measurement date of June 30, 2017. Deferred inflows of resources were recorded in the amount of \$873.1 million, mostly for the differences between the projected and actual investment earnings on the OPEB plan assets and changes in assumptions. In addition, deferred outflows of \$652.0 million were recorded for the pension contributions made subsequent to the measurement date of June 30, 2017, differences between projected and actual earnings investment earnings on the pension plan assets, differences between actual and expected experience, and changes in assumptions. Additional deferred inflows of \$83.0 million are mainly due to the difference between expected and actual experience in the pension plan and the gain realized on refunding of debt.

Since fiscal year 2017, the net position for governmental activities has increased by \$195.4 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 increase in the State's net position from governmental activities are as follows:

Total general revenues of governmental activities increased overall by \$441.1 million (10.1%) relating primarily to increases in personal income taxes of \$128.2 million (10.9%), increases in business taxes of \$209.8 million (9.2%), increases in real estate taxes of \$36.0 million (5.7%), and increases in other taxes of \$52.2 million (20.3%). The increase in personal income tax revenues was attributable to rising personal income and low unemployment, and the increase in business taxes was due to increased franchise tax rates and continued economic improvement. The increase in real estate tax revenues is the result of increased mileage rates and continued new home construction.

Program revenues increased by \$94.6 million (3.3%) from the prior year primarily due to an increase in operating grants and contributions.

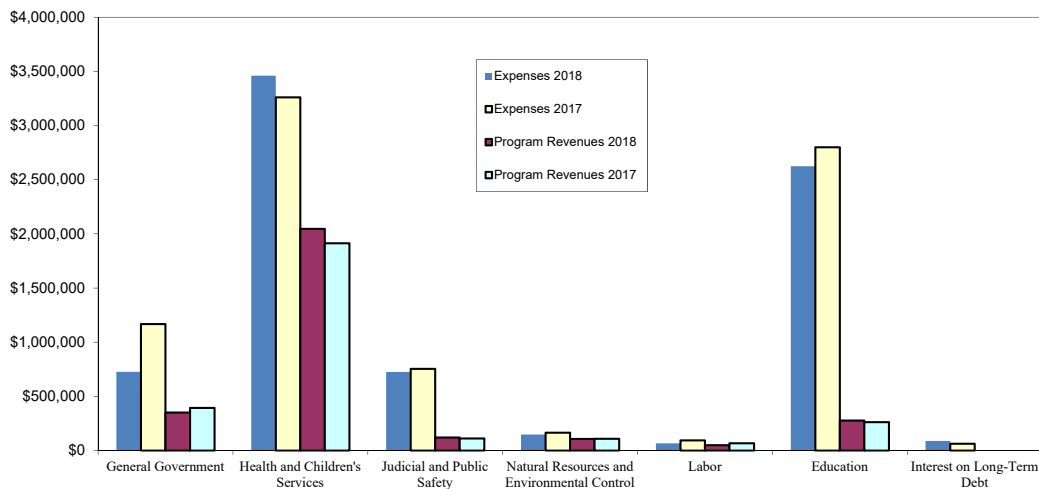
**Revenues by Source – Governmental Activities**



Expenses for governmental activities, not including interest on long-term debt, decreased during fiscal year 2018 by \$492.9 million (6.0%). The decrease in governmental activities is primarily due to decreased budget authority expenditures of \$176.1 million (6.3%) for Education, \$441.5 million (37.8%) for General Government, and \$27.7 for Labor (29.7%). The Department Health and Children’s Services increase of \$199.7 million (6.1%) is attributed to Federal Medicaid program expenditures.

**Expenses and Program Revenues – Governmental Activities**

(Expressed in Thousands)



**Business-type Activities**

The net position for business-type activities increased by \$146.4 million (4.1%) in fiscal year 2018. This increase is comprised of a \$127.2 million (3.7%) increase in net position for DelDOT plus a \$19.2 million (13.4%) in the Unemployment Insurance Trust Fund.



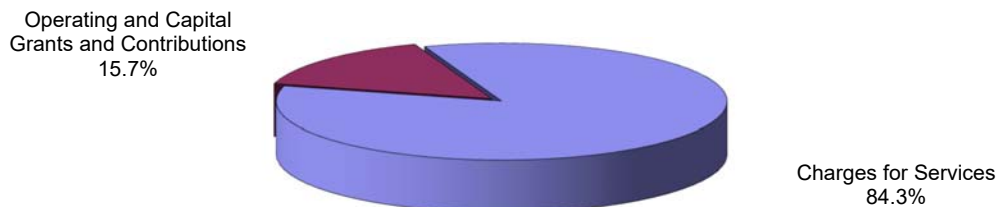
The increase of \$19.2 million in fiscal year 2018 compared to an increase of \$34.0 million in fiscal year 2017 for the Delaware Unemployment Insurance Trust Fund net position is due to decreases in the State unemployment taxes. The operating revenues decreased by \$16.2 million (17.4%) with the decrease in taxes collected and operating expenses decreased by \$1.1 million (1.8%) due to decreases in unemployment benefits paid. The decreases are a result of continued improvements in the economy resulting in a decrease in the tax rate and less individuals unemployed result in fewer individuals collecting benefits.

DelDOT’s net position at June 30, 2018 increased by \$127.2 million from June 30, 2017. Change in net position increased from \$115.3 million in fiscal year 2017 to \$127.2 million in fiscal year 2018. DelDOT’s total operating revenues increased by \$11.8 million (2.0%) while operating expenses increased by \$40.5 million (6.2%). The change in revenue is primarily attributable to increased motor vehicle related revenues due to an increase in new vehicle purchases, increases in toll revenues due to heavier car traffic, increased motor motor fuel taxes as result of increased fuel consumption, and increased passenger fares for transit buses. The increase in operating expenditures is primarily a result of increases in maintenance and preservation costs for previously capitalized infrastructure project and increases in related engineering fees. Nonoperating revenues increased by \$36.7 (19.6%) due to increased federal revenues to fund the U.S. 301 project and an increase in investment returns. Total capital assets (net of depreciation) increased \$197.9 million to \$4,793.9 million during fiscal year 2018 primarily due to major road projects.

There was no change in the Lottery’s net position. By law, the Lottery’s net position cannot exceed \$1.0 million. Lottery revenue for fiscal year 2018 showed an increase over fiscal year 2017 by \$17.7 million or 2.8%. This increase is due to increases in Mega Millions ticket sales as a result of a large jackpot, increased production of scratch tickets, and expansion of sports betting at the end of the fiscal year.

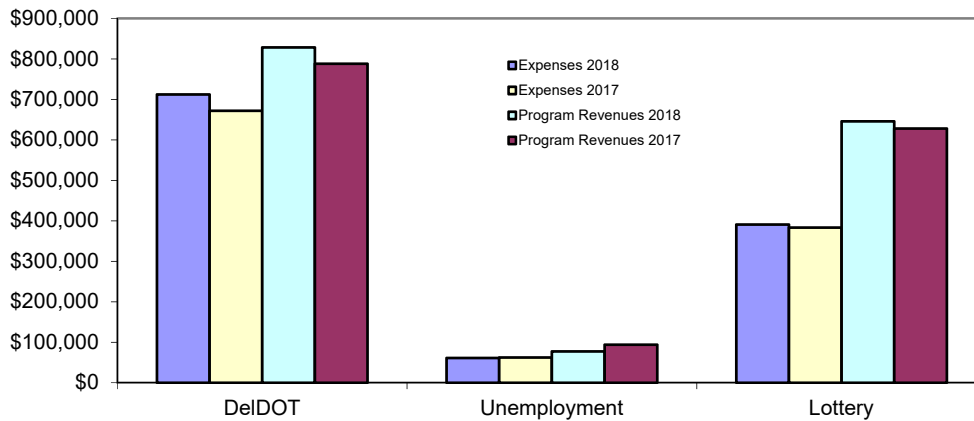
The Lottery transferred \$254.8 million in gaming revenues to the State, a increase of \$10.1 million (4.1%).

**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 19 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 \$1,756.2 million, an increase of \$480.9 million over the prior year fund balance.

Of this amount, \$28.6 million is nonspendable (1.6%), either due to its form or legal constraints, \$1,044.6 million (59.5%) is restricted for specific programs by external constraints, and \$158.7 million (9.0%) is committed for specific purposes pursuant to constraints imposed by a formal action of the Delaware Legislature. An additional \$99.9 million (5.7%) has been assigned to specific purposes by management. The remaining \$424.4 million (24.3%) of fund balance is unassigned.

*General Fund*

The General Fund accounts for the operation and administration of the State. The fund balance increased by \$410.1 million for the fiscal year.

Total General Fund revenues increased by \$315.7 million (6.9%) which was due to several factors. Personal income taxes increased by \$128.2 million, which was due to increased collections with rising personal income. Business taxes increased by \$209.7 million due to increased franchise tax rates and continued economic improvement. In addition, licenses, fees, permits and fines and other revenue increases are \$52.2 million and \$5.6 million, respectively. Other revenue decreases of \$96.6 are due to a reduced level of return on loans.

Total General Fund expenditures decreased by \$487.7 million (9.3%). This was primarily due to decreases in General Government of \$456.0 million, Labor of \$21.7 million, Education of \$16.2 million, and Health and Children's Services of \$11.4 million due to decreased budget authority and a decrease in the expenses for the escheat related to the decreased liability. Public Safety expenditures increased by \$20.6 primarily due to enhancements at State correctional facilities.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$424.4 million and the total fund balance was \$944.7 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 revenues and expenditures increased by \$154.9 and \$175.9 million, respectively. Revenues and expenditures increased for Health and Children's Services by \$143.4 and \$159.7 million, respectively due largely to increased services including Medicaid.

*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 increased by \$19.8 million to \$306.4 million due to increased taxes of \$36.0 million offset by an increase in expenditures of \$28.6 million to serve the increasing student 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 \$250.9 million in fiscal year 2018, a decrease of \$13.6 million due to completion of construction projects and software upgrades in fiscal year 2017.

***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 2018 by \$146.4 million as a result of operations. Pages 11 - 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 increased by \$274.9 million.

Revenues were \$379.9 million (9.5%) more than the previous fiscal year. This was due to increases in personal income tax of \$95.0 million (7.1%), franchise fees of \$144.3 million (20.5%), limited partnership and LLCs of \$20.8 million (7.3%), and realty transfer taxes of \$47.4 million (49.2%). The \$31.1 million decrease in corporate income tax was the result of increased refunds, and the \$95.0 million increase in personal income taxes was due to rising personal income.

Expenditures were \$12.0 million (0.3%) more than the previous fiscal year. Salaries and wages increased by \$18.2 million (1.3%) and Medicaid costs increased by \$10.5 million (1.4%). Pension and benefit costs decreased by \$1.9 million (0.5%), Grants-in-Aid decreased by \$2.8 million (0.8%), contractual services decreased by \$11.4 million (2.1%) and supplies decreased by \$6.8 million (9.9%).

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 from fiscal year 2017 to fiscal year 2018 are \$12.3 million and \$16.7 million increases for Judicial and Public Safety and Education, respectively, due to salary increases and multi-year ongoing projects. Health and Children's Services budget expenses decreased by \$10.3 due to reduced budget authorizations.

Funded projects, which are not completed by year-end, may carry over unspent funds into fiscal year 2018. Unspent funds are reflected in the final budget which may cause variances from original budget.

Actual revenues for the general fund were \$2.1 million less than budgeted due largely to a decrease in licenses, permits, fines and fees collected during fiscal year 2018. For the special fund, actual revenues exceed budgeted due to additional grants received. Actual expenditures were \$197.7

million for the general fund and \$142.8 million for the special fund less than budgeted due to cost containment measures.

## **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, 2018, amounted to \$8,475.5 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 decrease in capital assets for governmental activities was \$80.3 million (2.1%) and the increase for business-type activities was \$197.9 million (4.3%).

Major capital asset increases in the business-type activities during the current fiscal year are due to the increased spending at DelDOT for projects including U.S. 301, State Route 1, the West Dover Connector, the Wilmington Riverfront/Christina River Bridge, along with building and land improvements.

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 4,455 centerline miles and 825 bridges that the State is responsible to maintain with a total book value of \$4,186.0 million as of June 30, 2018.

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

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

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

The Department performs condition assessments of eligible infrastructure assets at least every three years.

Of the Department's 825 bridge structures that were rated in 2018, 69.7% received a good or better BCR rating, 26.8% were rated fair, and 3.5% received a substandard rating. Of the 7,885,958 square feet of bridge deck that was rated, 57.3% received an OPC condition rating of good or better, 37.8% received a fair rating, and 4.9% received a substandard deck rating. Of the 4,455 centerline miles that were rated in 2017, 90.5% received a fair or better OPC rating and 6.7% received a poor rating.

The estimate to maintain and preserve the Department's infrastructure was \$317.2 million for fiscal year 2018. The actual expenditures were \$308.7 million for fiscal year 2018, which is \$8.5 million less than the estimate. The estimated expenditures represent annual 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 45 - 46, Note 6 on pages 75 - 77 and pages 134 - 135 in the Required Supplementary Information.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 494,654	\$ 487,009	\$ 320,563	\$ 310,298	\$ 815,217	\$ 797,307
Land Improvements	172,765	171,246	4,857	5,577	177,622	176,823
Buildings	2,490,798	2,557,626	131,622	125,560	2,622,420	2,683,186
Easements	83,297	83,294	-	-	83,297	83,294
Equipment, Vehicles and Computer Software	285,544	336,684	138,621	138,688	424,165	475,372
Infrastructure	-	-	4,185,972	4,005,063	4,185,972	4,005,063
Construction-In-Progress	154,516	126,003	12,257	10,768	166,773	136,771
	<u>\$ 3,681,574</u>	<u>\$ 3,761,862</u>	<u>\$ 4,793,892</u>	<u>\$ 4,595,954</u>	<u>\$ 8,475,466</u>	<u>\$ 8,357,816</u>

### 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 \$2,003.6 million backed by the full faith and credit of the State. The State's debt burden reflects its centralized role in financing facilities, including school construction projects. As of June 30, 2018, \$501.2 million, or 25.0%, of the State's outstanding debt was issued on behalf of local school districts. Local school districts transferred \$64.3 million of property tax revenue to the State to cover related debt service during fiscal year 2018.

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 the Delaware Economic and Financial Advisory Council (DEFAC) in June for the next fiscal year. Should actual revenue collections increase during the year, no additional authorizations are made. For fiscal year 2018, debt authorization was limited to \$207.3 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 2018, 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 2018. On December 14, 2017, the State issued \$114.8 million of general obligation bonds maturing between January 1, 2024 and January 1, 2029. The bonds bear coupons rate of 5.0% and yield between 1.85% and 2.29%. Proceeds were used for an advance refunding of general obligation bonds. On February 21, 2018, the State issued \$237.5 million of general obligation bonds maturing between February 1, 2019 and January 1, 2038. Proceeds were used to fund various capital projects including \$25.0 million for the Port of Wilmington.

In addition, the Sustainable Energy Utility, Inc. (SEU) had \$43.9 million of Revenue Bonds, Series 2011 outstanding as of June 30, 2018. 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 \$913.0 million to support its ongoing capital transportation program which includes \$64.7 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. The Delaware Transportation Authority also obtained a loan from the Federal Highway Administration (FHWA) to finance construction of the U.S. 301 toll road project, which has an outstanding balance of \$106.9 million as of June 30, 2018.

Additional information on the State of Delaware's long-term debt can be found in Notes 8, 9, and 10 on pages 78 - 92 of this report.

## **Financial Management**

The State's financial management continues to be recognized by the 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 17, 2018 to prepare the final revenue and expenditure estimates upon which the fiscal year 2019 operating and capital budgets would be based. Forecasters suggest moderate growth with employment growing slightly below expected national levels. Tax policy changes, including federal changes under the Tax Cuts and Jobs Act, should prove favorable to revenue in fiscal 2019 and beyond.

The fiscal year 2019 operating and capital budgets were well below budgetary spending limitations imposed by law. The fiscal year 2019 operating budget, along with supplemental appropriations, was \$4,561.1 million, and was based on the revenue resolution passed by the General Assembly in the amount of \$4,703.1 million. The 2019 operating budget included \$52.1 million in appropriations to the Grant-in-Aid bill, \$49.2 million in one-time supplemental appropriations and \$189.0 million in operating cash to supplement the capital budget. Less than 97% of expected revenue in fiscal 2019 has been appropriated.

## **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 <https://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, 2018**  
(Expressed in Thousands)

	<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 37,317	\$ 214,290	\$ 251,607	\$ 75,260
Pooled Cash and Investments	1,595,116	13,575	1,608,691	64,635
Receivables, Net	764,588	92,852	857,440	362,934
Interfund Balances	(23,545)	23,545	-	-
Inventories	5,120	20,574	25,694	1,076
Prepaid Items	-	-	-	4,994
Investments	121,944	158,641	280,585	355,491
Other Assets	-	2,675	2,675	1,407
Restricted Assets:				
Pooled Cash and Investments	770,633	-	770,633	9,453
Deposit on Hold with Trustee	98	-	98	-
Restricted Investments	-	196,613	196,613	34,424
Net Pension Asset	74	-	74	-
Other Restricted Assets	-	-	-	1,367
Capital Assets:				
Non-Depreciable Assets	732,467	4,540,892	5,273,359	336,670
Depreciable Capital Assets, Net	2,949,107	253,000	3,202,107	641,352
<b>Total Capital Assets, Net</b>	<u>3,681,574</u>	<u>4,793,892</u>	<u>8,475,466</u>	<u>978,022</u>
<b>Total Assets</b>	<u>6,952,919</u>	<u>5,516,657</u>	<u>12,469,576</u>	<u>1,889,063</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>846,673</u>	<u>68,524</u>	<u>915,197</u>	<u>100,221</u>
<b>LIABILITIES</b>				
Accounts Payable	741,323	104,784	846,107	11,848
Accrued Liabilities	64,488	14,329	78,817	30,823
Accrued Interest Payable	35,803	16,563	52,366	3,385
Unearned Revenue	2,409	-	2,409	1,628
Escrow Deposits	-	11,132	11,132	-
Advances from Federal Government	5,915	-	5,915	-
Due Within One Year	379,199	93,015	472,214	16,712
Due In More Than One Year	2,849,036	1,013,038	3,862,074	546,114
Net Pension Liability, Due In More Than One Year	1,728,711	57,033	1,785,744	98,130
Net OPEB Liability, Due In More Than One Year	7,169,241	454,078	7,623,319	522,835
<b>Total Liabilities</b>	<u>12,976,125</u>	<u>1,763,972</u>	<u>14,740,097</u>	<u>1,231,475</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>956,112</u>	<u>78,676</u>	<u>1,034,788</u>	<u>74,700</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,298,089	3,766,560	5,064,649	665,839
Restricted For:				
Debt Service	-	217,809	217,809	-
Federal and State Regulations	1,044,556	-	1,044,556	405,021
Bond Covenants	-	-	-	44,437
Unemployment Benefits	-	162,654	162,654	-
Loan Program	-	-	-	38,180
Other Purposes	-	-	-	34,579
Unrestricted (Deficit)	(8,475,290)	(404,490)	(8,879,780)	(504,947)
<b>Total Net Position (Deficit)</b>	<u>\$ (6,132,645)</u>	<u>\$ 3,742,533</u>	<u>\$ (2,390,112)</u>	<u>\$ 683,109</u>



**STATE OF DELAWARE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**  
(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		Primary Government		Total	
			Operating	Capital	Governmental Activities	Business-type Activities		
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General Governmental Services	\$ 725,609	\$ 319,829	\$ 31,235	\$ -	\$ (374,545)	\$ -	\$ (374,545)	\$ -
Health and Children's Services	3,459,649	71,010	1,975,753	-	(1,412,886)	-	(1,412,886)	-
Judicial and Public Safety	723,807	71,777	48,906	-	(603,124)	-	(603,124)	-
Natural Resources and Environmental Control	147,578	69,363	38,131	-	(40,084)	-	(40,084)	-
Labor	65,780	8,382	41,729	-	(15,669)	-	(15,669)	-
Education	2,622,988	34,961	242,087	-	(2,345,940)	-	(2,345,940)	-
Interest on Long-term Debt	87,693	-	-	-	(87,693)	-	(87,693)	-
<b>Total Governmental Activities</b>	<b>7,833,104</b>	<b>575,322</b>	<b>2,377,841</b>	<b>-</b>	<b>(4,879,941)</b>	<b>-</b>	<b>(4,879,941)</b>	<b>-</b>
<b>Business-type Activities:</b>								
Lottery	390,901	645,722	-	-	-	254,821	254,821	-
DelDOT	712,290	592,285	236,163	-	-	116,158	116,158	-
Unemployment	61,137	76,907	525	-	-	16,295	16,295	-
<b>Total Business-type Activities</b>	<b>1,164,328</b>	<b>1,314,914</b>	<b>236,688</b>	<b>-</b>	<b>-</b>	<b>387,274</b>	<b>387,274</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 8,997,432</b>	<b>\$ 1,890,236</b>	<b>\$ 2,614,529</b>	<b>\$ -</b>	<b>(4,879,941)</b>	<b>387,274</b>	<b>(4,492,667)</b>	<b>-</b>
<b>Discretely Presented Component Units:</b>								
Delaware State Housing Authority	\$ 101,843	\$ 25,845	\$ 82,390	\$ 1,050	-	-	-	7,442
Diamond State Port Corporation	47,982	-	39,804	15,000	-	-	-	6,822
Riverfront Development Corporation	15,001	3,472	100	2,880	-	-	-	(8,549)
Delaware State University	147,677	80,409	14,101	5,500	-	-	-	(47,667)
Delaware Charter Schools	220,854	4,825	20,291	47	-	-	-	(195,691)
Delaware Agricultural Lands Preservation Foundation	739	355	3,547	832	-	-	-	3,995
<b>Total Discretely Presented Component Units</b>	<b>\$ 534,096</b>	<b>\$ 114,906</b>	<b>\$ 160,233</b>	<b>\$ 25,309</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(233,648)</b>
<b>General Revenues:</b>								
Taxes:								
Personal Income					1,309,214	-	1,309,214	-
Business					2,490,985	-	2,490,985	-
Real Estate					661,856	-	661,856	-
Other					309,194	-	309,194	-
Unrestricted Payments from Primary Government					-	-	-	216,014
Investment Income					23,255	9,908	33,163	2,374
Miscellaneous				-	30,033	-	30,033	3,985
Transfers In (Out)					250,778	(250,778)	-	-
<b>Total General Revenues and Transfers</b>					<b>5,075,315</b>	<b>(240,870)</b>	<b>4,834,445</b>	<b>222,373</b>
Changes in Net Position					195,374	146,404	341,778	(11,275)
<b>Net Position - Beginning As Restated (Note 24)</b>					<b>(6,328,019)</b>	<b>3,596,129</b>	<b>(2,731,890)</b>	<b>694,384</b>
<b>Net Position - Ending</b>					<b>\$ (6,132,645)</b>	<b>\$ 3,742,533</b>	<b>\$ (2,390,112)</b>	<b>\$ 683,109</b>

**STATE OF DELAWARE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018  
(Expressed in Thousands)**

	<u>General</u>	<u>Federal</u>	<u>Local School Districts</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 28,711	\$ 1,133	\$ 7,473	\$ -	\$ 37,317
Pooled Cash and Investments	1,828,170	-	327,807	209,772	2,365,749
Deposit on Hold with Trustee	98	-	-	-	98
Investments	121,944	-	-	-	121,944
Accounts Receivable, Net	95,445	36,367	523	-	132,335
Taxes Receivable, Net	72,071	-	46,627	-	118,698
Intergovernmental Receivables, Net	-	168,315	-	-	168,315
Loans and Notes Receivable, Net	27,130	318,110	-	-	345,240
Due from Other Funds	31,797	-	-	-	31,797
Inventories	5,120	-	-	-	5,120
<b>TOTAL ASSETS</b>	<u>\$ 2,210,486</u>	<u>\$ 523,925</u>	<u>\$ 382,430</u>	<u>\$ 209,772</u>	<u>\$ 3,326,613</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 531,892	\$ 155,873	\$ 30,828	\$ 22,730	\$ 741,323
Accrued Liabilities	64,488	-	-	-	64,488
Other Liabilities	1,219	-	-	-	1,219
Escheat Liability	525,000	-	-	-	525,000
Due to Other Funds	31,579	23,763	-	-	55,342
Advances from Federal Government	-	5,915	-	-	5,915
Unearned Revenue	2,410	-	-	-	2,410
<b>Total Liabilities</b>	<u>1,156,588</u>	<u>185,551</u>	<u>30,828</u>	<u>22,730</u>	<u>1,395,697</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>109,185</u>	<u>20,264</u>	<u>45,252</u>	<u>-</u>	<u>174,701</u>
<b>FUND BALANCES</b>					
Nonspendable	28,665	-	-	-	28,665
Restricted	233,054	318,110	306,350	187,042	1,044,556
Committed	158,677	-	-	-	158,677
Assigned	99,917	-	-	-	99,917
Unassigned	424,400	-	-	-	424,400
<b>Total Fund Balances</b>	<u>944,713</u>	<u>318,110</u>	<u>306,350</u>	<u>187,042</u>	<u>1,756,215</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>	<u>\$ 2,210,486</u>	<u>\$ 523,925</u>	<u>\$ 382,430</u>	<u>\$ 209,772</u>	<u>\$ 3,326,613</u>

**STATE OF DELAWARE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2018**  
(Expressed in Thousands)

**Total Fund Balances - Governmental Funds** \$ 1,756,215

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

Net pension asset available to fund future pension obligations 74

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

Land	494,654	
Land Improvements	172,765	
Buildings	2,490,798	
Easements	83,297	
Equipment, Vehicles and Software	285,544	
Construction in Progress	154,516	
		3,681,574

Deferred outflows of resources related to the pension and OPEB contributions, changes in proportion, change in assumptions, experience differences, and investment differences 846,673

Deferred inflows of resources related to:

Revenues that will be collected after year-end, but are not available to pay for the current period's expenditures	174,701	
Pension investment differences, changes in proportion, and experience differences	(27,665)	
OPEB investment differences, changes in proportion, and change in assumptions	(873,064)	
Deferred gains on refunding of bonds	(55,383)	
		(781,411)

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	(35,803)	
Claims and Judgments (Current and Long-term)	(180,051)	
Compensated Absences (Current and Long-term)	(168,880)	
Pollution Remediation Obligations (Current and Long-term)	(20,476)	
Notes Payable	(22,998)	
General Obligation and Revenue Bonds and Related Accounts	(2,305,103)	
Net Pension Liability, Due In More Than One Year	(1,728,711)	
Net OPEB Liability, Due In More Than One Year	(7,169,241)	
Other Long-term Obligations	(4,507)	
		(11,635,770)

**Total Net Position (Deficit) of Governmental Activities** \$ (6,132,645)

**STATE OF DELAWARE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES (DEFICITS)**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**  
(Expressed in Thousands)

	<u>General</u>	<u>Federal</u>	<u>Local School District Fund</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Personal Taxes	\$ 1,309,214	\$ -	\$ -	\$ -	\$ 1,309,214
Business Taxes	2,489,979	-	-	-	2,489,979
Other Tax Revenue	309,191	-	662,865	-	972,056
Licenses, Fees, Permits and Fines	417,492	-	1,852	-	419,344
Rentals and Sales	108,211	-	9,171	-	117,382
Grants	50,656	2,319,825	5,128	-	2,375,609
Interest and Other Investment Income	20,914	-	2,324	-	23,238
Other	167,876	-	(3,896)	-	163,980
<b>Total Revenues</b>	<u>4,873,533</u>	<u>2,319,825</u>	<u>677,444</u>	<u>-</u>	<u>7,870,802</u>
<b>Expenditures</b>					
Current:					
General Government	507,773	17,226	-	-	524,999
Health and Children's Services	1,455,806	1,934,849	-	-	3,390,655
Judicial and Public Safety	670,329	43,510	-	-	713,839
Natural Resources and Environmental Control	119,507	27,401	-	-	146,908
Labor	31,353	34,503	-	-	65,856
Education	1,555,213	224,105	564,200	-	2,343,518
Unrestricted Payments to Component Unit - Education	159,942	-	56,072	-	216,014
Capital Outlay	-	-	-	250,874	250,874
Debt Service:					
Principal	181,417	-	-	-	181,417
Interest and Other Charges	83,267	-	-	-	83,267
Costs of Issuance of Debt	764	-	-	-	764
<b>Total Expenditures</b>	<u>4,765,371</u>	<u>2,281,594</u>	<u>620,272</u>	<u>250,874</u>	<u>7,918,111</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>108,162</u>	<u>38,231</u>	<u>57,172</u>	<u>(250,874)</u>	<u>(47,309)</u>
<b>Other Sources (Uses) of Financial Resources</b>					
Transfers In	543,074	40,751	42,864	-	626,689
Transfers Out	(100,298)	(53,714)	(80,194)	(141,705)	(375,911)
Issuance of General Obligation Bonds	-	-	-	352,235	352,235
Payment to Refunding Escrow Agent	(140,802)	-	-	-	(140,802)
Premiums on Bond Sales	-	-	-	65,988	65,988
<b>Total Other Sources (Uses) of Financial Resources</b>	<u>301,974</u>	<u>(12,963)</u>	<u>(37,330)</u>	<u>276,518</u>	<u>528,199</u>
<b>Net Change in Fund Balances</b>	410,136	25,268	19,842	25,644	480,890
<b>Fund Balances - Beginning</b>	<u>534,577</u>	<u>292,842</u>	<u>286,508</u>	<u>161,398</u>	<u>1,275,325</u>
<b>Fund Balances - Ending</b>	<u>\$ 944,713</u>	<u>\$ 318,110</u>	<u>\$ 306,350</u>	<u>\$ 187,042</u>	<u>\$ 1,756,215</u>

**STATE OF DELAWARE**  
**RECONCILIATION OF THE NET CHANGES IN FUND BALANCES -**  
**TOTAL GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION**  
**OF GOVERNMENTAL ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**  
(Expressed in Thousands)

**Net Changes in Fund Balances** \$ 480,890

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	110,756	
Depreciation Expense	(186,199)	
Loss on Disposal of Assets	<u>(4,845)</u>	(80,288)

Change in revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds.		39,280
--	--	--------

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 (net of sinking fund in the amount of \$72)	179,840	
Payment to Refunding Agent for Principal Repayments	127,620	
New Debt Issued (Face Value)	(352,235)	
Premium Received on General Obligation Bonds	(65,988)	
Amortization of Premiums on Bonds	33,151	
Current Year Gain on Refunding of Debt	(26,722)	
Amortization of Gain on Refunding of Debt	<u>4,357</u>	(99,977)

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	(2,028)	
Claims and Judgments	2,010	
Compensated Absences	5,175	
Pollution Remediation Obligation	2,682	
Change in Pension Liability	(13,970)	
Change in OPEB Liability	(138,683)	
Notes Payable	1,505	
Other Liabilities	<u>(1,222)</u>	<u>(144,531)</u>

**Change in Net Position in the Statement of Activities** \$ 195,374

**STATE OF DELAWARE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2018**  
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DeIDOT</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 150,737	\$ 3,461	\$ 60,092	\$ 214,290
Pooled Cash and Investments	-	2,442	11,133	13,575
Accounts Receivable, Net	8,320	10,836	22,261	41,417
Taxes Receivable, Net	23,752	-	-	23,752
Intergovernmental Receivables, Net	-	-	26,764	26,764
Interest Receivable	-	-	919	919
Inventories	-	-	20,574	20,574
Due from Other Funds	-	12,657	18,922	31,579
Other Assets	-	-	208	208
Investments:				
Unrestricted	-	-	145,537	145,537
Restricted	-	-	122,017	122,017
<b>Total Current Assets</b>	<b>182,809</b>	<b>29,396</b>	<b>428,427</b>	<b>640,632</b>
<b>Noncurrent Assets:</b>				
Investments:				
Unrestricted	-	-	13,104	13,104
Restricted	-	-	74,596	74,596
Other Assets	-	2,467	-	2,467
Capital Assets:				
Capital Assets, Non-depreciable	-	-	4,540,892	4,540,892
Capital Assets, Depreciable, Net	-	-	253,000	253,000
<b>Total Capital Assets, Net</b>	<b>-</b>	<b>-</b>	<b>4,793,892</b>	<b>4,793,892</b>
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>2,467</b>	<b>4,881,592</b>	<b>4,884,059</b>
<b>Total Assets</b>	<b>182,809</b>	<b>31,863</b>	<b>5,310,019</b>	<b>5,524,691</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>1,127</b>	<b>67,397</b>	<b>68,524</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	20,155	6,662	77,967	104,784
Accrued Liabilities	-	6,616	7,713	14,329
Escrow Deposits	-	-	11,132	11,132
Interest Payable	-	-	16,563	16,563
Due to Other Funds	-	2,461	5,573	8,034
Pollution Remediation Obligation	-	-	75	75
Claims and Judgements	-	-	1,863	1,863
Compensated Absences	-	-	1,882	1,882
Revenue Bonds	-	-	89,195	89,195
<b>Total Current Liabilities</b>	<b>20,155</b>	<b>15,739</b>	<b>211,963</b>	<b>247,857</b>
<b>Noncurrent Liabilities:</b>				
Pollution Remediation Obligation	-	-	9	9
Claims and Judgments	-	-	7,316	7,316
Liabilities Payable from Restricted Assets	-	2,467	-	2,467
Loans Payable	-	-	106,905	106,905
Net Pension Liability, Due in More Than One Year	-	1,860	55,173	57,033
Net OPEB Liability, Due in More Than One Year	-	10,236	443,842	454,078
Compensated Absences	-	-	9,735	9,735
Revenue Bonds	-	-	886,606	886,606
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>14,563</b>	<b>1,509,586</b>	<b>1,524,149</b>
<b>Total Liabilities</b>	<b>20,155</b>	<b>30,302</b>	<b>1,721,549</b>	<b>1,772,006</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>1,688</b>	<b>76,988</b>	<b>78,676</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	-	-	3,766,560	3,766,560
Restricted for:				
Debt Service	-	-	217,809	217,809
Unemployment Benefits	162,654	-	-	162,654
Unrestricted	-	1,000	(405,490)	(404,490)
<b>Total Net Position</b>	<b>\$ 162,654</b>	<b>\$ 1,000</b>	<b>\$ 3,578,879</b>	<b>\$ 3,742,533</b>

**STATE OF DELAWARE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**  
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DelDOT</u>	<u>Total</u>
<b>Operating Revenues:</b>				
Unemployment Taxes-State Funded	\$ 76,907	\$ -	\$ -	\$ 76,907
Gaming Revenue	-	645,722	-	645,722
Pledged Revenues:				
Turnpike Revenue	-	-	135,048	135,048
Motor Vehicle and Related Revenue	-	-	344,029	344,029
Turnpike Revenue	-	-	61,975	61,975
Passenger Fares	-	-	18,030	18,030
Miscellaneous	-	-	32,301	32,301
	<u>76,907</u>	<u>645,722</u>	<u>591,383</u>	<u>1,314,012</u>
<b>Operating Expenses:</b>				
Unemployment Benefits - State Funded	60,633	-	-	60,633
Unemployment Benefits - Federal Funded	504	-	-	504
Cost of Sales	-	222,949	-	222,949
Prizes	-	156,506	-	156,506
Transportation	-	-	661,518	661,518
Depreciation	-	-	30,593	30,593
General and Administrative	-	10,446	-	10,446
	<u>61,137</u>	<u>389,901</u>	<u>692,111</u>	<u>1,143,149</u>
Operating Income (Loss)	<u>15,770</u>	<u>255,821</u>	<u>(100,728)</u>	<u>170,863</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest Income	2,929	-	6,979	9,908
Interest Expense	-	-	(20,179)	(20,179)
Grants	525	-	236,163	236,688
Other Revenue	-	-	902	902
Contributions to Thoroughbred Program	-	(1,000)	-	(1,000)
	<u>3,454</u>	<u>(1,000)</u>	<u>223,865</u>	<u>226,319</u>
Total Nonoperating Revenues (Expenses)	<u>3,454</u>	<u>(1,000)</u>	<u>223,865</u>	<u>226,319</u>
Income Before Transfers	19,224	254,821	123,137	397,182
Transfers In	-	-	16,683	16,683
Transfers Out	-	(254,821)	(12,640)	(267,461)
Increase in Net Position	19,224	-	127,180	146,404
Net Position - Beginning As Restated (Note 24)	<u>143,430</u>	<u>1,000</u>	<u>3,451,699</u>	<u>3,596,129</u>
Net Position - Ending	<u>\$ 162,654</u>	<u>\$ 1,000</u>	<u>\$ 3,578,879</u>	<u>\$ 3,742,533</u>

**STATE OF DELAWARE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**  
(Expressed in Thousands)

	<b>Unemployment</b>	<b>Lottery</b>	<b>DeIDOT</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>				
Receipts from Employers	\$ 91,235	\$ -	\$ 589,703	\$ 680,938
Receipts from Customers and Users	-	642,806	2,350	645,156
Payments to Suppliers for Goods and Services	-	(47,713)	(438,717)	(486,430)
Payments to Employees for Services	-	(5,524)	(192,153)	(197,677)
Payments for Insurance Claims	(69,425)	-	(5,238)	(74,663)
Payments for Prizes	-	(134,890)	-	(134,890)
Payment for Commissions	-	(198,264)	-	(198,264)
	<u>21,810</u>	<u>256,415</u>	<u>(44,055)</u>	<u>234,170</u>
<b>Net Cash Provided (Used) by Operating Activities</b>				
<b>Cash Flows from Noncapital Financing Activities:</b>				
Receipts from Federal Government	525	-	6,381	6,906
Payment on Other Grants	-	(1,000)	(4,953)	(5,953)
Transfers In	-	-	16,683	16,683
Transfers Out	-	(253,304)	(12,640)	(265,944)
	<u>525</u>	<u>(254,304)</u>	<u>5,471</u>	<u>(248,308)</u>
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>				
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital Grants	-	-	225,447	225,447
Purchases of Capital Assets	-	-	(217,604)	(217,604)
Principal Paid on Capital Debt	-	-	(69,880)	(69,880)
Interest Paid on Capital Debt	-	-	(42,885)	(42,885)
Proceeds from Issuance of Debt	-	-	105,121	105,121
	<u>-</u>	<u>-</u>	<u>199</u>	<u>199</u>
<b>Net Cash Provided by Capital and Related Financing Activities</b>				
<b>Cash Flows from Investing Activities:</b>				
Interest and Investment Revenues	2,929	-	7,843	10,772
Collection on Bad Debt	-	-	321	321
Escrow Deposits Received	-	-	(75)	(75)
Purchase of Investments	-	-	(3,457,337)	(3,457,337)
Proceeds from Sales and Maturities of Investments	-	-	3,483,660	3,483,660
	<u>2,929</u>	<u>-</u>	<u>34,412</u>	<u>37,341</u>
<b>Net Cash Provided by Investing Activities</b>				
<b>Net Increase in Cash, Cash Equivalents and Pooled Investments</b>				
	25,264	2,111	(3,973)	23,402
<b>Cash, Cash Equivalents and Pooled Investments- Beginning of Year</b>				
	125,473	3,792	75,198	204,463
<b>Cash, Cash Equivalents and Pooled Investments - End of Year</b>				
	<u>\$ 150,737</u>	<u>\$ 5,903</u>	<u>\$ 71,225</u>	<u>\$ 227,865</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 15,770	\$ 255,821	\$ (100,728)	\$ 170,863
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	-	30,593	30,593
Effect of Changes in Operating Assets and Liabilities:				
Receivables, Net	14,328	(2,916)	(602)	10,810
Inventories	-	-	(1,062)	(1,062)
Prepaid Items	-	-	11	11
Net Pension Adjustment	-	-	(4,128)	(4,128)
Due to/from General Fund	-	-	1,390	1,390
Decrease in Deferred Outflows of Resources	-	-	8,859	8,859
Increase in Deferred Inflows of Resources	-	-	54,727	54,727
Accounts and Other Payables	(3,510)	1,894	2,743	1,127
Accrued Liabilities	(4,778)	-	1,099	(3,679)
Accrued Expenses	-	1,616	-	1,616
Accrued Payroll and Related Expenses	-	-	699	699
Net OPEB Adjustment	-	-	(37,656)	(37,656)
	<u>\$ 21,810</u>	<u>\$ 256,415</u>	<u>\$ (44,055)</u>	<u>\$ 234,170</u>
<b>Net Cash Provided by Operating Activities</b>				
<b>Schedule of Noncash Noncapital Financing Activities</b>				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	(1,517)	-	(1,517)



**STATE OF DELAWARE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2018**  
(Expressed in Thousands)

	<b>Pension &amp; OPEB Trusts</b>	<b>Investment Trust</b>	<b>Agency</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 774,863	\$ 3,426	\$ 26,241
Pooled Cash and Investments	10,327	-	83,836
Receivables:			
Accrued Interest	11,960	69	-
Investment Sales Pending	18,197	73	-
Employer Contributions	27,300	-	-
Member Contributions	4,828	-	-
Other Receivables	-	-	5,638
Investments, at Fair Value:			
Domestic Fixed Income	1,182,929	10,945	-
Domestic Equities	2,009,424	14,381	-
Pooled Equity and Fixed Income	3,323,677	13,309	-
Alternative Investments	2,456,003	9,894	-
Short Term Investments	-	-	1,102
Foreign Fixed Income	79,170	319	-
Foreign Equities	606,819	5,482	-
	<b>Total Assets</b>	<b>57,898</b>	<b>\$ 116,817</b>
<b>Liabilities:</b>			
Investment Purchase Payable	16,855	83	\$ -
Benefits/Claims Payable	18,126	-	-
Accrued Investment Expense	3,627	15	-
Accrued Administrative Expenses	255	-	-
Other Liabilities	123	-	-
Funds Held in Escrow	-	-	116,817
	<b>Total Liabilities</b>	<b>98</b>	<b>\$ 116,817</b>
<b>Net Position:</b>			
Net Position Restricted for Pensions	10,084,874	-	
Net Position Held in Trust for OPEB Benefits	381,637	-	
Net Position Held in Trust for Pool Participants	-	57,800	
	<b>Total Net Position</b>	<b>\$ 57,800</b>	

**STATE OF DELAWARE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**  
(Expressed in Thousands)

	<u>Pension &amp; OPEB Trusts</u>	<u>Investment Trust</u>
<b>Additions:</b>		
Contributions:		
Employer Contributions	\$ 496,096	\$ -
Transfer of Contributions from Post-Retirement Increase Fund	10,944	-
Transfer of Assets from Outside the System	3,512	3,667
Member Contributions	76,520	-
Miscellaneous Receipts	193	-
	<hr/>	<hr/>
Total Contributions	587,265	3,667
	<hr/>	<hr/>
Investments:		
Investment Earnings	151,020	1,039
Net Change in Fair Value of Investments	862,049	4,480
	<hr/>	<hr/>
Total Investment Earnings	1,013,069	5,519
	<hr/>	<hr/>
Less Investment Manager/Advisor/Custody Fees	(22,868)	(109)
Less Investment Administrative Expenses	(801)	-
	<hr/>	<hr/>
Net Investment Earnings	989,400	5,410
	<hr/>	<hr/>
Securities Lending Income	1,217	5
Securities Lending Expense	(182)	-
	<hr/>	<hr/>
Total Net Securities Lending Income	1,035	5
	<hr/>	<hr/>
Total Additions	1,577,700	9,082
	<hr/>	<hr/>
<b>Deductions:</b>		
Transfer of Assets to Post-Retirement Increase Fund	10,945	-
Transfer of Assets to Outside the System	3,367	9,599
Pension/Claim Payments	896,217	-
Refunds of Contributions to Members	6,859	-
Burial Benefit Payments	6,603	-
Administrative Expenses	6,325	2
	<hr/>	<hr/>
Total Deductions	930,316	9,601
	<hr/>	<hr/>
Change in Net Position	647,384	(519)
	<hr/>	<hr/>
<b>Net Position - Beginning</b>	9,819,127	58,319
	<hr/>	<hr/>
<b>Net Position - Ending</b>	<u>\$ 10,466,511</u>	<u>\$ 57,800</u>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2018**  
(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
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 63,488	\$ 4,917	\$ 317	\$ 3	\$ 6,535	\$ -	\$ 75,260
Pooled Cash and Investments	284	-	-	4,339	56,565	3,447	64,635
Accounts and Other Receivables, Net	62,141	3,028	642	9,125	5,703	939	81,578
Loans and Notes Receivable, Net	272,988	-	1,280	-	-	7,088	281,356
Inventories	-	1,076	-	-	-	-	1,076
Prepaid Items	3,998	744	68	-	184	-	4,994
Investments	337,623	-	-	15,497	2,371	-	355,491
Other Assets	-	-	-	956	346	105	1,407
Restricted Assets:							
Cash and Cash Equivalents	1,261	1,072	-	4,445	2,675	-	9,453
Restricted Investments	-	14,428	-	19,821	175	-	34,424
Other Restricted Assets	-	-	-	1,362	5	-	1,367
Capital Assets:							
Capital Assets - Non-Depreciable	2,126	44,341	17,978	8,179	24,384	239,662	336,670
Capital Assets - Depreciable, Net	7,577	179,215	84,636	223,275	146,648	1	641,352
<b>Total Capital Assets, Net</b>	<b>9,703</b>	<b>223,556</b>	<b>102,614</b>	<b>231,454</b>	<b>171,032</b>	<b>239,663</b>	<b>978,022</b>
<b>Total Assets</b>	<b>751,486</b>	<b>248,821</b>	<b>104,921</b>	<b>287,002</b>	<b>245,591</b>	<b>251,242</b>	<b>1,889,063</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,178</b>	<b>1,904</b>	<b>170</b>	<b>23,046</b>	<b>73,836</b>	<b>87</b>	<b>100,221</b>
<b>LIABILITIES</b>							
Accounts Payable	900	3,106	457	4,672	2,704	9	11,848
Accrued Liabilities	3	2,670	304	4,403	23,421	22	30,823
Accrued Interest Payable	-	131	-	1,167	2,087	-	3,385
Unearned Revenue	-	50	10	1,542	26	-	1,628
Due Within One Year	4,843	440	1,136	4,327	5,966	-	16,712
Due in More Than One Year	235,076	23,602	16,160	114,893	156,383	-	546,114
Net Pension Liability, Due In More Than One Year	415	4,778	153	36,106	56,599	79	98,130
Net OPEB Liability, Due In More Than One Year	12,281	-	-	198,680	311,442	432	522,835
<b>Total Liabilities</b>	<b>253,518</b>	<b>34,777</b>	<b>18,220</b>	<b>365,790</b>	<b>558,628</b>	<b>542</b>	<b>1,231,475</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>3,868</b>	<b>534</b>	<b>23</b>	<b>30,719</b>	<b>39,503</b>	<b>53</b>	<b>74,700</b>
<b>Net Position</b>							
Net Investment in Capital Assets	9,703	196,891	85,718	121,724	12,140	239,663	665,839
Restricted for:							
Federal and State Regulations	388,058	15,500	-	1,463	-	-	405,021
Bond Covenants	44,437	-	-	-	-	-	44,437
Loan Program	38,180	-	-	-	-	-	38,180
Other Purposes	-	-	-	24,849	9,730	-	34,579
Unrestricted (Deficit)	14,900	3,023	1,130	(234,497)	(300,574)	11,071	(504,947)
<b>Total Net Position</b>	<b>\$ 495,278</b>	<b>\$ 215,414</b>	<b>\$ 86,848</b>	<b>\$ (86,461)</b>	<b>\$ (278,704)</b>	<b>\$ 250,734</b>	<b>\$ 683,109</b>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(Expressed in Thousands)

	Program Income			Net (Expenses) Revenues and Changes in Net Position							
	Expenses	Charges for Services	Grants and Contributions		Delaware State Housing Authority	Diamond State Port Corporation	Riverfront Development Corporation	Delaware State University	Delaware Charter Schools	Delaware Agricultural Lands Preservation Foundation	Total
			Operating	Capital							
<b>Discretely Presented Components Units</b>											
Delaware State Housing Authority	\$ 101,843	\$ 25,845	\$ 82,390	\$ 1,050	\$ 7,442	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,442
Diamond State Port Corporation	47,982	-	39,804	15,000	-	6,822	-	-	-	-	6,822
Riverfront Development Corporation	15,001	3,472	100	2,880	-	-	(8,549)	-	-	-	(8,549)
Delaware State University	147,677	80,409	14,101	5,500	-	-	-	(47,667)	-	-	(47,667)
Delaware Charter Schools	220,854	4,825	20,291	47	-	-	-	-	(195,691)	-	(195,691)
Delaware Agricultural Lands Preservation Foundation	739	355	3,547	832	-	-	-	-	-	3,995	3,995
	<u>\$ 534,096</u>	<u>\$ 114,906</u>	<u>\$ 160,233</u>	<u>\$ 25,309</u>	<u>7,442</u>	<u>6,822</u>	<u>(8,549)</u>	<u>(47,667)</u>	<u>(195,691)</u>	<u>3,995</u>	<u>(233,648)</u>
<b>General Revenues</b>											
Unrestricted Payments from Primary Government					-	-	-	35,199	180,815	-	216,014
Investment Income					-	178	-	1,742	445	9	2,374
Miscellaneous					-	-	-	-	3,985	-	3,985
Total General Revenues					-	178	-	36,941	185,245	9	222,373
Change in Net Position					7,442	7,000	(8,549)	(10,726)	(10,446)	4,004	(11,275)
<b>Net Position - Beginning As Restated (Note 24)</b>					<u>487,836</u>	<u>208,414</u>	<u>95,397</u>	<u>(75,735)</u>	<u>(268,258)</u>	<u>246,730</u>	<u>694,384</u>
<b>Net Position - Ending</b>					<u>\$ 495,278</u>	<u>\$ 215,414</u>	<u>\$ 86,848</u>	<u>\$ (86,461)</u>	<u>\$ (278,704)</u>	<u>\$ 250,734</u>	<u>\$ 683,109</u>

**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, offices of 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 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 part of the primary government and its activity is shown in the Education function in the General Fund, Federal Fund, and Capital Projects 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 policies 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 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 are 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. 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 fund component unit and shown in the financial statements as part of the primary government as a pension trust fund. The DPERS financial report for the fiscal year ended June 30, 2018 may be obtained at [www.delawarepensions.com](http://www.delawarepensions.com) or 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 Benefits 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 and its component units and affiliated agencies. The OPEB Trust is considered a blended fiduciary fund component unit and is shown in the financial statements as part of the primary government as the OPEB Trust Fund. The OPEB Trust financial report for the fiscal year ended June 30, 2018 may be obtained at [www.delawarepensions.com](http://www.delawarepensions.com) or 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 Economic Development Authority (DEDA) was established by 29 Del. C. 87A, Subchapter VII as a legally separate entity to assist the State in the development of industrial, commercial, and agricultural businesses, including assisting in the financing of facilities and activities in order to contribute to the prosperity, health, and general welfare of the citizens of the State. DEDA is considered to be a blended component unit due to the board being the same as the primary government. It is funded almost exclusively by State appropriations and is

under the direction of the Governor-appointed director who guides the operations of the State employees. It 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 organizations. 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, 2018 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 eight of the twenty-one board members; however, five of the remaining thirteen directors consist of the Governor and four 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 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. DSU financial data includes its component unit, the Delaware State University Foundation, Inc. The State annually appropriates funding for DSU, which totaled more than \$35.2 million in fiscal year ending June 30, 2018, which is twenty-six percent of DSU's total revenues.

*Delaware Charter Schools*

The State's 24 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 \$180.8 million for the fiscal year ending June 30, 2018 which represents eighty-six percent of the Charter Schools' total revenues. Each Charter School is a separate legal entity managed by its own separate board of directors and operates 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 four 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 but each represents a discretely presented component unit.

*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 provide 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 is 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 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.

Intrafund 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 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:

*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 16). 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 made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

*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.

*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 net position for the DPERS’s external investment pool and for the OPEB Fund Investment Trust Fund.

*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.

## **New Accounting Pronouncements**

During fiscal year ending June 30, 2018, the State adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement improves accounting and financial reporting for state and local governments for postemployment benefits other than pensions (OPEB). It improves information provided by state and local government employers about financial support for OPEB that is provided by

other entities. This Statement replaced the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local government employers and established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement requires the government to recognize a beginning deferred outflow of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. The adoption of this Statement had an effect on the Statement of Net Position with the recording of net OPEB assets and liabilities, deferred outflows of resources, and deferred inflows of resources. The restatement is presented in Note 24.

During fiscal year ending June 30, 2018, the State adopted GASB Statement No. 81 *Irrevocable Split-Interest Agreements*. This Statement improves accounting and financial reporting by establishing recognition and measurement requirements for irrevocable split-interest agreements. It established accounting and financial reporting standards for irrevocable split-interest agreements created through trusts or other legally enforceable agreements with characteristics equivalent to irrevocable split-interest agreements where the resources are for the unconditional benefit of the government and other beneficiaries. The adoption of this Statement had no impact on the financial statements of the State.

During fiscal year ending June 30, 2018, the State adopted GASB Statement No. 85 *Omnibus 2017* (paragraph 13 was adopted in Fiscal Year ended June 30, 2017). This Statement improves consistency in accounting and financial reporting by addressing practice issues for the following topics not adopted in fiscal year ending June 30, 2017: blending component units in a business-type activity, reporting of goodwill, clarification of certain investments for fair value measurement and application, timing of the measurement of pension or OPEB liabilities and expenditures, and recognition and measurement of on-behalf payments for pensions or OPEB. The adoption of this Statement had no impact on the financial statements of the State.

During fiscal year ending June 30, 2018, the State adopted GASB Statement No. 86 *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. It also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The adoption of this Statement had no impact on the financial statements of the State.

### **Impact of Future Accounting Pronouncements**

In November of 2016, the GASB issued Statement No. 83 *Certain Asset Retirement Obligations*. This Statement establishes standards of accounting and financial reporting for retirement obligations of certain tangible capital assets including methods for measurement of



the obligation, recognition in the financial statements and required note disclosures. It requires that recognition occur when the liability is both incurred and reasonably estimable. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The State is currently evaluating the future impact of this Statement.

In January of 2017, the GASB issued Statement No. 84 *Fiduciary Activities*. The objective of this Statement is to enhance the consistency and comparability of state and local government fiduciary activity and improve the usefulness of the information for assessing the government's accountability as fiduciaries. This Statement establishes standards of accounting and financial reporting for fiduciary activities, which includes fiduciary component units of pension and OPEB plans, pension and OPEB plans that are not component units but meet the criteria in Statement No. 67 or 74 and other activities such as investment or private-purpose trust funds or custodial funds. All fiduciary activities will be reported in the statement of fiduciary net position and statement of changes in fiduciary net position. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The State is currently evaluating the future impact of this Statement.

In June of 2017, the GASB issued Statement No. 87 *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. It requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The State is currently evaluating the future impact of this Statement.

In March of 2018, the GASB issued Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The State is currently evaluating the future impact of this Statement.

In June of 2018, the GASB issued Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of financial information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of construction period. This Statement replaces the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. It requires that interest cost

incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. Interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The State is currently evaluating the future impact of this Statement.

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

#### **Cash Equivalents, Pooled Cash Investments, and Investments**

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

Pooled Cash and 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 Firemen'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 or net asset 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, fixed income, and cash funds. Pooled investments are redeemable with the underlying funds at net asset values under the terms of the partnership agreements and/or subscription agreements. Alternative investments are ownership interests in investment limited partnerships or private LLCs, some of which may be illiquid.

The valuation method for pooled and alternative investments that do not have a readily determinable fair value is such that the DPERS establishes fair value by using the net asset value (NAV) per share (or its equivalent), such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. These values are calculated by the management of each investment fund as of DPERS' measurement date, generally in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. The NAV received from each investment fund are reviewed by DPERS management and its investment advisor; both management and the custodian receive periodic and audited annual financial reports from the management of each investment fund.



**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 Trust Fund.
- The Unemployment Fund restricts the entire net position for unemployment benefits.
- The governmental activities have funds that are required to be restricted as disclosed in Note 19.

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 capital projects, 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 including donated works of art and capital assets received in a service concession arrangement are recorded at acquisition 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 is depreciated using the straight line method over the following estimated useful lives:

<b>Asset</b>	<b>Primary Government Years</b>	<b>Discretely Presented Component Unit Years</b>
Buildings and Building Improvements	10 - 40	15 - 75
Land Improvements	20	15 - 45
Furniture and Equipment	3 - 12	3 - 40
Vehicles	7	3 - 7
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.

**Advances from Federal Government**

For the year ended June 30, 2018, the State has recorded an advance of \$5.9 million for the Department of State federal State Small Business Credit Initiative program. This program supports lending to small businesses and small manufacturers and will be expended as qualified applicants are approved for the program. The advance amount is recorded in the Federal Fund.

**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.

**Pensions**

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

**OPEB**

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

**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 position. 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 19.

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 Budget 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 Budget Reserve Account was \$240.4 million at June 30, 2018.

When resources meeting more than one of the classifications (excluding nonspendable) are commingled in an account, assuming that an 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 as defined on page 38.

### **(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 \$16.0 million has been

recorded pursuant to the settlement. The Master Settlement agreement receipts of \$32.4 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 party. 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, the percentage limits of the entire portfolio, ranging from 5% to 20% that may be invested in obligations of any one issuer, other than the U.S. Government which has no restrictions. 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, 2018, 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 57 - 63.

### ***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 "II" by Fitch, Inc. "Peer Group Rating". 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, 2018, the carrying amount of the primary government's deposits was \$485.1 million and the bank balance was \$526.1 million. Of the \$526.1 million bank balance, \$43.2 million was fully insured; \$150.7 million represents unemployment insurance taxes collected from Delaware employers that are held in escrow by the U.S. Treasury; and the remaining \$332.2 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 \$26.2 million and the bank balance was \$28.7 million. The \$28.7 million bank balance 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 \$526.1 million, \$246.7 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, 2018, the primary government's investments were \$2,734.3 million. Of the primary government's investments, \$355.3 million was fully insured and collateralized. Included in the primary government's investments of \$2,734.3 million are agency funds. The amount of the agency funds' investments was \$84.9 million.

The following table provides information on \$2,379.0 million of the primary government's investments that are exposed to custodial credit risk; \$83.8 million of this amount represents the agency funds' investments:



<b>Investment Type</b>	<b>Fair Value (Expressed in Thousands)</b>
Certificates of Deposit	\$ 190,927
Commerical Paper	102,843
Corporate Obligations	756,865
U.S. Government Obligations	1,028,330
Municipal Obligations	15,778
Money Market	10,967
Mutual Funds	79,260
Equity Securities	99,010
Other Obligations	95,046
	<u>\$ 2,379,026</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, 2018:

Investment Type	Expressed in Thousands			Effective Duration (In Years)
	Treasurer's Pool	Outside Treasurer's Pool	Total Investments	
Corporate Obligations	\$ 751,014	\$ 5,851	\$ 756,865	3.03
Municipal Obligations	15,778	-	15,778	5.10
U.S. Government Obligations	1,025,145	236,344	1,261,489	3.78
Other Obligations	94,491	-	94,491	2.22
Other Pooled	-	555	555	N/A
Equity Securities	-	99,010	99,010	N/A
Mutual Funds	65,765	13,495	79,260	N/A
Money Market	10,565	402	10,967	N/A
Commercial Paper	102,843	121,846	224,689	0.18
Certificates of Deposit	190,380	798	191,178	0.29
	<u>\$ 2,255,981</u>	<u>\$ 478,301</u>	<u>\$ 2,734,282</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 shall be two years for the Liquidity Accounts; notwithstanding the foregoing, the term for corporate debt instruments and both mortgage backed and asset backed securities that are subject to periodic reset of coupon or interest rate may have an average life not to exceed three years.
- Reserve Cash (Intermediate) Account - The maximum maturity for any investment at the time of purchase shall be ten years. The maximum average maturity of the portfolio shall be seven years.
- Endowment Accounts - The maximum maturity for any investment at the time of purchase is ten 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 - The maximum maturity for any investment at the time of purchase is ten 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, 2018, the primary government and agency funds had the following debt investments and maturities:

**Investment Maturity**  
(Expressed in Thousands)

	Fair Value	Investment Maturities			
		Less Than 1	1 to 5	6 to 10	More than 10
Corporate Obligations	\$ 756,865	\$ 175,071	\$ 439,857	\$ 136,333	\$ 5,604
Municipal Obligations	15,778	6,131	2,169	7,478	-
U.S. Government Obligations					
U.S. Treasury Bonds, Notes	725,792	123,027	310,658	292,107	-
U.S. Agency Bonds, Notes	535,697	320,052	176,561	25,704	13,380
Other Obligations					
Private Placements	94,491	24,671	62,421	7,399	-
Pooled Investments	555	555	-	-	-
<b>Total Investments</b>	<b>\$ 2,129,178</b>	<b>\$ 649,507</b>	<b>\$ 991,666</b>	<b>\$ 469,021</b>	<b>\$ 18,984</b>

**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 &amp; P</u>	<u>Moody's</u>	<u>Fitch</u>
Commercial Paper	A-1	P-2	F2
Senior Long-Term Debt	A	A	A
Corporate Bonds	A-	A3	A-

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, 2018:

**Concentration of Credit Risk**

Investment Type	Credit Risk - Quality Ratings (Expressed in Thousands)					
	TOTAL	AAA	AA	A	A-1	NR
Corporate Obligations	\$ 756,865	\$ 58,457	\$ 121,191	\$ 528,135	\$ -	\$ 49,082
Municipal Obligations	15,778	-	14,357	1,421	-	-
U.S. Government Obligations						
U.S. Treasury Bonds, Notes	725,792	-	725,792	-	-	-
U.S. Agency Bonds, Notes	535,697	25,572	495,301	-	-	14,824
Other Obligations						
Private Placements	94,491	10,149	30,731	46,837	-	6,774
Pooled Investments	555	-	-	-	-	555
Money Market	10,967	-	-	-	-	10,967
Equity Securities	99,010	-	-	-	-	99,010
Mutual Funds	79,260	-	-	-	-	79,260
Certificate of Deposit	191,178	-	3,983	2,983	-	184,212
Commercial Paper	224,689	-	-	-	121,846	102,843
<b>Total Investments</b>	<b>\$ 2,734,282</b>	<b>\$ 94,178</b>	<b>\$ 1,391,355</b>	<b>\$ 579,376</b>	<b>\$ 121,846</b>	<b>\$ 547,527</b>

NR = Non-Rated Pooled accounts

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
  - a. Domestic - no additional restrictions.
  - b. Non-Domestic - 25%.
  - c. 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.
- D. Corporate Debt - 50% total, 25% in any one industry, 5% in any one issuer, 5% of any issuer's total outstanding securities.
  - a. Domestic - no additional restrictions.
  - b. 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.
- 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).
- 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 the 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).

At June 30, 2018, as required by the State's laws and policies, 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, 2018, 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 or System) 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.

The OPEB Trust's investment balance of \$387.1 million is invested in a concentration of three mutual funds and are not in individual investments registered in the OPEB Trust's name. The Trust's investment of \$154.3 million in the domestic fixed income mutual fund has an effective duration of 6.1 years, and while itself is not rated, 85% of its portfolio holdings are rated Aaa-A and 15% are rated Baa by Moody's as of June 30, 2018. The international equity mutual fund is designed to track the performance of the FTSE Global All Cap ex US Index and holds a broadly diversified collection of securities; therefore, the OPEB Trust's \$75.8 million investment at June 30, 2018 is exposed (indirectly) to foreign currency risk. The other \$157.0 million is invested in a mutual fund designed to track the performance of the CRSP US Total Market Index.

The OPEB Trust also has \$9.9 million held in pooled cash and investments with the State Treasurer's Office and \$7.8 million in cash held in accounts outside of the State Treasurer's Office.

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, 2018, the \$7.8 million of the Trust's cash equivalents were subject to custodial credit risk because they were uninsured and uncollateralized. The deposits held in the State Investment Pool are allocated to the OPEB Trust, but the custodial credit risk cannot be categorized for these deposits.

## **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 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 to 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, 2018, management of the System has operated in accordance with these policies, in all material respects.

### **Securities Lending**

The System entered into a security lending agreement with its custodian bank, which acts as a security lending agent for the System. 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 has the authority to sell collateral securities only upon a borrower default. As of June 30, 2018, 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, 2018.

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, 2018 the fair value of securities on loan was \$129.5 million. The associated collateral was \$132.9 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, 2018. The System holds \$1,046.0 million in domestic fixed income and \$80.4 million in foreign fixed income instruments. Also included is \$670.2 million in pooled stable value fund, \$34.8 million in short term bills and notes collectively reported as cash equivalents, and \$1,226.0 million in pooled fixed income investments.

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

<b>Investment Type/Sector</b>	<b>Fair Value</b>	<b>Less than 1</b>	<b>1 - 6</b>	<b>6 - 10</b>	<b>10 +</b>
Asset Backed Securities	\$ 2	\$ 2	\$ -	\$ -	\$ -
Bank Loans	356,550	2,255	215,427	138,868	-
Cash Equivalents	704,989	704,989	-	-	-
Corporate Bonds	285,131	13,559	113,787	67,889	89,896
Corporate Convertible Bonds	12,704	1,513	8,108	397	2,686
Government Bonds	115,589	76,289	16,574	7,647	15,079
Index Linked Government Bonds	344,730	-	136,926	113,933	93,871
Municipal/Provincial Bonds	4,330	441	-	-	3,889
Pooled Investments	1,226,077	-	130,915	1,095,162	-
Total	<u>\$ 3,050,102</u>	<u>\$ 799,048</u>	<u>\$ 621,737</u>	<u>\$ 1,423,896</u>	<u>\$ 205,421</u>

### Interest Rate Risk

The State has delegated 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, 2018, the System's fixed income investments and cash equivalents had the following credit risk characteristics (expressed in thousands):

<b>Moody's Ratings or Comparable</b>	<b>Percent of Total Net Position</b>	<b>Market Value</b>
AAA to A-	22.7%	\$2,298,662
BBB to B-	5.8%	587,828
CCC to C	0.4%	44,084
Not Rated	1.2%	119,528
Total:	<u>30.1%</u>	<u>\$3,050,102</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, 2018, the \$770.9 million carrying amount of the System's cash and cash equivalents was comprised of \$705.0 million of short-term investments and \$65.9 million in deposits. Of the \$69.5 million in deposits, \$65.5 million was subject to custodial credit risk because it was uninsured and uncollateralized. The remaining \$0.4 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, 2018, the System held no concentration of investments (except pooled investments) in an individual issuer in excess of 5% of the fair value of the System's net position.

### **Management Fees**

The System paid \$31.9 million in management fees to the alternative investment funds and partnerships for the fiscal year ended June 30, 2018. These fees are netted against investment income.

### **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, 2018. The listing includes \$5.3 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	\$ 3,717	\$ 2,446	\$ 1,271	\$ -
Brazilian Real	5,932	3,116	2,816	-
British Pound Sterling	34,457	33,714	743	-
Canadian Dollar	25,620	24,311	1,309	-
Danish Krone	4,773	4,773	-	-
Euro	99,970	96,231	3,591	148
Hong Kong Dollar	10,480	10,480	-	-
Indonesian Rupiah	65,621	65,621	-	-
Japanese Yen	20,238	20,238	-	-
Mexican Peso	27,030	26,909	-	121
New Zealand Dollar	12,115	3,856	8,259	-
Nigerian Naira	2,864	-	2,864	-
Norwegian Krone	1,647	1,647	-	-
Philippine Peso	3,805	-	3,805	-
Singapore dollar	26,882	26,876	-	6
South African Rand	4,062	4,062	-	-
South Korean Won	2,451	2,451	-	-
Swedish Krona	14,754	14,754	-	-
Swiss Franc	7,970	7,970	-	-
Thai Baht	3,739	3,739	-	-
Turkish Lira	2,638	2,638	-	-
<b>Total Foreign Currencies</b>	<b>380,765</b>	<b>355,832</b>	<b>24,658</b>	<b>275</b>
Foreign Issued Investments				
Denominated in U.S. Dollars	240,775	180,639	60,136	-
Pooled International Investments				
Denominated in U.S. Dollars	1,278,813	1,278,813	-	-
<b>Total</b>	<b>\$ 1,900,353</b>	<b>\$ 1,815,284</b>	<b>\$ 84,794</b>	<b>\$ 275</b>

## 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 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:

Category	Purpose
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, 2018 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, 2018, DSHA had bank and savings money markets deposits of \$118.9 million. No deposits were uninsured or uncollateralized.

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 DSHA'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	\$ 21,186	\$ 6,485	\$ 14,701	\$ -	\$ -	\$ -
U.S. Treasury Strips	381	-	-	381	-	-
U.S. Treasury Bonds	24	-	-	24	-	-
U.S. Agencies	34,254	11,260	22,994	-	-	-
Commercial Paper	2,945	2,945	-	-	-	-
Corporate Notes	33,728	6,344	27,384	-	-	-
Investment Agreements	41	-	-	-	-	41
Money Market Savings Accounts	1,883	1,883	-	-	-	-
Bank Money Market Accounts	52,575	52,575	-	-	-	-
State of Delaware Investment Pool	284	284	-	-	-	-
Total Investments	147,301	81,776	65,079	405	-	41
Securitized Mortgage Loans	190,606	-	-	-	-	190,606
Total Investments & Securitized Mortgage Loans	\$ 337,907	\$ 81,776	\$ 65,079	\$ 405	\$ -	\$ 190,647

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, 2018, DSHA's investments were rated as follows:

**Ratings (S & P)**  
(Expressed in Thousands)

Investment Type	Fair Value								U.S. Government
		AAA	AA+	AA	AA-	A1+	A1	A+	Guaranteed
U.S. Treasury Notes	\$ 21,186	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,186
U.S. Treasury Strips	381	-	-	-	-	-	-	-	381
U.S. Treasury Bonds	24	-	-	-	-	-	-	-	24
U.S. Agencies	34,254	-	34,254	-	-	-	-	-	-
Corporate Notes	33,728	1,734	9,180	2,129	18,669	-	-	2,016	-
Commercial Paper	2,945	-	-	-	-	2,448	497	-	-
Securitized Mortgage Loans	190,606	-	-	-	-	-	-	-	190,606
<b>Total</b>	<b>\$ 283,124</b>	<b>\$ 1,734</b>	<b>\$ 43,434</b>	<b>\$ 2,129</b>	<b>\$ 18,669</b>	<b>\$ 2,448</b>	<b>\$ 497</b>	<b>\$ 2,016</b>	<b>\$ 212,197</b>

### NOTE 3 FAIR VALUE MEASUREMENT

The State categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability – either directly or indirectly
- Level 3: Unobservable inputs – market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Equity securities and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income securities and pooled investments classified in Level 2 of the fair value hierarchy are valued using other inputs including, but not limited to, interest rates and yield curves that are observable at commonly quoted intervals as well as the latest available estimates of price or actual bids quoted in active markets for those or similar securities. Fixed income securities classified in Level 3 of the fair value hierarchy are the State's proportional investments held in an investment pool.

The State has the following recurring fair value measurements as of June 30, 2018:

	6/30/2018	Fair Value Measurement		
		Level 1	Level 2	Level 3
<b>Investments by Fair Value</b> (expressed in thousands)				
<b>Fixed Income Securities:</b>				
U.S. Government Obligations				
U.S. Treasury Notes	\$ 725,792	\$ -	\$ 725,792	\$ -
U.S. Agency Notes	535,697	-	535,697	-
Municipal Obligations	15,778	-	15,778	-
Corporate Bonds	756,865	-	756,865	-
Commercial Paper	224,689	-	224,689	-
Other Pooled & Obligations	95,046	-	94,491	555
<b>Equity Securities</b>				
Equity Securities	99,010	99,010	-	-
Mutual Funds	79,260	79,260	-	-
<b>Total Investments by Fair Value Level</b>	<b>\$ 2,532,137</b>	<b>\$ 178,270</b>	<b>\$ 2,353,312</b>	<b>\$ 555</b>
Investments not subject to measurement	202,145			
<b>Total Investments</b>	<b>\$ 2,734,282</b>			

### OPEB Trust Fund (OPEB Trust)

OPEB investments are measured at fair value and the total investments of \$387.1 million are Level 1 investments as they are in mutual funds that are publicly traded in an active market.

### Delaware Public Employee's Retirement System (DPERS)

DPERS has both investments measured at fair value and investments that are measured using the net asset value (NAV) per share (or its equivalent) as a practical expedient to fair value which are not classified in the fair value hierarchy.

Equity and Fixed Income securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Equity securities classified in Level 2 are valued using the latest available estimates of price bids or actual price bids quoted in active and inactive markets for those securities.

Fixed Income securities and pooled investments classified in Level 2 are valued using other inputs including, but not limited to, interest rates and yield curves that are observable at commonly quoted intervals as well as the latest available estimates of price bids or actual bids quoted in active and inactive markets for those, or similar, securities.

Fixed Income securities classified in Level 3 are privately placed subordinated notes, valued using a discounted cash flow model. Unobservable inputs include projected cash flows and the discount rate.

Pooled investments classified in Level 1 of the fair value hierarchy are investments in open-end, non-exchange-traded mutual funds for which fair value per share (unit) is determined and published and is the basis for current transactions. These securities are valued at their NAV on the date of valuation, and are classified as Level 1 in the fair value hierarchy since they may be purchased or sold at their publically quoted NAV on the date of valuation.

DPERS has the following recurring fair value measurements as of June 30, 2018:

	Investments by Fair Value (expressed in thousands)			
	6/30/2018	Fair Value Measurement		
		Level 1	Level 2	Level 3
<b>Fixed Income Securities:</b>				
Government Bonds	\$ 115,589	\$ -	\$ 115,589	\$ -
Indexed Linked Government Bonds	344,730	-	344,730	-
Municipal Obligations	4,330	-	4,330	-
Corporate Bonds	285,131	-	279,687	5,444
Corporate Convertible Bonds	12,704	-	12,704	-
Asset-Backed Securities	2	-	2	-
Bank Loans	356,550	-	356,550	-
<b>Equity securities:</b>				
Common & Preferred Stock	2,399,822	2,397,257	2,565	-
Equity Funds	3,501	218	3,283	-
<b>Pooled Investments:</b>				
Equity Funds	315,137	315,137	-	-
<b>Total Investments by Fair Value Level</b>	<b>\$ 3,837,496</b>	<b>\$ 2,712,612</b>	<b>\$ 1,119,440</b>	<b>\$ 5,444</b>
<b>Total Investments Measured at NAV</b>	<b>5,487,746</b>			
<b>Total Investments</b>	<b>\$ 9,325,242</b>			

The valuation method for pooled and alternative investments that do not have a readily determinable fair value is such that the System establishes fair value by using the NAV per share (or its equivalent), such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. These values are calculated by the management of each investment fund as of the System's measurement date, generally in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. The NAV received from each investment fund are reviewed by Pension Office staff and its investment advisor; and both the System's management and the custodian receive periodic and audited annual financial reports from the management of each investment fund.

The DPERS has the following recurring NAV measurements as of June 30, 2018. Excluded from pooled investments below is a short term stable value fund that the System classifies as Cash

Equivalents in the amount of \$670.2 million. At year end, the NAV, unfunded commitments, and redemption terms are as follows:

<b>Investments Measured at NAV</b> (expressed in thousands)				
	<u>Fair Value</u>	<u>Unfunded Commitments (1)</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<b>Pooled Investments:</b>				
Equity Funds	\$ 1,795,772	-	Daily, Monthly	1 to 12 days
Fixed Income Funds	1,226,077	-	Daily	1 day
<b>Total Pooled Investments (2)</b>	<u>\$ 3,021,849</u>			
<b>Alternative Investments:</b>				
<b>Funds Primarily Invested in Public Securities</b>				
Credit/Distressed Debt Focused Strategy (3)	\$ 174,685	\$ -	Quarterly, Annual	90 days
Equity Focused Strategy (4)	61,442	-	Annual	45 to 90 days
Multi Focused Strategy (5)	189,409	-	Monthly	5 days
<b>Funds Primarily Invested in Private Securities (6)</b>				
Buyout	215,288	159,618		
International	409,415	95,987		
Private Debt	52,712	63,156		
Private Equity	1,059,450	271,750		
Real Assets	303,496	116,509		
<b>Total Alternatives</b>	<u>\$ 2,465,897</u>			
<b>Total Investments Measured at NAV</b>	<u>\$ 5,487,746</u>			

- (1) *Unfunded Commitments.* DPERS has commitments to invest additional amounts, to be drawn down as called upon at any time during the term of each relationship. The lengths of these terms are discussed below. Generally, these commitments are self-funding; in that the capital calls are met using cash flows generated by distributions received from alternative investment funds as the underlying investments of the funds are liquidated.
- (2) *Pooled Investments.* This type includes four index tracking funds, four global value equity funds, and one short-term investment fund. The index funds maintain a portfolio constructed to match or track the components of the following market indices: S&P 500, Russell 1000 Value, Barclays Capital U.S High Yield, and the Barclays Capital U.S. Aggregate. The global value equity funds invest in both U.S. and non-U.S. equities, seeking quality companies that are attractively valued and have growth potential. The short-term investment fund is a stable-value (money market-like) investment vehicle for cash reserves, which the System classifies as Cash Equivalents. It is managed by the System's Custodian to offer a competitive rate of return through a portfolio of obligations of the U.S. Government, its agencies or instrumentalities, and related money market instruments. Principal preservation and liquidity management are the prime objectives.



- (3) *Credit/Distressed Debt Focused Strategy.* This type includes three funds that engage in multiple investment strategies across the credit spectrum, with the objective of achieving superior risk-adjusted returns through opportunistic investment. The composite portfolio for this type includes investments in distressed corporate securities, convertible hedging, residential and consumer debt, real estate debt, merger arbitrage, and real estate. In limited circumstances, these funds have the ability to impose a suspension or postponement of redemptions (a “gate”), or in the case of a withdrawal greater than 90% they may hold up to 10% of the redemption amount (a “holdback”) until the completion of the funds’ annual audit. There have been no gates imposed during the reporting period. These funds may also segregate a portion of the portfolio, commonly illiquid securities with no active market, from other investments of the portfolio (a “side pocket”). Investments in a side pocket are redeemable only upon liquidation of the underlying assets in the side pocket. Investments representing approximately 11% of the value of the investments in this type are held in side pockets. Investments representing approximately 3% of the value of the investments in this type cannot be redeemed because the investments include restrictions (a “lock-up”) that do not allow for initial redemption in the first 24-36 months after acquisition, with a rolling two-year lock-up thereafter. The remaining restriction period for these investments was 15 months at June 30, 2018.
- (4) *Equity Focused Strategy.* This type includes two funds that engage in a fundamental equity investing strategy. The composite portfolio for this type invests both long and short primarily in global common stocks, but also in debt, credit, private equity, derivative and other financial instruments. In limited circumstances, these funds have the ability to impose a gate, or in the case of a withdrawal greater than 95% they may hold back up to 5% of the redemption amount until the completion of the funds’ annual audit. These funds may also segregate a portion of the portfolio in a side pocket. Investments in a side pocket are redeemable only upon liquidation of the underlying assets in the side pocket. Investments representing approximately 49% of the value of the investments in this type are held in side pockets. Investments representing approximately 100% of the value of the investments in this type cannot be redeemed because the investments include an initial lock-up that does not allow for redemption in the first five years after acquisition. The remaining restriction period for these investments is approximately 27 months at June 30, 2018.
- (5) *Multi-Strategy.* This type of fund is such that may invest in a wide range of asset classes in order to meet fund objectives. In limited circumstances, this fund has the ability to impose a suspension or postponement of redemptions (a “gate”), or in the case of a withdrawal greater than 90%; may hold back 10% for approximately 15 days while the fund NAV is being finalized. There have been no gates imposed during the current reporting period.
- (6) *Funds Primarily Invested in Private Securities.* These investments can never be redeemed with the funds. Instead, the nature of the investments in these types is that distributions are received through the liquidation of the underlying assets of the funds. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 14 years. The strategy of each type is as follows:

*Buyout.* This type includes three funds that make equity investments in mature, private companies.

*International.* This type includes 13 funds that invest in private equity and buyout strategies operating principally outside of the U.S.

*Private Debt.* This type includes seven funds that invest in debt or equity securities of financially stressed (distressed) companies, as well as convertible bonds and subordinated debt in private companies.

*Private Equity.* This type includes 46 funds that invest in the equity securities of growing private companies, primarily in the technology and healthcare sectors.

*Real Assets.* This type includes six funds that invest in commercial real estate and private energy companies including commercial real estate, exploration and production, midstream, power and services businesses.

### **Discretely Presented Component Unit**

#### *Delaware State Housing Authority (DSHA)*

At June 30, 2018, the Delaware State Housing Authority (DSHA), a component unit of the State of Delaware has \$337.9 million of investments with \$283.4 million classified in Level 2 of the fair value hierarchy and the remaining \$54.5 million not measured at fair value since they are money market accounts and not subject to measurement. The Level 2 investments are fixed income securities and pooled investments valued using other inputs which includes interest rate and yield curves that are observable at commonly quoted intervals as well as the latest available estimates of price bids or actual bids quoted in active or inactive markets for similar securities.

### **NOTE 4 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, 2018. 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 State's three counties 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)**

	<b>General Fund</b>	<b>Federal Fund</b>	<b>Local School District Funds</b>	<b>Total Receivables</b>
<b>Receivables</b>				
Taxes	\$ 177,275	\$ -	\$ 46,835	\$ 224,110
Accounts	400,271	171,594	523	572,388
Loans and Notes	31,349	318,387	-	349,736
Intergovernmental	-	168,315	-	168,315
Total Receivables	608,895	658,296	47,358	1,314,549
Allowance for Doubtful	(414,249)	(135,504)	(208)	(549,961)
Total Receivables, Net	<u>\$ 194,646</u>	<u>\$ 522,792</u>	<u>\$ 47,150</u>	<u>\$ 764,588</u>
Amounts not Scheduled for Collection During the Subsequent Year	<u>\$ 91,294</u>	<u>\$ 299,815</u>	<u>\$ 36,093</u>	<u>\$ 427,202</u>

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

	<u>Unemployment</u>	<u>Lottery</u>	<u>DelDOT</u>	<u>Total Receivables</u>
Receivables:				
Taxes	\$ 63,952	\$ -	\$ -	\$ 63,952
Accounts	10,520	11,669	22,261	44,450
Interest	-	-	919	919
Intergovernmental	-	-	26,764	26,764
Total Receivables	<u>74,472</u>	<u>11,669</u>	<u>49,944</u>	<u>136,085</u>
Allowance for Doubtful Accounts	<u>(42,400)</u>	<u>(833)</u>	<u>-</u>	<u>(43,233)</u>
Total Receivables, Net	<u>\$ 32,072</u>	<u>\$ 10,836</u>	<u>\$ 49,944</u>	<u>\$ 92,852</u>
Amounts not Scheduled for Collection During the Subsequent Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Discretely Presented Component Units**

*Delaware State Housing Authority (DSHA)*

Total receivables as of June 30, 2018 are as follows:

(Expressed in Thousands)

Receivables:	
Mortgage Loans	\$ 283,605
Accrued Interest	68,453
Other Receivables	1,300
Grants Receivable	<u>318</u>
Total Receivables	353,676
Allowance for Doubtful Accounts	<u>(18,547)</u>
Total Receivables, Net	<u>\$ 335,129</u>
Amounts not Scheduled for Collection During the Subsequent Year	<u>\$ 328,168</u>

Mortgage loans receivable, which total \$283.6 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 5.4% to 9.8%, and loan maturities are between one and seventeen years depending on the type of mortgage loan issued.

## NOTE 5 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, 2018 is as follows (expressed in thousands):

	<u>Due To</u>			
	<u>General</u>	<u>Lottery</u>	<u>DelDOT</u>	<u>Total</u>
<b>Due From</b>				
General	\$ -	\$ 12,657	\$ 18,922	\$ 31,579
Federal	23,763	-	-	23,763
Lottery	2,461	-	-	2,461
DelDOT	5,573	-	-	5,573
<b>Total</b>	<u>\$ 31,797</u>	<u>\$ 12,657</u>	<u>\$ 18,922</u>	<u>\$ 63,376</u>

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 from the Lottery Fund represents overpayments of profits required by law to be transferred to the General Fund. The amount due to the Lottery Fund represents future liabilities that require the State General Fund to pay as a result of the Lottery’s transfer of profits as required by law.

The amount due from DelDOT represents a borrowing from the State’s General Fund cash accounts. The due to DelDOT represents Transportation Trust Fund deposits to the General Fund due to DelDOT.

### (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 or Local School District Fund to cover expenses paid by the General Fund.

A schedule of transfers in and transfers out for the year ended June 30, 2018 is presented below (expressed in thousands):

	<b>Transfers In</b>				<b>Total</b>
	<b>General</b>	<b>Federal Fund</b>	<b>Local School District Fund</b>	<b>DelDOT</b>	
<b>Transfers Out</b>					
General	\$ -	\$40,751	\$42,864	\$16,683	\$100,298
Federal	53,714	-	-	-	53,714
Local School District	80,194	-	-	-	80,194
Capital Projects	141,705	-	-	-	141,705
Lottery	254,821	-	-	-	254,821
DelDOT	12,640	-	-	-	12,640
<b>Total</b>	<b>\$543,074</b>	<b>\$40,751</b>	<b>\$42,864</b>	<b>\$16,683</b>	<b>\$643,372</b>

**NOTE 6 CAPITAL ASSETS**

Capital asset activities for the fiscal year ended June 30, 2018 were as follows:

<b>Governmental Activities</b>	<b>Capital Assets</b> (Expressed in Thousands)			<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	
Capital Assets, Not Being Depreciated				
Land	\$ 487,009	\$ 7,647	\$ (2.0)	\$ 494,654
Easements	83,294	3	-	83,297
Construction-In-Progress	126,003	83,089	(54,576)	154,516
<b>Total Capital Assets, Not Being Depreciated</b>	<b>696,306</b>	<b>90,739</b>	<b>(54,578)</b>	<b>732,467</b>
Capital Assets, Being Depreciated				
Vehicles	100,510	9,320	(3,261)	106,569
Buildings	4,052,226	27,625	(15,424)	4,064,427
Equipment	104,430	3,905	(1,841)	106,494
Land Improvements	295,788	15,956	(1,652)	310,092
Computer Software	395,226	17,787	-	413,013
<b>Total Capital Assets Being Depreciated</b>	<b>4,948,180</b>	<b>74,593</b>	<b>(22,178)</b>	<b>5,000,595</b>
Less Accumulated Depreciation For:				
Vehicles	(71,582)	(7,694)	3,024	(76,252)
Buildings	(1,494,600)	(90,469)	11,440	(1,573,629)
Equipment	(75,001)	(5,552)	1,560	(78,993)
Land Improvements	(124,542)	(14,096)	1,311	(137,327)
Computer Software	(116,899)	(68,388)	-	(185,287)
<b>Total Accumulated Depreciation</b>	<b>(1,882,624)</b>	<b>(186,199)</b>	<b>17,335</b>	<b>(2,051,488)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>3,065,556</b>	<b>(111,606)</b>	<b>(4,843)</b>	<b>2,949,107</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 3,761,862</b>	<b>\$ (20,867)</b>	<b>\$ (59,421)</b>	<b>\$ 3,681,574</b>

<b>Capital Assets</b>				
(Expressed in Thousands)				
<b>Business-type Activities</b>	<b>Beginning</b>			<b>Ending</b>
<b>DeIDOT</b>	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
Capital Assets, Not Being Depreciated				
Land	\$ 310,298	\$ 10,265	\$ -	\$ 320,563
Infrastructure	4,005,063	180,909	-	4,185,972
Welcome and Service Center	22,100	-	-	22,100
Construction In Progress	10,768	5,388	(3,899)	12,257
<b>Total Capital Assets, Not Being Depreciated</b>	<b>4,348,229</b>	<b>196,562</b>	<b>(3,899)</b>	<b>4,540,892</b>
Capital Assets, Being Depreciated				
Land Improvements	6,042	9	(449)	5,602
Buildings & Improvements	156,996	11,095	(61)	168,030
Furniture & Equipment	309,593	25,668	(12,505)	322,756
<b>Total Capital Assets, Being Depreciated</b>	<b>472,631</b>	<b>36,772</b>	<b>(13,015)</b>	<b>496,388</b>
Less Accumulated Depreciation For:				
Land Improvements	(465)	(280)	-	(745)
Buildings & Improvements	(53,536)	(4,972)	-	(58,508)
Furniture & Equipment	(170,905)	(25,341)	12,111	(184,135)
<b>Total Accumulated Depreciation</b>	<b>(224,906)</b>	<b>(30,593)</b>	<b>12,111</b>	<b>(243,388)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>247,725</b>	<b>6,179</b>	<b>(904)</b>	<b>253,000</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 4,595,954</b>	<b>\$ 202,741</b>	<b>\$ (4,803)</b>	<b>\$ 4,793,892</b>

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

<b>Depreciation Expense</b>	
(Expressed in Thousands)	
Governmental Activities:	
General Government	\$ 23,943
Health and Children's Services	63,186
Judicial and Public Safety	19,381
Natural Resources and Environmental Control	5,095
Labor	68
Education	74,526
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 186,199</b>
Business-type Activities:	
DeIDOT	\$ 30,593
<b>Total Depreciation Expense - Business-type Activities</b>	<b>\$ 30,593</b>

In fiscal year 2010, construction was completed on the Welcome and Service Center (the Center) pursuant to an agreement with HMS Host Toll Roads, Inc. (HMS), under which HMS financed, designed, and built the Center and continues to maintain and operate the Center for 35 years. Under the agreement, HMS is responsible for maintaining the Center to current conditions and insuring the Center over the course of the 35 years of operations. DeIDOT is entitled to a



percentage of all sales from fuel and non-fuel items sold. At the end of the agreement, operation of the Center will be transferred to DelDOT in its enhanced condition. DelDOT reports the Center as a capital asset with a carrying value of \$22.1 million and a related deferred inflow of resources of \$17.1 million as of June 30, 2018. The deferred inflow of resources is amortized over the 35 year life of the agreement.

## NOTE 7 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, 2018 are as follows (expressed in thousands):

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Primary Government</b>
<b>Deferred Outflows of Resources</b>			
Loss on Refundings of Debt	\$ -	\$ 29,334	\$ 29,334
OPEB - See Note 15	194,656	10,292	204,948
Pensions - See Note 16	652,017	28,898	680,915
<b>Total Deferred Outflows of Resources</b>	<b>\$ 846,673</b>	<b>\$ 68,524</b>	<b>\$ 915,197</b>
<b>Deferred Inflows of Resources</b>			
Service Concession Arrangement	\$ -	\$ 17,048	\$ 17,048
Gain on Refundings of Debt	55,383	-	55,383
OPEB - See Note 15	873,064	56,448	929,512
Pensions - See Note 16	27,665	5,180	32,845
<b>Total Deferred Inflows of Resources</b>	<b>\$ 956,112</b>	<b>\$ 78,676</b>	<b>\$ 1,034,788</b>

Deferred inflows of resources on the governmental funds balance sheet as of June 30, 2018 are unavailable revenues as follows (expressed in thousands):

	<b>General Fund</b>	<b>Federal Fund</b>	<b>Local School District Fund</b>	<b>Total Governmental Funds</b>
<b>Deferred Inflows of Resources</b>				
Accounts Receivable	\$ 71,497	\$ 20,264	\$ 523	\$ 92,284
Taxes Receivable	37,688	-	44,729	82,417
<b>Total Deferred Inflows of Resources</b>	<b>\$ 109,185</b>	<b>\$ 20,264</b>	<b>\$ 45,252</b>	<b>\$ 174,701</b>

**NOTE 8 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 December 14, 2017, the State issued \$114.8 million of general obligation bonds maturing between January 1, 2024 and January 1, 2029. Series 2017A bonds were issued as refunding bonds, the proceeds of which were used to refund existing bonds for a net present value savings of \$4.7 million, or 3.7% of the principal refunded. The bonds bear coupons rate of 5.0% and yield between 1.85% and 2.29%.

The refunding Series 2017A resulted in an economic gain of \$3.1 million and a debt service cash savings over the next 12 years of \$4.5 million. The gain on refunding is recorded with the Deferred Inflows of Resources on the Statement of Net Position.

On February 21, 2018, the State issued \$237.5 million of general obligation bonds maturing between February 1, 2019 and January 1, 2038. Of the \$237.5 million issued, \$212.5 million was issued as Series 2018A representing new money, the proceeds of which were used to fund various capital projects as authorized by the General Assembly; \$25.0 million was issued as Series 2018B, also representing new money, the proceeds of which were used to fund capital projects at the Port of Wilmington and were issued as bonds subject to federal tax. The bonds bear coupons between 2.15% and 5.0% and yield between 1.64% and 2.84%.

Bonds issued and outstanding totaled \$2,003.6 million at June 30, 2018. Of this amount, \$501.2 million is supported by property taxes collected by the local school districts. During fiscal year 2018, the local school district funds transferred \$64.3 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 \$187.5 million of general obligation bonds at June 30, 2018. 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, 2018
233	GO 2018B	2.150% - 2.30%	2020	\$ 25,000
232	GO 2018A	5.00%	2038	212,450
231	GO 2017A	5.00%	2029	114,785
230	GO 2017	3.00% - 5.00%	2037	213,750
229	GO 2016D	2.00% - 5.00%	2032	85,375
227	GO 2016C	4.00% - 5.00%	2027	35,455
226	GO 2016B	5.00%	2019	155
225	GO 2016A	2.125% - 5.00%	2036	180,385
222	GO 2014B	2.00% - 5.00%	2035	215,815
221	GO 2014A	3.00% - 5.00%	2034	101,500
220	GO 2013B	2.00% - 5.00%	2033	111,735
219	GO 2013A	2.00% - 5.00%	2027	92,530
215	GO 2011A	2.00% - 5.00%	2032	73,493
214	GO 2010D	4.55%	2030	59,580
213	GO 2010C	3.10% - 4.60%	2031	115,775
211	GO 2010B	2.00% - 5.00%	2025	57,255
209	GO 2010A	2.00% - 5.00%	2021	20,805
208	GO 2009D	3.70% - 5.30%	2030	148,200
206	GO 2009C	2.00% - 5.00%	2028	109,530
199	QZAB 2006C	0.00%	2023	1,433
195	GO 2005C	5.00%	2023	27,455
192	QZAB 2004B	0.00%	2021	224
190	QZAB 2003D	0.00%	2019	908
Total, Gross				2,003,593
Plus: Unamortized Bond Premium				254,275
Total General Obligation Bonds				\$ 2,257,868

The following table sets forth the future debt service requirements on outstanding general obligation bonds at June 30, 2018:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 168,723	\$ 87,022	\$ 255,745
2020	153,610	80,266	233,876
2021	151,454	73,382	224,836
2022	151,144	66,299	217,443
2023	149,515	58,908	208,423
2024-2028	629,971	200,504	830,475
2029-2033	435,881	76,196	512,077
2034-2038	163,295	15,136	178,431
Total	<u>\$ 2,003,593</u>	<u>\$ 657,713</u>	<u>\$ 2,661,306</u>

Changes in general obligation bonded debt during the year ended June 30, 2018 are summarized in Note 13.

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, 2018, a total of \$267.3 million of defeased bonds were outstanding.

## NOTE 9 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. (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 agencies, and the remaining amount of \$11.2 million was issued on behalf of Delaware State University. Under separate Installment Payment Agreements, each agency 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 agency 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. No funds appropriated to any agency for any purpose are available to pay the Installment Payments of any other agency or Delaware State University.

The final maturity of the SEU bonds is September 15, 2034 with future debt service requirements as follows as of June 30, 2018:

**Sustainable Energy Utility Revenue Bonds**  
(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,855	\$ 2,067	\$ 3,922
2020	1,920	1,982	3,902
2021	2,040	1,887	3,927
2022	2,110	1,787	3,897
2023	2,230	1,678	3,908
2024-2028	12,730	6,705	19,435
2029-2033	15,870	3,310	19,180
2034-2035	5,155	255	5,410
Total	<u>\$ 43,910</u>	<u>\$ 19,671</u>	<u>\$ 63,581</u>
Plus Unamortized Bond Premium	<u>3,325</u>		
Total Revenue Bonds Payable	<u>\$ 47,235</u>		

**DelDOT Fund**

***Delaware Transportation Authority (Authority)***

The Authority is subject to oversight by 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, 2018, the amount of defeased debt outstanding amounted to \$169.5 million.

The Authority has a total of \$240.3 million in authorized but unissued revenue bonds at June 30, 2018. Bonds outstanding at June 30, 2018 amounted to \$913.0 million and are presented as follows:

**Delaware Transportation Authority Revenue Bonds**  
(Expressed in Thousands)

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity Date (Fiscal Year)</u>	<u>Balance Outstanding At June 30, 2018</u>
Transportation System Senior Revenue Bonds - Series			
2008	5.00%	2028	2,215
2008	5.00%	2029	10,695
2009	5.00%	2029	10,140
2010	5.00%	2019	10,315
2010	3.95% - 5.80%	2030	72,120
2012	3.00% - 5.00%	2024	170,600
2014	2.25% - 5.0%	2025	71,210
2015	3.25% - 5.00%	2055	212,535
2016	2.00% - 5.00%	2029	181,475
2017	2.50% - 5.00%	2037	107,000
Transportation System Grant Anticipation Bonds			
2010 Series	3.25% - 5.00%	2025	64,680
	Total, Gross		912,985
	Less: Current Portion of Debt Outstanding		74,770
	Long-term Portion of Debt Outstanding		\$ 838,215

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

**Delaware Transportation Authority Revenue Bonds**  
(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 74,770	\$ 40,917	\$ 115,687
2020	75,440	37,234	112,674
2021	77,115	33,592	110,707
2022	76,925	29,895	106,820
2023	75,990	26,156	102,146
2024-2028	235,830	88,423	324,253
2029-2033	78,380	55,234	133,614
2034-2038	38,255	47,784	86,039
2039-2043	24,400	42,458	66,858
2044-2048	44,370	35,030	79,400
2049-2053	73,025	21,359	94,384
2054-2055	38,485	2,915	41,400
Total	<u>\$ 912,985</u>	<u>\$ 460,997</u>	<u>\$ 1,373,982</u>

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, 2018 for the trust funds, which is the segment of DelDOT that supports the revenue bonds.



**Condensed Statement of Net Position**

(Expressed in Thousands)

Assets:	
Current Assets	\$ 328,786
Capital Assets	1,750,515
Other Assets	<u>87,700</u>
Total Assets	2,167,001
Deferred Outflows of Resources	<u>29,334</u>
Total Assets and Deferred Outflows	<u>\$ 2,196,335</u>
Liabilities:	
Current Liabilities	\$ 151,879
Noncurrent Liabilities	<u>993,511</u>
Total Liabilities	<u>1,145,390</u>
Deferred Inflows of Resources	17,049
Net Position:	
Net Investment in Capital Assets	723,182
Unrestricted	217,611
Restricted	<u>93,103</u>
Total Net Position	<u>1,033,896</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 2,196,335</u>

**Condensed Statement of Revenues  
Expenses and Changes in Net Position**  
(Expressed in Thousands)

Operating Revenues (Pledged Against Bonds)	\$ 479,077
Other Operating Revenues	74,446
Depreciation Expense	(189)
Other Operating Expenses	<u>(233,246)</u>
Operating Income	<u>\$ 320,088</u>
Nonoperating Revenues (Expenses):	
Investment Income	\$ 6,784
Bad Debt Recovery	321
Federal Grant Revenue	39
Interest Expense	(20,179)
Service Concession Arrangement	631
Transfer to Other Agencies	(12,639)
Transfer from General Fund	16,683
Transfer to DTC	(89,759)
Transfer to DelDOT	<u>(123,673)</u>
Change in Net Position	98,296
Beginning Net Position-as restated	<u>935,600</u>
Ending Net Position	<u>\$ 1,033,896</u>

**Condensed Statement of Cash Flows**  
(Expressed in Thousands)

Net Cash Provided by (Used In):	
Operating Activities	\$ 321,466
Noncapital Financing Activities	(209,389)
Capital and Related Financing Activities	(147,201)
Investing Activities	<u>34,501</u>
Net Decrease	(623)
Beginning Cash and Cash Equivalents	<u>45,953</u>
Ending Cash and Cash Equivalents	<u>\$ 45,330</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 20% of pledged revenues. The total principal and interest remaining to be paid on the revenue bonds as of June 30, 2018 was \$1,374.0 million.

Principal and interest paid on the revenue bonds for the year ended June 30, 2018 was \$112.8 million. Total pledged revenues for the year ended June 30, 2018 were \$485.9 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 0.00% to 5.80% with maturities of such bonds up through January 1, 2049.

On January 1, 2018, the Authority called all remaining bonds of the Single Family Mortgage Revenue Bonds 2008 Series A issue and sold all remaining mortgage backed securities associated with the bond issue.

Outstanding bonds at June 30, 2018 amounted to \$188.3 million. Future debt service requirements for DSHA's bonds are shown on the following table:

**Delaware State Housing Authority Revenue Bonds**  
(Expressed in Thousands)

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 4,829	\$ 6,326	\$ 11,155
2020	4,645	6,140	10,785
2021	4,840	5,946	10,786
2022	5,080	5,742	10,822
2023	5,240	5,521	10,761
2024-2028	30,120	23,712	53,832
2029-2033	21,998	18,045	40,043
2034-2038	23,900	14,464	38,364
2039-2043	80,249	9,482	89,731
2044-2048	5,828	841	6,669
2049	1,609	11	1,620
Total	\$ 188,338	\$ 96,230	\$ 284,568

*Delaware State University (DSU)*

Revenue bonds payable at June 30, 2018 are as follows:

**Delaware State University Revenue Bonds Payable**  
(Expressed in Thousands)

Energy Efficiency Revenue Bonds	\$	10,620
Revenue Refunding Bonds Series 2012		26,487
Revenue Refunding Bonds 2014		30,510
Revenue Refunding Bonds 2017		<u>45,454</u>
Total Revenue Bonds Outstanding as of June 30, 2018	\$	<u>113,071</u>

DSU entered into a Guaranteed Energy Savings Agreement with Johnson Controls, Inc. in the amount of \$11.2 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, 2018, \$10.6 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, 2018, \$26.5 million remained outstanding on the 2012 revenue bonds.

On December 11, 2014, DSU issued revenue refunding bonds in the amount of \$29.2 million through the DEDA. The bonds are due October 1, 2039 and are secured by un-appropriated gross revenue of the University. The 2014 bonds were issued as “Additional Bonds” under the Indenture, secured equally and ratable with all other Bonds issued and outstanding under the Indenture and any Alternative Indebtedness outstanding as provided in the Indenture and in the Loan Agreement. The proceeds of the 2014 bonds with other available funds, were used to finance: (1) purchase the University Courtyard, a 416 bed student housing facility located on campus from

the Delaware State University Housing Foundation; (2) construction, equipping and furnishing of an optical science center for applied research; (3) acquisition and capital improvement of the former Sheraton Hotel and Convention Center, now known as the Living and Learning Commons, and (4) a 264 bed student housing facility and space used for Delaware State University Early College High School. As of June 30, 2018, \$30.5 remained outstanding on the 2014 revenue bonds.

On April 3, 2017, DSU issued revenue-refunding bonds in the amount of \$42.7 through the DEDA. The bonds are due October 1, 2039, and are secured by unappropriated gross revenue of the University. The 2017 bonds were issued as “Additional Bonds” under the indenture, secured equally and ratable with all other Bonds issued and outstanding under the Indenture and any Alternative Indebtedness outstanding as provided in the indenture and in the Loan Agreement. The proceeds of the 2017 bonds, together with other available funds, were used to refund the 2007 revenue series bonds for a net present value savings of \$3.5 million, or 7.37% of the principal refunded. The bonds bear coupons between 3.0% and 5.0% and yield between 1.17% and 3.99%. As of June 30, 2018, \$45.5 remained outstanding on the 2017 revenue bonds.

Remaining maturities and interest due relating to DSU’s revenue bonds at June 30, 2018 are as follows:

**Delaware State University Revenue Bonds**  
(Expressed in thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,245	\$ 4,623	\$ 7,868
2020	3,435	4,489	7,924
2021	3,575	4,336	7,911
2022	3,735	4,165	7,900
2023	3,955	3,984	7,939
2024 - 2028	22,490	17,048	39,538
2029 - 2033	27,905	11,611	39,516
2034 - 2038	24,490	5,271	29,761
2039 - 2043	10,030	1,288	11,318
2044 - 2045	2,010	101	2,111
Total	<u>104,870</u>	<u>\$ 56,916</u>	<u>\$ 161,786</u>
Plus Unamortized Bond Premiums and Discount	<u>8,201</u>		
Total Revenue Bonds Payable	<u>\$ 113,071</u>		

**NOTE 10 LOANS AND NOTES PAYABLE*****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 (with two one-year extensions that ended May 2015) 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 \$50.0 million. Each individual equipment lease established 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 and these agreements continue through the repayment of amounts due.

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. From April 15, 2013 until October 15, 2014, all interest due accrued as additional principal. 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>
2019	\$ 503	\$ 520	\$ 1,023
2020	556	505	1,061
2021	611	488	1,099
2022	669	471	1,140
2023	731	450	1,181
2024-2028	4,697	1,886	6,583
2029-2033	6,797	1,071	7,868
2034-2035	3,434	127	3,561
Total	<u>\$ 17,998</u>	<u>\$ 5,518</u>	<u>\$ 23,516</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:

<b>Delaware State Police</b>			
(Expressed in Thousands)			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,073	96	1,169
2020	1,094	74	1,168
2021	1,116	52	1,168
2022	1,139	29	1,168
2023	579	6	585
Total	<u>\$ 5,001</u>	<u>\$ 257</u>	<u>\$ 5,258</u>

On October 2, 2015, the State entered into a new agreement with TD Equipment Finance, Inc. for a two-year period through and inclusive of September 30, 2017, with three optional one-year renewals to initiate new leases. On February 9, 2016, the state successfully negotiated and signed a similar contract with Banc of America Public Capital Corporation. The contract allows for funding and acquisition of equipment which is collateralized by the underlying equipment financed. The agreement provides for annual automatic renewals of each individual equipment lease, until cancelled or paid through lease maturity by the lessee, with interest rates determined at the initiation of the lease, using a percentage of like term U.S. Treasury as quoted in the Federal Reserve. The State did not access additional funds through this agreement during the fiscal year ended June 30, 2018.

#### ***Transportation Infrastructure Finance and Innovation Act***

The Authority has obtained a loan from the Federal Highway Administration (FHWA) under the Transportation Infrastructure Finance and Innovation Act (TIFIA) to borrow up to \$211.4 million excluding capitalized interest, to finance construction of the U.S. 301 toll road project (the Project). Funds are reimbursed by FHWA as costs are incurred, and interest accrues at 2.94%, compounded semi-annually. Interest payments are deferred 5 years from the projected end of construction, with the first interest payment expected to be due December 1, 2023. Principal payments are deferred nine years and six months from the projected end of construction, with the first principal payment expected to be due June 1, 2028. Final maturity on the loan is the earlier of the 35<sup>th</sup> anniversary of the substantial completion date of the Project or December 31, 2053.

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

As of June 30, 2018, the total outstanding loan payable, including capitalized interest of \$1.8 million, was \$106.9 million. The loan is expected to be fully funded during the Fiscal Year Ended June 30, 2019.

Projected debt service on the loan once fully funded, including capitalized interest, is as follows as June 30, 2018:

**TIFIA Loan Payable**  
(Expressed in Thousands)

<u>Years Ending June 30,</u>	<u>Principal Maturity</u>	<u>Interest Maturity</u>	<u>Total*</u>
2024-2028	\$ 799	\$ 35,990	\$ 36,789
2029-2033	10,678	35,411	46,089
2034-2038	21,461	33,358	54,819
2039-2043	40,872	29,013	69,885
2044-2048	61,446	21,881	83,327
2049-2053	88,433	11,348	99,781
2054	21,071	311	21,382
Total	<u>\$ 244,760</u>	<u>\$ 167,312</u>	<u>\$ 412,072</u>

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

#### NOTE 11 LEASE COMMITMENTS

The State has entered into various property and equipment operating leases (terms in excess of one year) with aggregate future rentals approximating \$188.5 million, of which \$160.2 million relates to property leases and \$28.3 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 paid. Lease payments for fiscal year 2018 were approximately \$35.8 million, of which \$27.9 million was for office space and \$7.9 million was for equipment. The equipment leases held by the State consist mainly of computers, data processing equipment and fleet vehicles.

Significant annual equipment rentals include \$6.0 million for fleet vehicles and data processing equipment for the Office of Management and Budget, and \$1.2 million for data processing equipment for the Department of Education. Significant annual real estate rentals include \$6.8 million for leases for the Department of Health and Social Services, \$2.5 million for the Department of Services for Children, Youth and Their Families, \$3.4 million for the Department of Correction, and \$3.4 million for the Department of Labor.



Future minimum lease commitments for operating leases as of June 30, 2018 are shown in the following table:

**Lease Commitments**  
(Expressed in Thousands)

<b>Fiscal Year</b>		
<b>Ending</b>	<b>Operating Leases</b>	
2019	\$	36,622
2020		32,499
2021		27,871
2022		22,319
2023		15,909
2024-2028		36,395
2029-2033		13,253
2034-2038		3,610
Total	\$	188,478

## NOTE 12 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, 2018. 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 with a maximum credit of 52 days unless prior approval to carryover days in excess of the maximum. Employees earn 1.25 days of sick leave per month. The State's obligation for sick leave credit is a maximum of 45 workdays. \$168.9 million has been accrued for the Governmental Activities and \$11.6 million in the Business-type Activities for the total compensated absences liability. The current portion of the long-term obligation for compensated absences is \$16.1 million in the Governmental Activities and \$1.9 million in the Business-type Activities. Approximately \$145.2 million (86.0%) of the long-term obligation for compensated absences will be liquidated by the General Fund. Of the remainder, approximately \$7.9 million (4.7%) and \$15.8 million (9.3%) will be paid with Federal Funds and Local School District Funds, respectively.

The State has recorded \$525.0 million relating to the accrual of the obligation for escheated (abandoned) property, of which \$120.0 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 \$5.7 million, of which \$1.2 million was recorded as the current portion and is included in the governmental funds as other liabilities.

**NOTE 13 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, 2018:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences (Note 12)	174,055.0	11,004.6	(16,179.9)	168,879.7	16,083.0
Claims and Judgments (Notes 14 and 18)	182,061.1	39,639.9	(41,650.0)	180,051.0	41,782.3
Escheat Payable (Note 12)	577,500.0	-	(52,500.0)	525,000.0	120,000.0
Loans and Notes Payable (Note 10)	24,502.8	-	(1,504.6)	22,998.2	1,575.7
Pollution Remediation Obligations (Note 18)	23,157.8	-	(2,681.9)	20,475.9	6,167.5
Bonds Payable:					
General Obligation Bonds (Note 8)	1,955,763.2	352,235.0	(304,405.0)	2,003,593.2	168,723.0
Bond Issue Premium, Net of					
Accumulated Amortization (Notes 8 and 9)	224,763.1	65,987.6	(33,150.6)	257,600.1	21,792.6
Revenue Bonds (Note 9)	46,965.1	-	(3,055.0)	43,910.1	1,855.0
Physician and Scholarship Programs (Note 12)	4,634.6	2,762.6	(1,670.5)	5,726.7	1,219.4
Governmental Activities Long-term Liabilities	<u>\$ 3,213,402.7</u>	<u>\$ 471,629.7</u>	<u>\$ (456,797.5)</u>	<u>\$ 3,228,234.9</u>	<u>\$ 379,198.5</u>
Business-type Activities:					
Compensated Absences (Note 12)	11,687.6	33.5	(104.8)	11,616.3	1,881.6
Pollution Remediation Obligations (Note 18)	1,083.5	-	(999.0)	84.5	75.8
Liabilities Payable from					
Restricted Assets (Note 22)	2,265.1	201.9	-	2,467.0	-
Claims and Judgments (Notes 14 and 18)	9,451.0	4,966.1	(5,238.1)	9,179.0	1,862.8
Loans and Notes Payable (Note 10)	-	106,904.8	-	106,904.8	-
Bonds Payable:					
Revenue Bonds (Note 9)	982,865.0	-	(69,880.0)	912,985.0	74,770.0
Bond Issue Premium, Net of					
Accumulated Amortization (Notes 8 and 9)	79,190.6	-	(16,375.0)	62,815.6	14,424.5
Business-type Activities Long-term Liabilities	<u>\$ 1,086,542.8</u>	<u>\$ 112,106.3</u>	<u>\$ (92,596.9)</u>	<u>\$ 1,106,052.2</u>	<u>\$ 93,014.7</u>

**NOTE 14 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, 2018, for workers' compensation, automobile accident and health-care claim liabilities is \$242.6 million. The claim liabilities relating to health-care totaling \$64.5 million have been recorded as accrued liabilities in governmental activities. The liability for workers' compensation and automobile accident liabilities totaling \$178.2 million has been recorded in governmental activities as claims and judgments. The current portion of these claims totals \$41.8 million. Other claim liabilities relating to police professional malpractice and property and casualty were not recorded at June 30, 2018 as the total of these liabilities were not material to the financial statements.

Changes in the balances of claim liabilities during fiscal years 2018 and 2017 were as follows:

**Changes in Claim Liabilities**  
(Expressed in Thousands)

Fiscal Year	Beginning Balance July 1	Current Year		Ending Balance June 30
		Claims and Changes in Estimates	Actual Claim Payments	
2017	\$ 231,044	\$ 816,460	\$ (815,066)	\$ 232,438
2018	232,438	866,862	(856,658)	242,642

**DelDOT – Delaware Transit Corporation**

DTC maintains coverage for workers' compensation benefits. DTC manages the coverage through the purchase of commercial insurance. The payment of workers' compensation claims is processed through a third-party administrator. DTC is not responsible for any costs other than the premium paid, thus no loss contingency reserves were established.

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

DTC has recorded \$9.2 million of claim liabilities as Insurance Loss Reserve. Of this amount, \$1.9 million has been recorded as current.

Changes in the balances of total claim liabilities during the fiscal years 2018 and 2017 were as follows:

Fiscal Year	Beginning Balance July 1	Current Year Claims and Changes in Estimates	Actual Claim Payments	Ending Balance June 30
2017	\$ 9,725	\$ 5,073	\$ (5,347)	\$ 9,451
2018	9,451	4,966	(5,238)	9,179

#### **NOTE 15 OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

On July 1, 2007, the Delaware Other Postemployment Benefits Fund Trust (OPEB Trust) was established pursuant to Title 29, Sections 5202(b) and 5281. The OPEB Trust is administered by the DPERS Board pursuant to Title 29, Section 5282. Policy for and management of the OPEB benefits provided to retirees are the responsibility of the State.

The OPEB Trust is a cost-sharing multiple-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. This includes the employees of the State as well as employees of the State's component units and affiliated agencies which are part of the State Employees' pension plan. Those employers are Delaware State University, Delaware State Housing Authority, Delaware Charter Schools, University of Delaware, and Delaware Solid Waste Authority.

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 healthcare benefits for retirees and other eligible beneficiaries are shared between the State and the retired employee. A stand-alone financial report is issued for the OPEB Trust.

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

The DTC OPEB Trust is a single-employer, defined benefit plan. The DTC OPEB Trust provides retirement medical insurance coverage to employees who retire and their eligible dependents. The costs of providing these healthcare benefits for retirees and other eligible beneficiaries are shared between DTC and the retired employee. DTC has elected to assume the DTC OPEB Trust liability on behalf of all of its employees.

At June 30, 2017, the following employees of DTC were covered by the DTC OPEB Trust benefit terms:

Retirees and beneficiaries receiving benefits	
Pre-65	40
Post-65	<u>172</u>
Total retirees and beneficiaries receiving benefits	212
Total active plan members	<u>874</u>
Total	<u>1,086</u>

## Contributions

### OPEB Trust

By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members and the government are established by the State Legislature. Those rates include an employer contribution based on a percentage of covered payroll, which is not actuarially determined. The State reported the following contributions for the OPEB Trust:

### Schedule of Contributions (Expressed in thousands)

<u>Contributions</u>	2017
Statutorily determined contribution	\$ 214,466
Contributions in relation to the statutorily determined contribution	<u>214,466</u>
Contribution (excess)/deficiency	<u>\$ -</u>
Covered payroll	\$ 1,840,010
Contributions as a percentage of covered payroll	11.7%

### DTC OPEB Trust

DTC funds the DTC OPEB Trust on a pay-as-you-go basis with additional funding provided on an ad-hoc basis. Contributions to the DTC OPEB Trust are generally made at the same time and in the same amount as benefit payments and expenses becoming due. The only required contributions by retirees are their respective portion of current year premiums. DTC retains the authority to amend the requirements for retiree contributions at any time. DTC reported contributions of \$3.6 million to the DTC OPEB Trust, which resulted in an average contribution rate of 7.1% of covered payroll.

### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the State reported the following net OPEB liabilities (expressed in thousands):

Plan	Governmental Activities	Business-Type Activities
OPEB Trust	\$ 7,169,241	\$ 294,467
DTC OPEB Trust	-	159,611
	\$ 7,169,241	\$ 454,078

The proportionate share of collective net OPEB liability of the OPEB Trust was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of July 1, 2016 with update procedures used to roll forward the total OPEB liability to June 30, 2017. The State's proportionate share of the net OPEB liability of the OPEB Trust was based on a projection of the State's long-term share of contributions to the OPEB Trust relative to the projected contributions of all participating organizations, actuarially determined. At June 30, 2017, the State's proportionate share of the net OPEB liability of the OPEB Trust was 90.4%, which was a decrease of 0.3% from its proportion measured as of June 30, 2016.

The DTC OPEB Trust net OPEB liability and related information, measured as of June 30, 2017, is as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2016	\$ 170,184	\$ 2,256	\$ 167,928
Changes for the year:			
Service cost	13,166	-	13,166
Interest	4,801	-	4,801
Differences between expected and actual experience	(1,365)	-	(1,365)
Changes of assumptions	(21,367)	-	(21,367)
Contributions - employer	-	3,572	(3,572)
Net investment income	-	(20)	20
Benefit payments	(2,072)	(2,072)	-
Net changes	(6,837)	1,480	(8,317)
Balance at June 30, 2017	\$ 163,347	\$ 3,736	\$ 159,611

For the year ended June 30, 2018, the State recognized OPEB expense of \$362.7 million, related to all plans.

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (expressed in thousands):

	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportionate share of contributions	\$ -	\$ 21,914	\$ -	\$ 1,029
Difference between expected and actual experience	-	-	-	1,229
Net difference between projected and actual earnings on pension plan investments	-	14,195	16	583
Change in assumptions	-	836,955	-	53,607
Contributions subsequent to the measurement date	194,656	-	10,276	-
	<u>\$ 194,656</u>	<u>\$ 873,064</u>	<u>\$ 10,292</u>	<u>\$ 56,448</u>

The State reported \$204.9 million as deferred outflows of resources related to OPEB resulting from State contributions subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

<b>Fiscal Year Ended June 30</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
2019	\$ (175,340)	\$ (9,497)
2020	(175,340)	(9,497)
2021	(175,340)	(9,497)
2022	(175,340)	(9,497)
2023	(171,704)	(9,351)
thereafter	-	(9,093)
Total	<u>\$ (873,064)</u>	<u>\$ (56,432)</u>

### Actuarial Assumptions

#### OPEB Trust

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, with rollforward procedures performed to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.25 percent (plus merit scale), including inflation
Investment rate of return	3.75 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.0 percent, decreasing 0.2 percent per year to an ultimate rate of 4.0% for 2032 and later years

Mortality rates are based on the sex-distinct employee, healthy annuitant, and disabled annuitant mortality tables described below, including adjustment factors. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015. As a result of the 2015 actuarial experience study, claim curves, decrements, and healthcare trends were updated in the July 1, 2016 actuarial valuation to more closely reflect actual experience.

The long-term expected rate of return on the OPEB Trust plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long- Term Expected Real Rate of Return</b>
Equity		
Domestic Equity	36.7%	3.75%
International Equity	19.2%	3.75%
Fixed Income		
Domestic Fixed Income	38.1%	3.75%
Cash and Cash Equivalents	6.0%	0.00%
	100.0%	

#### DTC OPEB Trust

The actuarial funding method used in the June 30, 2017 actuarial valuation was the entry age normal method. The actuarial assumptions included 3.6% investment rate of return, 2.5% payroll growth rate, a 2.4% inflation rate, and a 3.9% healthcare cost trend rate based on the Society of Actuaries Long-Run Medical Cost Trend Model. Mortality rates were based on the RP 2000 Fully Generational Healthy Table and the RP 2000 Fully Generational Combined Disabled Table.

DTC has appointed the DTC OPEB Trust Committee to administer the DTC OPEB Trust and to oversee policies and procedures related to the investment of the DTC OPEB Trust assets. The DTC OPEB Trust Committee adopted an Investment Policy Statement that sets the allowable ranges and target asset allocations for the DTC OPEB Trust. Diversification is achieved through providing a wide variety of investment classes in which to invest the funds. Long-term expected real rate of return and asset allocation for the DTC OPEB Trust's funds as of June 30, 2017 are as follows:



<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long- Term Expected Real Rate of Return</u>
Growth Assets		
Domestic Equity	42.0%	5.2%
International Equity	16.0%	5.2%
Emerging Equity	7.0%	5.2%
Income Assets		
Core Fixed Income	25.0%	3.0%
Intermediate IG Corp	2.5%	3.8%
Bank Loans	2.5%	2.7%
High Yield	2.5%	4.3%
Emerging Debt	2.5%	4.8%
	<u>100.0%</u>	

## Discount Rate

### OPEB Trust

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

### DTC OPEB Trust

The discount rate used to measure the total OPEB liability was 3.6 percent, based on the Bond Buyer GO 20-Bond Municipal Bond Index, an index satisfying the GASB requirement of an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as of June 30, 2017.

## Sensitivity of the Net OPEB Liabilities to Changes in the Discount Rate

The following presents the net OPEB liabilities of the OPEB Trust and DTC OPEB Trust, as well as what the OPEB Trust's and DTC OPEB Trust's net OPEB liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent for OPEB Trust; 2.6% for DTC OPEB Trust) or 1-percentage-point higher (4.58 percent for OPEB Trust; 4.6% for DTC OPEB Trust) than the current discount rate (dollar amounts in thousands):

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
OPEB Trust	\$ 8,949,309	\$ 7,463,708	\$ 6,306,041
DTC OPEB Trust	190,043	159,611	135,392

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

The following presents the net OPEB liabilities of the OPEB Trust and DTC OPEB Trust, as well as what the OPEB Trust's and DTC's OPEB Trust's net OPEB liabilities would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0 percent for the OPEB Trust; 2.9% for DTC OPEB Trust) or 1-percentage point higher (8.0 percent for the OPEB Trust; 4.9% for DTC OPEB Trust) than the current healthcare cost trend rates (dollar amounts in thousands):

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
OPEB Trust	\$ 6,319,488	\$ 7,463,708	\$ 8,865,275
DTC OPEB Trust	132,408	159,611	194,981

*OPEB Trust fiduciary net position.* Detailed information about the OPEB Trust's fiduciary net position is available in the separately issued financial report. The financial report 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 or online at <http://www.delawarepensions.com/Financials.shtml>.

Detailed information about the DTC OPEB Trust's fiduciary net position is available in separately issued DTC financial reports. Those reports may be obtained by writing to the Delaware Transit Corporation, 900 Public Safety Boulevard, Dover, Delaware 19901.

## NOTE 16 PENSIONS

### General Information about the Defined Benefit Pension Plans

The State Board of Pension Trustees (Board) administers the following plans/funds (the Plans) of 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
- 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 the Diamond State Port Corporation Pension Plan’s 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 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 (DEL RIP) 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.

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.

The Delaware Transit Corporation (DTC) administers two single-employer pension plans which cover the noncollectively bargained employees and the collective bargained employees, the DTC Plan and Contributory Plan, respectively. The descriptions and requirements of both plans are included on the following pages. Both plans issue a publicly available financial report.

### ***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 (excludes overtime for Post-2011 employees) multiplied by 2.0% and multiplied by years of credited service prior to January 1, 1997, plus final average monthly compensation multiplied by 1.85% and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For 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 67.7% with 2% reduction of benefit, 75% with 3% reduction of benefit, or 100% with 6% 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 based on the actuarially determined rate. Employer contributions were 10.4% of earnings for fiscal year 2018.  
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.  
Correction Officers: additional 2% of earnings in excess of \$6,000.

Burial Benefit: \$7,000 per member.

**Special Fund**Plan Description and Eligibility:

The Special Fund is a single employer defined benefit plan that provides certain benefits granted to individuals through legislation passed by the General Assembly.

<u>Service Benefits:</u>	Defined by special legislation.
<u>Vesting:</u>	Defined by special legislation.
<u>Retirement:</u>	Defined by special legislation.
<u>Disability Benefits:</u>	Defined by special legislation.
<u>Survivor Benefits:</u>	Same as State Employees' Plan.
<u>Contributions:</u>	Employer contributions are actuarially determined and fully funded in advance by the General Assembly.
<u>Burial Benefit:</u>	\$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.

<u>Service Benefits:</u>	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.
<u>Vesting:</u>	10 years of credited service at age 62.
<u>Retirement:</u>	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.
<u>Disability Benefits:</u>	<p><i>Duty - Total Disability:</i> 75% of final average monthly compensation plus 10% for each dependent not to exceed 25% for all dependents.</p> <p><i>Partial Disability:</i> calculated the same as service benefits, subject to minimum 50% of final average monthly compensation.</p> <p><i>Non-Duty:</i> same as service benefits, total disability subject to a minimum 50% of final average monthly compensation plus 5% for each dependent</p>

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 50% of pension. If member is killed in the line of duty, eligible survivor receives 75% of compensation.

Contributions: Employer: determined by Board of Pension Trustees based on the actuarially determined rate. Employer contributions were 21.2% of earnings for fiscal year 2018.  
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 a minimum of 50% of pension (or 2/3 with 2% reduction of benefit); if

employee is active, eligible survivor receives 2/3 of the benefit the employee would have received at age 62.

Contributions: Employer: determined by Board of Pension Trustees based on the actuarially determined rate. Employer contributions were 19.9% of earnings for fiscal year 2018.  
Closed Member: \$500 per year for the first 25 years of service.  
Revised Member: 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. The Plan was closed to new entrants beginning 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.

### ***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. The plan was frozen as of October 3, 2018.

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 at the actuarially determined rate. Employer contributions were 8.4% of earnings for fiscal year 2018.  
Member: 2% of compensation.

Burial Benefit: Not applicable.

### ***County & Municipal Police and Firefighters' Pension Plan***

#### 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 (excluding overtime and special pay).

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 of 50% of final average monthly compensation plus 5% for each dependent not to exceed 20% for all dependents.

*Partial Disability*: subject to a minimum of 30% of final average monthly compensation.



Survivor Benefits: If employee is receiving a pension, then eligible survivor receives a minimum of 50% of pension; if employee is active, eligible survivor receives 75% 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 at the actuarially determined rate. Employer contributions were 11.4% of earnings for fiscal year 2018.  
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 a minimum of 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 at the actuarially determined rate. Employer contributions were 7.1% of earnings for fiscal year 2018.  
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 multiple employer defined benefit pension 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 at the actuarially determined rate. Employer contributions were \$450.30 per member for fiscal year 2018.  
Member: \$60 per member per calendar year.

Burial Benefit: Not applicable.

*Employees covered by benefit terms.* At June 30, 2017, the following employees were covered by the benefit terms for each plan:

	State Employees	Special	New State Police	Judiciary	Closed State Police
Inactive plan members or beneficiaries currently receiving benefits	26,179	7	242	51	505
Inactive plan members entitled to but not yet receiving benefits	4,021	-	9	1	-
Active plan members	36,198	-	703	58	-
Total plan members	<u>66,398</u>	<u>7</u>	<u>954</u>	<u>110</u>	<u>505</u>

The June 30, 2017 valuation is the most recent available to record the net pension liability and for consistency, all schedules are utilized from this valuation.

## **Non-DPERS Fund Descriptions and Contributions**

### ***County & Municipal Police and Firefighters' COLA Fund***

During 1990, the State established a mechanism for funding post-retirement increases granted by employers who participate in the County & Municipal Police and Firefighters' Pension Plan and manage a non-DPERS system "closed" pension plan for former employees.

Closed pension groups pertain to employees, for whom the employer elected not to become a part of the system when their employers joined the system. Currently, five employers maintain such closed groups. They include the City of Dover, City of Elsmere, City of New Castle, City of Wilmington, and New Castle County.

The COLA Fund is financed through a 0.25% tax on the value of certain homeowners' insurance premiums written within the State. The proceeds of the tax are directed into the COLA Fund on a semi-annual basis and managed by the Board for investment purposes. Unused amounts revert to the State General Fund after a period of 10 years per Section 419, Title 80 of the Delaware Code. Each participating employer receives an allocation of these contributions, earnings on investments of the COLA Fund and expenses attributed to the COLA Fund based on the headcount of retired members of its police force.

Any new employer, with a closed police pension plan, that joins the system is eligible to receive money from 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 closed plan outside of the DPERS County & Municipal Police and Firefighters' Pension Plan, funds are transferred from the COLA Fund to the trust account(s) of the closed pension group maintained by the employer. However, the entity must first provide 25% of the cost estimated by an actuary while the COLA Fund provides the remaining 75% of the cost.

These increases are not the responsibility of DPERS. Each employer entity is solely responsible for any post-retirement increase granted even if the actuarial cost calculated at the onset of the increase exceeds the employer's share of the COLA Fund's balance. There is no joint liability amongst existing employers.

### ***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. With the exception of the Closed State Police Plan, projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting changes and the consistency in the amounts of the changes. 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, 2018, \$10.9 million was transferred to the appropriate plans in DPERS.

As of June 30, 2018, recently granted post-retirement increases have outstanding liabilities totaling \$17.1 million, which will be funded by the State and transferred to the appropriate plans over the next two fiscal years as follows (expressed in thousands):

<b>Fiscal Year</b>	
<b><u>Ended June 30</u></b>	
2019	\$ 11,300
2020	<u>5,834</u>
Total	<u>\$ 17,134</u>

The Board adopts actuarially determined funding for the Post-Retirement Increase Fund. Funding for fiscal year 2018 was 0.54% of covered payroll. Funding for fiscal year 2019 will be 0.53%.

#### ***Local Government Retirement Investment Pool (DEL RIP)***

In June 1996, the State established DEL RIP in the custody of the Board to allow local governments within the State the option to pool their pension assets with DPERS for investment purposes. The DEL RIP is an external investment pool that allows local governments 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 two participating entities in DEL RIP as of June 30, 2018, which comprise the pool in its entirety: Sussex County and the Town of Newport.

DEL RIP is subject to the oversight of DPERS's Investment Committee and not subject to the regulatory oversight of the Securities and Exchange Commission (SEC). DPERS has not provided or obtained any legally binding guarantees during the year to support the value of shares. The fair value of 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 DPERS, the same accounting and investment policies apply.

#### ***Delaware Transit Corporation Pension Plan***

##### Plan Description and Eligibility:

The DTC Pension Plan (DTC Plan) is a single employer defined benefit plan that covers limited and full-time, nonunion salaried employees.

Service Benefits: 1.35% of the highest 36-month average earnings plus 1.25% of the average earnings above the Integration Amount for the calendar year in which the participant retires multiplied by years of service, up to a maximum of 25 years.

<u>Vesting:</u>	100% after 5 years of service
<u>Retirement:</u>	Age 55 with at least 10 years of continuous service or 25 years of credited service at any age or upon reaching age 62.
<u>Disability Benefits:</u>	Employee must have 5 years of credited service. Determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction
<u>Survivor Benefits:</u>	If employee dies while employed after completing at least 5 years of service, the eligible survivor receives 75% of accrued benefit that would have been payable at age 65, for a former employee who dies after completing 5 years of service, eligible survivor receives 50% of the accrued benefit that would have been payable at age 65.
<u>Contributions:</u>	Employer: determined by DTC Pension Board Trustees based on the actuarially determined rate. Employer contributions were 7.8% of earnings for fiscal year 2017. Employee: 3% of earnings in excess of \$6,000.

### ***Delaware Transit Corporation Contributory Plan***

#### Plan Description and Eligibility:

The DTC Contributory Plan (Contributory Plan) is a single employer defined benefit plan that covers all full-time employees of Local 842, Amalgamated Transit Union and Local 32, Office and Professional Employee International Union.

<u>Service Benefits:</u>	\$65 per month (\$68 per month after January 1, 2016; \$68.50 per month after January 1, 2017; \$70.50 per month after January 1, 2018) per year of service or refund of contributions with interest before becoming eligible or choosing not to elect
<u>Vesting:</u>	Completion of 10 years of service
<u>Retirement:</u>	Age 65 with at least 5 years of continuous service or 25 years of credited service at any age.
<u>Disability Benefits:</u>	Employee must have 15 years of credited service. Equal to normal retirement benefit during the period of disability.
<u>Survivor Benefits:</u>	A lump-sum payment will be made comprised of the aggregate of the participant's contributions that exceed the aggregate of the payments that have been made to the participant.

Contributions: Employer: 5% of regular hourly wages worked up to a maximum of 2,080 hours per year. Employer contributions were 3.8% of earnings for calendar year 2017.  
Employee: 5% of regular hourly wages worked up to a maximum of 2,080 hours per year.

*Employees covered by benefit terms.* The following employees were covered by the benefit terms for each plan:

	<u>DTC</u> (at June 30, 2017)	<u>Contributory</u> (at December 31, 2017)
Inactive members or beneficiaries currently receiving benefits	71	184
Terminated, vested members	84	88
Active plan members	309	661
Total plan members	<u>464</u>	<u>933</u>

### **Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the State reported the following net pension liabilities (assets) (expressed in thousands):

Plan	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
State Employees' Special Fund	\$ -	\$ 1,268,356	\$ -	\$ 53,514
New State Police	74	-	-	-
Judiciary	-	66,916	-	-
Closed State Police	-	471	-	-
DTC	-	392,968	-	-
Contributory	-	-	-	2,373
	<u>\$ 74</u>	<u>\$ 1,728,711</u>	<u>\$ -</u>	<u>\$ 57,033</u>

The net pension asset and liability were measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of June 30, 2016 with update procedures used to roll forward the total pension liability to June 30, 2017. The State's proportion of the net pension liability of the State Employees' Plan was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating organizations, actuarially determined. At June 30, 2017, the State's proportion of the net pension liability of the State Employees' Plan was 90.2%, which was a decrease of 0.3% from its proportion measured as of June 30, 2016.

The State's pension liability and related information for the single-employer plans is as follows:

**State of Delaware - DPERS**  
**Changes in Single Employer Plans' Net Pension Liability and Related Ratios**  
(Expressed in thousands)

	2017			
	Special	New State Police	Judiciary	Closed State Police
<b>Total Pension Liability</b>				
Service Cost	\$ -	\$ 13,671	\$ 2,802	\$ -
Interest	10	33,038	5,378	12,238
Differences between expected and actual experience	(31)	8,657	(2,018)	860
Changes of Assumptions	1	12,092	1,344	(33,784)
Benefit payments, including refunds of member contributions	(27)	(16,714)	(4,752)	(22,896)
Net change in total pension liability	(47)	50,744	2,754	(43,582)
Total pension liability - beginning	181	444,737	76,239	439,915
Total pension liability - ending (a)	<u>\$ 134</u>	<u>\$ 495,481</u>	<u>\$ 78,993</u>	<u>\$ 396,333</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ -	\$ 11,096	\$ 2,347	\$ 23,067
Contributions - nonemployer	-	649	186	-
Contributions - member	-	4,233	355	-
Net investment income	22	42,584	7,898	1,268
Benefit payments, including refunds of member contributions	(27)	(16,714)	(4,752)	(22,896)
Administrative expense	(1)	(88)	(11)	(42)
Net change in plan fiduciary net position	(6)	41,760	6,023	1,397
Plan fiduciary net position - beginning	214	386,804	72,499	1,968
Plan fiduciary net position - ending (b)	<u>\$ 208</u>	<u>\$ 428,564</u>	<u>\$ 78,522</u>	<u>\$ 3,365</u>
State's net pension liability (asset) - ending (a)-(b)	<u>\$ (74)</u>	<u>\$ 66,917</u>	<u>\$ 471</u>	<u>\$ 392,968</u>
Plan fiduciary net position as a percentage of total pension liability	155%	86%	99%	1%
Covered payroll	\$ -	\$ 61,002	\$ 10,604	\$ -
State's net pension liability (asset) as a percentage of covered payroll	N/A	110%	4%	N/A

The State's pension liability and related information for the Delaware Transit Corporation plans is as follows:

	2017	
	DTC Plan	Contributory Plan
<b>DelDOT- Delaware Transit Corporation</b>		
<b>Changes in DTC's Net Pension Liability and Related Ratios</b>		
(Expressed in thousands)		
Total Pension Liability		
Service Cost	\$ 1,060	\$ 2,098
Interest	1,691	3,406
Change in Benefit Terms	-	1,042
Differences between expected and actual experience	(192)	(121)
Changes of Assumptions	1,530	-
Benefit payments, including refunds of member contributions	(753)	(2,531)
Net change in total pension liability	<u>3,336</u>	<u>3,894</u>
Total pension liability - beginning	<u>24,540</u>	<u>47,809</u>
Total pension liability - ending (a)	<u>\$ 27,876</u>	<u>\$ 51,703</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 1,104	\$ 1,048
Contributions - member	116	1,344
Net investment income	2,529	6,743
Benefit payments, including refunds of member contributions	(753)	(2,531)
Administrative expense	(161)	(106)
Net change in plan fiduciary net position	<u>2,835</u>	<u>6,498</u>
Plan fiduciary net position - beginning	<u>22,668</u>	<u>44,059</u>
Plan fiduciary net position - ending (b)	<u>\$ 25,503</u>	<u>\$ 50,557</u>
Corporation's net pension liability (asset) - ending (a)-(b)	<u>\$ 2,373</u>	<u>\$ 1,146</u>
Plan fiduciary net position as a percentage of total pension liability	91%	98%
Covered payroll	\$ 14,161	\$ 27,383
State's net pension liability (asset) as a percentage of covered payroll	17%	4%

For the year ended June 30, 2018, the State recognized pension expense of \$271.3 million, related to all plans.

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):



	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportionate share of contributions	\$ 712	\$ 4,605	\$ 85	\$ 1,783
Difference between expected and actual experience	14,642	22,362	618	2,171
Net difference between projected and actual earnings on pension plan investments	158,850	698	6,459	1,226
Change in assumptions	261,821	-	11,853	-
Contributions subsequent to the measurement date	215,992	-	9,883	-
	<u>\$ 652,017</u>	<u>\$ 27,665</u>	<u>\$ 28,898</u>	<u>\$ 5,180</u>

The State reported \$225.9 million as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

<b>Fiscal Year Ended June 30</b>	Governmental Activities	Business-Type Activities
2019	\$ 51,429	\$ 2,050
2020	184,325	7,055
2021	131,298	4,175
2022	108	(842)
2023	34,945	1,260
thereafter	6,255	137
Total	<u>\$ 408,360</u>	<u>\$ 13,835</u>

*Contributions.* The State reported the following contributions for the DPERS Plan:

**Schedule of Contributions  
(Expressed in thousands)**

<b>Contributions</b>	2017
Contractually required contribution	\$ 168,276
Contributions in relation to the contractually required contribution	168,276
Contribution excess	<u>\$ -</u>
Covered payroll	\$ 1,756,537
Contributions as a percentage of covered payroll	9.6%

*Actuarial assumptions.* The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	State Employees'	Special	New State Police	Judiciary	Closed State Police
Investment Rate of Return/Discount Rate (1)	7.0%	7.0%	7.0%	7.0%	3.58%
Projected Salary Increases (1)	2.5% + Merit	N/A	2.5% + Merit	2.5% + Merit	N/A
Cost of Living Adjustments	0%	0%	0%	0%	2.5%

(1) - Inflation is included at 2.5%

	DTC	Contributory
Investment Rate of Return/Discount Rate (1)	7.0%	7.0%
Projected Salary Increases (1)	2.5%	4.0%

(1) - Inflation is included at 2.0%

The total pension liabilities are measured based on assumptions pertaining to interest rates, inflation rates, and employee demographic behavior in future years. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality assumptions for the DPERS Plans were based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis. Mortality rates for the DTC Plan were based on the RP-2000 Combined Healthy Tables with generational projection by Scale AA and the rates for the Contributory Plan were based on the RP-2000 Blue Collar Table without any future mortality improvements.

With the exception of the Closed State Police Pension Plan, projected benefit payments do not include the effect of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in DPERS's current and expected asset allocation as of June 30, 2017, DTC's current and expected asset allocation as of July 1, 2017, and Contributory's current and expected asset allocation as of January 1, 2018 are summarized in the following table:

Asset Class	Asset Allocation %	Long-Term Expected Real Rate of Return %
DPERS		
Domestic Equity	33.8	5.7
International Equity	14.2	5.7
Fixed Income	24.8	2.0
Alternative Investments	22.0	7.8
Cash & Equivalents	5.2	-
	100.0	
DTC		
Domestic Equity	42.0	5.2
International Equity	16.0	5.2
Emerging Equity	7.0	5.2
Core Fixed Income	25.0	3.0
Intermediate IG Corp	2.5	3.8
Bank Loans	2.5	2.7
High Yield	2.5	4.3
Emerging Debt	2.5	4.8
	100.0	
Contributory		
Domestic Equity	39.0	8.0
International Equity	21.0	8.0
Emerging Equity	39.0	4.0
Cash & Equivalents	1.0	3.0
	100.0	

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

The Closed State Police Pension Plan used a discount rate of 3.58%, which represents the 20-year AA Municipal Bond rate since the plan is pay as you go.

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the State's proportionate share of the net pension liability of the State Employees' Plan (cost sharing) and the net pension liability (asset) of the other Plans (single employer), calculated using the discount rate of 7.0% (3.58% for the Closed State Police Pension Plan) as well as what the State's proportionate share for the cost sharing and the single employer Plans' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (expressed in thousands):

	1 % Decrease	Current Discount Rate	1 % Increase
State Employees'	\$ 2,379,693	\$ 1,321,870	\$ 425,103
Special Fund	(68)	(74)	(80)
New State Police	134,927	66,916	10,738
Judiciary	7,809	471	(5,884)
Closed State Police	440,463	392,968	353,363
DTC	5,805	2,373	(517)
Contributory	6,522	1,146	(3,496)
Total	<u>\$ 2,975,151</u>	<u>\$ 1,785,670</u>	<u>\$ 779,227</u>

*Pension plan fiduciary net position.* Detailed information about the pension plans' fiduciary net position is available in the separately issued DPERS financial report. The financial report 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 or online at <http://www.delawarepensions.com/Financials.shtml>.

Detailed information about the DTC and Contributory pension plans' fiduciary net position is available in separately issued financial reports. Those reports may be obtained by writing to the Delaware Transit Corporation, 900 Public Safety Boulevard, Dover, Delaware 19901.

### Deferred Compensation Plans

The State offers all its employees, who are otherwise eligible for the State's employee benefit plans, a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). 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.

The State offers its employees of the State's Public (Local) School Districts, the State of Delaware Department of Education, Delaware Technical and Community College, and Delaware State University, which is a component unit of the State, a deferred compensation plan designed to qualify under Section 403(b) of the Internal Revenue Code. The Plan permits these employees to defer a portion of their salary to future years. Participation in the Plan is optional. On termination of service due to death, disability, retirement, or other reasons, a participant will receive either a lump-sum amount equal to the value of the participant's vested interest in their account or periodic payments. In addition, the Plan allows for hardship distributions if certain criteria are met.

**NOTE 17 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 \$451.0 million for DeIDOT.

Encumbrances which represent commitments 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 2018 are as follows: general fund \$163.5 million, federal funds \$53.9 million, local school funds \$22.2 million, and capital project funds \$153.6 million.

**NOTE 18 CONTINGENCIES**

Various parties have made claims against the State. For those cases in which it is 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 \$203.9 million. The State recognized \$1.9 million in governmental activities as claims and judgments liabilities for pending litigation settlements estimated to be probable as of June 30, 2018. \$800 thousand is recorded in governmental funds as payables reflecting settlements paid subsequent to the end of the fiscal year. In the opinion of the Attorney General of the State, 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 there are any liabilities that will result from such audits for periods through June 30, 2018 that 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, 2018, the State had a total pollution remediation liability of \$20.5 million. Of this amount, \$15.1 million is for various lead remediation projects where the properties are either owned by the State or a local government or the properties have been abandoned by the owners, \$2.6 million are for federally designated environmental hazards where the State is working with the Environmental Protection Agency to remediate, and the remaining \$2.8 million are for remediation to properties that have been acquired by the State.

#### NOTE 19 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 and interfund receivables, 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 such as the enforcement of locally raised real estate taxes and other revenues for the Local School District Fund, external resource providers such as creditors and 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 State's Legislature, the State's highest level of decision-making authority. This formal action is the passage of law by the legislature, or by other parties by the State's legislature, creating, modifying, or rescinding an appropriation.
- **Assigned:** Balances include amounts that are constrained by the State's intent, as approved by the State's legislature, 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 by the State's legislature to assign amounts based on budgetary appropriations. Also, for the General Fund, the amounts assigned for Education are due largely to the policies set by the Board of Delaware Technical and Community College (DTCC) for tuition and fees of 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.

The State spends restricted resources first and uses unrestricted resources for purposes for which restricted resources are not available.

When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the State considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the State has provided otherwise in its commitment or assignment actions.

A summary of governmental fund balances at June 30, 2018, is as follows:

	General	Federal	Local School District	Capital Projects	Total Governmental Funds
<b>Nonspendable</b>					
Receivables	\$ 23,545	\$ -	\$ -	\$ -	\$ 23,545
Inventory	5,120	-	-	-	5,120
Total Nonspendable	<u>28,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,665</u>
<b>Restricted:</b>					
Health and Children's Services	31,420	102,224	-	829	134,473
Judicial and Public Safety	8,020	-	-	394	8,414
Natural Resources and Environmental Control	166,291	215,886	-	14,008	396,185
Agriculture	410	-	-	-	410
Labor	6,624	-	-	-	6,624
Education	3,662	-	306,350	100,812	410,824
Economic Development	12,987	-	-	7,372	20,359
General Government	3,640	-	-	63,627	67,267
Total Restricted	<u>233,054</u>	<u>318,110</u>	<u>306,350</u>	<u>187,042</u>	<u>1,044,556</u>
<b>Committed</b>					
Health and Children's Services	13,064	-	-	-	13,064
Judicial and Public Safety	6,120	-	-	-	6,120
Natural Resources and Environmental Control	20,740	-	-	-	20,740
Agriculture	9,105	-	-	-	9,105
Labor	7,309	-	-	-	7,309
Education	19,844	-	-	-	19,844
Economic Development	62,372	-	-	-	62,372
General Government	20,123	-	-	-	20,123
Total Committed	<u>158,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,677</u>
<b>Assigned</b>					
Health and Children's Services	2,378	-	-	-	2,378
Judicial and Public Safety	14,829	-	-	-	14,829
Natural Resources and Environmental Control	3,558	-	-	-	3,558
Agriculture	5,426	-	-	-	5,426
Education	62,538	-	-	-	62,538
General Government	11,188	-	-	-	11,188
Total Assigned	<u>99,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,917</u>
<b>Unassigned</b>					
	<u>424,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>424,400</u>
Total Fund Balance	<u>\$ 944,713</u>	<u>\$ 318,110</u>	<u>\$ 306,350</u>	<u>\$ 187,042</u>	<u>\$ 1,756,215</u>

**Fund Balances 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 restricted fund balance for the Capital Projects Fund are funds that are used to account for activities relating to Delaware’s construction projects mainly for the local school districts and projects overseen by the Office of Management and Budget, which are funded by proceeds from the issuance of bonds.

**NOTE 20 TAX ABATEMENTS**

As of June 30, 2018, the State of Delaware provides tax abatements through two programs: Bank Franchise Tax Job Creation Credit and Historical Preservation Credit.

- The Bank Franchise Tax Job Creation Credit (Delaware Code, Title 5, Chapter 11, §1105(h) & (i)) allows a credit against the annual franchise tax imposed upon a banking organization or trust company. Application for certification as a qualified employer or qualified retained employer must be made to the Secretary of Finance with a copy to the Director of Economic Development which will be reviewed annually prior to the allowance of credits in accordance with Title 30, Chapter 20, Subchapter IX. A credit against the tax of \$1,250 for each new qualified employee above the bank’s employees in the base year is allowed only if the new qualified employees are at least 200 above the number during the base year and the taxpayer has made new investments (land, land improvement, machinery and equipment) of at least \$15,000 per qualified employee in excess of the number of employees during the base year.
- The Historical Preservation Credit (Delaware Code Title 30, Chapter 18, §1811–§1817) entitles a person incurring qualified expenditures, as identified in Title 30, for preservation and repair of historic structures to a credit against bank franchise or incomes taxes subject to limitations. The building must qualify as a Certified Historic Property, and the taxpayer must submit an application for Certification of Rehabilitation along with a Request for Award Credit.

<u><b>Tax Abatement Program</b></u>	<u><b>Amount of Taxes Abated (in thousands)</b></u>
Bank Franchise Tax Job Creation Credit	\$4,891
Historic Preservation Credit	6,151

**NOTE 21 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, 2018 for this entity amounted to \$793.1 million.

## **NOTE 22 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 Lotto America 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, 2018 was \$2.5 million. This amount is also reported as a liability on the Lottery's statement of net position because 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, 4400 NW Urbandale Drive, Urbandale, IA 50322.

## **NOTE 23 SUBSEQUENT EVENTS**

### **Discretely Presented Component Units**

#### *Diamond State Port Corporation (DSPC)*

Diamond State Port Corporation has signed a public/private partnership (P3) agreement with GT USA Wilmington, LLC (GT) which allows GT the right to commercially operate the Port of Wilmington with the objective of increased investment, job growth, and promoting and enhancing commerce, shipping, navigation, and competitiveness. GT shall materially invest in redeveloping the existing port facilities and establishing new port facilities at Edgemoor and pay the DSPC a concession fee. The agreement, which closed October 3, 2018, has a term of fifty years.

Related to the P3 agreement, DSPC's Board of Directors resolved to pre-pay the balances of the City of Wilmington Port Debt Service Note, scheduled to mature in July 2022, and the Delaware River and Bay Authority obligation, scheduled to mature in June 2027.

## NOTE 24 RESTATEMENTS

As explained in Note 1, the State adopted GASB Statement No. 75, which resulted in adjustments to the prior year net position, as follows:

**Government Wide Statement of Net Position**  
(Expressed in Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Discretely Presented Component Units</u>
Net Position as previously reported at June 30, 2017	\$ (1,175,177)	\$ 3,803,347	\$ 2,628,170	\$ 1,226,722
Charter School Closure	-	-	-	706
Effect of GASB 75:				
Net OPEB Liability	(5,358,846)	(218,957)	(5,577,803)	(548,711)
Deferred Outflows of Resources				
Contributions made during fiscal year 2017	206,004	11,739	217,743	9,958
Net Position as restated at June 30, 2017	<u>\$ (6,328,019)</u>	<u>\$ 3,596,129</u>	<u>\$ (2,731,890)</u>	<u>\$ 688,675</u>

Net position was adjusted for the proprietary funds as follows:

**Proprietary Funds Statement of Net Position**  
(Expressed in Thousands)

	<u>Unemployment Insurance</u>	<u>Lottery</u>	<u>DeIDOT</u>	<u>Total</u>
Net Position as previously reported at June 30, 2017	\$ 143,430	\$ 1,000	\$ 3,658,917	\$ 3,803,347
Effect of GASB 75:				
Net OPEB Liability	-	-	(218,957)	(218,957)
Deferred Outflows of Resources				
Contributions made during fiscal year 2017	-	-	11,739	11,739
Net Position as restated at June 30, 2017	<u>\$ 143,430</u>	<u>\$ 1,000</u>	<u>\$ 3,451,699</u>	<u>\$ 3,596,129</u>

**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 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, 2018, 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 2018, 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 \$751.2 million budgetary general fund balance at June 30, 2018, \$240.4 million is reserved for the budgetary reserve account, \$184.1 million is designated as continuing and encumbered appropriations and \$326.7 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, 2018**  
(Expressed in Millions)

	General Fund				Special Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final			Original	Final		
<b>Revenues</b>								
Personal Income Taxes	\$ 1,373.4	\$ 1,425.4	\$ 1,428.2	\$ 2.8	\$ -	\$ -	\$ -	\$ -
Business Taxes	1,647.1	1,885.3	1,885.1	(0.2)	-	-	-	-
Other Taxes	310.4	324.0	328.5	4.5	-	-	-	-
License, Permits, Fines and Fees	349.2	455.2	449.8	(5.4)	-	-	-	-
Lottery Sales	203.7	211.5	212.0	0.5	-	-	-	-
Interest Earnings	5.0	11.3	11.7	0.4	-	-	-	-
Other	108.6	82.4	77.7	(4.7)	1,088.9	1,088.9	1,180.8	91.9
<b>Total Revenues</b>	<b>3,997.4</b>	<b>4,395.1</b>	<b>4,393.0</b>	<b>(2.1)</b>	<b>1,088.9</b>	<b>1,088.9</b>	<b>1,180.8</b>	<b>91.9</b>
<b>Expenditures</b>								
General Government	454.8	520.0	448.0	72.0	750.9	750.9	685.3	65.6
Health & Children's Services	1,340.7	1,394.8	1,328.7	66.1	164.2	164.2	138.4	25.8
Judicial & Public Safety	609.2	639.3	622.0	17.3	52.5	52.5	44.9	7.6
Natural Resources and Environmental Control	37.1	38.6	37.6	1.0	102.0	102.0	61.9	40.1
Labor	9.6	9.7	8.8	0.9	14.3	14.3	12.6	1.7
Education	1,655.5	1,713.4	1,673.0	40.4	5.0	5.0	3.0	2.0
<b>Total Expenditures</b>	<b>4,106.9</b>	<b>4,315.8</b>	<b>4,118.1</b>	<b>197.7</b>	<b>1,088.9</b>	<b>1,088.9</b>	<b>946.1</b>	<b>142.8</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(109.5)	79.3	274.9	195.6	-	-	234.7	234.7
<b>Budgetary Fund Balance, Beginning of Year</b>	<b>476.3</b>	<b>476.3</b>	<b>476.3</b>	<b>-</b>	<b>1,393.2</b>	<b>1,393.2</b>	<b>1,393.2</b>	<b>-</b>
<b>Budgetary Fund Balance, End of Year</b>	<b>\$ 366.8</b>	<b>\$ 555.6</b>	<b>\$ 751.2</b>	<b>\$ 195.6</b>	<b>\$ 1,393.2</b>	<b>\$ 1,393.2</b>	<b>\$ 1,627.9</b>	<b>\$ 234.7</b>
<b>Budgetary Fund Balance</b>								
Designated:								
Budget Reserve Account			\$ 240.4					
Continuing and Encumbered Appropriations			184.1					
Undesignated			326.7					
Total			<u>\$ 751.2</u>					

(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.



**Budgetary vs. GAAP Reconciliation**  
**For the Fiscal Year Ended June 30, 2018**  
(Expressed in Millions)

<b>Budgetary Basis Revenues</b>		
General	\$ 4,393.0	
Special	<u>1,180.8</u>	
Total Budgetary Basis General and Special Fund Revenues for Fiscal Year 2018		\$ 5,573.8
Adjustments:		
The financial reporting revenues do not include amounts that are part of the budgetary revenues (appropriated special funds)	(693.6)	
Non-budgetary revenues reclassified to the general and special funds	747.5	
Basis of accounting differences in revenues, other financing sources, and related receivables and deferred inflows of resources	<u>(754.1)</u>	
Total GAAP Basis Adjustments to General and Special Funds Revenues for Fiscal Year 2017 Included in the General Fund		(700.2)
Federal Fund Revenues	2,319.8	
Local School Districts Fund Revenues	<u>677.4</u>	
		<u>2,997.2</u>
<b>Total GAAP Basis Governmental Funds Revenue for Fiscal Year 2018</b>		<b><u>\$ 7,870.8</u></b>
<b>Budgetary Basis Expenditures</b>		
General	\$ 4,118.1	
Special	<u>946.1</u>	
Total Budgetary Basis General and Special Fund Expenditures for Fiscal Year 2018		\$ 5,064.2
Adjustments:		
The financial reporting expenditures do not include amounts that are part of the budgetary expenditures (appropriated special funds)	(371.7)	
Non-budgetary expenditures reclassified to the general and special funds	767.4	
Basis of accounting differences in expenditures, other financing uses, and related accounts payables and accrued liabilities	<u>(694.6)</u>	
Total GAAP Basis Adjustments to General and Special Funds Expenditures for Fiscal Year 2018 Included in the General Fund		(298.9)
Federal Fund Expenditures	2,281.6	
Local School Districts Fund Expenditures	620.3	
Capital Projects Fund Expenditures	<u>250.9</u>	
		<u>3,152.8</u>
<b>Total GAAP Basis Governmental Funds Expenditures for Fiscal Year 2018</b>		<b><u>\$ 7,918.1</u></b>

## **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 4,455 centerline miles and 825 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 for poor pavement to 5 for pavement in excellent condition.

The condition of bridges is measured using the “Bridge Condition Rating” (BCR) which is based on the Federal Highway Administration (FHWA) Coding Guide, “Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation’s Bridges.” The BCR uses a measurement scale that is based on a condition index ranging from 0 to 9, 0 to 4 for substandard bridges and 9 for bridges in perfect condition. For reporting purposes, substandard bridges are classified as those with a rating of 4 or less. The good or better condition bridges were taken as those with ratings of between 6 and 9. A rating of 5 is considered fair. 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 95% of its national bridge inventory at a fair or better condition level. Condition assessments of eligible infrastructure assets are performed at least every three years.

**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					
		2018		2017		2016	
BCR							
Condition							
Rating	Number	Percent	Number	Percent	Number	Percent	
Good	6-9	575	69.7	582	69.0	606	71.9
Fair	5	221	26.8	228	27.1	195	23.2
Poor	0-4	29	3.5	33	3.9	41	4.9
Totals		825	100.0	843	100.0	842	100.0

Deck Rating Numbers and Percentages for Bridges

		Calendar Year Ended December 31					
		2018		2017		2016	
OPC							
Condition		Square		Square		Square	
Rating	Feet	Percent	Feet	Percent	Feet	Percent	
Good	6-9	4,518,306	57.3	4,788,784	61.0	5,697,809	70.9
Fair	5	2,977,442	37.8	2,669,285	34.0	1,942,870	24.1
Poor	0-4	390,210	4.9	395,124	5.0	399,080	5.0
Totals		7,885,958	100.0	7,853,193	100.0	8,039,759	100.0

Center-Line Mile Numbers and Percentages for Road Pavement

		Calendar Year Ended December 31					
		2017		2015		2013	
OPC							
Condition		Center-		Center-		Center-	
Rating	Line	Miles	Percent	Miles	Percent	Miles	Percent
Good	3.0-5.0	3,623	81.3	3,960	88.9	4,032	90.6
Fair	2.5-3.0	407	9.2	310	7.0	356	8.0
Poor	Below 2.5	300	6.7	118	2.6	60	1.4
Unrated		125	2.8	64	1.4	-	-
Totals		4,455	100.0	4,452	100.0	4,448	100.0

Comparison of Estimated-to-Actual Maintenance/Preservation\*

		(Expressed In Thousands)				
		Fiscal Year ended June 30				
		2018	2017	2016	2015	2014
Estimated	\$ 317,177	\$ 246,928	\$ 242,299	\$ 241,900	\$ 198,873	
Actual	\$ 308,681	\$ 297,364	\$ 281,554	\$ 291,630	\$ 234,800	

\* 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.

**State of Delaware - DPERS  
State Employees' Plan  
Schedule of Proportionate Share of the Net Pension Liability  
Last 10 Fiscal Years \*  
(Dollar amounts in thousands)**

<b>Proportionate Share of Net Pension Liability</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Proportion of the net pension liability	90.2%	90.5%	90.4%	90.9%	91.2%
Proportion of the net pension liability - dollar value	\$ 1,321,870	\$ 1,363,377	\$ 601,705	\$ 334,720	\$ 988,024
Covered payroll	\$ 1,756,537	\$ 1,725,473	\$ 1,686,806	\$ 1,673,099	\$ 1,712,613
Proportionate share of the net pension liability as a percentage of its covered payroll	75.3%	79.0%	35.7%	20.0%	57.7%
Plan fiduciary net position as a percentage of the total pension liability	85.4%	84.5%	92.1%	95.8%	87.2%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**State of Delaware - DPERS**  
**Changes in Single Employer Plans' Net Pension Liability and Related Ratios**  
**Last 10 Fiscal Years \***  
(Dollar amounts in thousands)

<b>Special Fund</b>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Interest	\$ 9	\$ 10	\$ 14	\$ 14	\$ 15
Differences between expected and actual experience	11	(31)	24	18	-
Changes of Assumptions	-	1	4	-	-
Benefit payments, including refunds of member contributions	<u>(33)</u>	<u>(27)</u>	<u>(47)</u>	<u>(46)</u>	<u>(42)</u>
Net change in total pension liability	<u>(13)</u>	<u>(47)</u>	<u>(5)</u>	<u>(14)</u>	<u>(27)</u>
Total pension liability - beginning	<u>134</u>	<u>181</u>	<u>186</u>	<u>200</u>	<u>227</u>
Total pension liability - ending (a)	<u>\$ 121</u>	<u>\$ 134</u>	<u>\$ 181</u>	<u>\$ 186</u>	<u>\$ 200</u>
Plan fiduciary net position					
Net investment income	\$ 21	\$ 22	\$ (5)	\$ 10	\$ 48
Benefit payments, including refunds of member contributions	(33)	(27)	(47)	(46)	(42)
Administrative expense	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>
Net change in plan fiduciary net position	<u>(13)</u>	<u>(6)</u>	<u>(53)</u>	<u>(37)</u>	<u>5</u>
Plan fiduciary net position - beginning	<u>208</u>	<u>214</u>	<u>267</u>	<u>304</u>	<u>299</u>
Plan fiduciary net position - ending (b)	<u>\$ 195</u>	<u>\$ 208</u>	<u>\$ 214</u>	<u>\$ 267</u>	<u>\$ 304</u>
State's net pension asset - ending (a)-(b)	<u>\$ (74)</u>	<u>\$ (74)</u>	<u>\$ (33)</u>	<u>\$ (81)</u>	<u>\$ (104)</u>
Plan fiduciary net position as a percentage of total pension liability	161%	155%	118%	144%	152%
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -
State's net pension asset as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
Notes to Schedule					
<i>Benefit Changes:</i> None					
<i>Changes of assumptions:</i> None					

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**State of Delaware - DPERS**  
**Changes in Single Employer Plans' Net Pension Liability and Related Ratios**  
**Last 10 Fiscal Years \***  
(Dollar amounts in thousands)

<b>New State Police</b>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service Cost	\$ 14,833	\$ 13,671	\$ 13,493	\$ 12,686	\$ 12,378
Interest	35,226	33,038	30,376	28,395	26,137
Change in Benefit Terms	105	-	-	1,154	-
Differences between expected and actual experience	2,054	8,657	(3,098)	(3,520)	-
Changes of Assumptions	-	12,092	2,199	-	-
Benefit payments, including refunds of member contributions	<u>(18,595)</u>	<u>(16,714)</u>	<u>(14,804)</u>	<u>(12,188)</u>	<u>(10,619)</u>
Net change in total pension liability	33,623	50,744	28,166	26,527	27,896
Total pension liability - beginning	<u>495,481</u>	<u>444,737</u>	<u>416,571</u>	<u>390,044</u>	<u>362,148</u>
Total pension liability - ending (a)	<u>\$ 529,104</u>	<u>\$ 495,481</u>	<u>\$ 444,737</u>	<u>\$ 416,571</u>	<u>\$ 390,044</u>
Plan fiduciary net position					
Contributions - employer	\$ 13,202	\$ 11,096	\$ 11,001	\$ 10,730	\$ 10,500
Contributions - nonemployer	316	649	797	639	525
Contributions - member	4,329	4,233	4,146	4,121	3,862
Net investment income	44,454	42,584	(5,965)	13,741	54,635
Benefit payments, including refunds of member contributions	<u>(18,595)</u>	<u>(16,714)</u>	<u>(14,803)</u>	<u>(12,188)</u>	<u>(10,619)</u>
Administrative expense	<u>(100)</u>	<u>(88)</u>	<u>(91)</u>	<u>(113)</u>	<u>(82)</u>
Net change in plan fiduciary net position	43,606	41,760	(4,915)	16,930	58,821
Plan fiduciary net position - beginning	<u>428,564</u>	<u>386,804</u>	<u>391,719</u>	<u>374,789</u>	<u>315,968</u>
Plan fiduciary net position - ending (b)	<u>\$ 472,170</u>	<u>\$ 428,564</u>	<u>\$ 386,804</u>	<u>\$ 391,719</u>	<u>\$ 374,789</u>
State's net pension liability - ending (a)-(b)	<u>\$ 56,934</u>	<u>\$ 66,917</u>	<u>\$ 57,933</u>	<u>\$ 24,852</u>	<u>\$ 15,255</u>
Plan fiduciary net position as a percentage of total pension liability	89%	86%	87%	94%	96%
Covered payroll	\$ 62,360	\$ 61,002	\$ 59,144	\$ 57,973	\$ 55,067
State's net pension liability as a percentage of covered payroll	91%	110%	98%	43%	28%

Notes to Schedule

*Benefit Changes:* None

*Changes of assumptions:* None

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**State of Delaware - DPERS**  
**Changes in Single Employer Plans' Net Pension Liability and Related Ratios**  
**Last 10 Fiscal Years \***  
(Dollar amounts in thousands)

<b>Judiciary</b>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service Cost	\$ 2,909	\$ 2,802	\$ 2,759	\$ 2,568	\$ 2,542
Interest	5,410	5,378	5,266	5,147	4,869
Change in Benefit Terms	21	-	-	263	-
Differences between expected and actual experience	(2,254)	(2,018)	(156)	(1,361)	-
Changes of Assumptions	-	1,344	(1,953)	-	-
Benefit payments, including refunds of member contributions	<u>(4,795)</u>	<u>(4,752)</u>	<u>(4,277)</u>	<u>(3,985)</u>	<u>(3,588)</u>
Net change in total pension liability	1,291	2,754	1,639	2,632	3,823
Total pension liability - beginning	<u>78,993</u>	<u>76,239</u>	<u>74,600</u>	<u>71,968</u>	<u>68,145</u>
Total pension liability - ending (a)	<u>\$ 80,284</u>	<u>\$ 78,993</u>	<u>\$ 76,239</u>	<u>\$ 74,600</u>	<u>\$ 71,968</u>
Plan fiduciary net position					
Contributions - employer	\$ 2,112	\$ 2,347	\$ 2,237	\$ 2,640	\$ 2,839
Contributions - nonemployer	64	186	236	200	165
Contributions - member	354	355	339	327	317
Net investment income	8,052	7,898	(1,173)	2,659	10,783
Benefit payments, including refunds of member contributions	(4,795)	(4,752)	(4,277)	(3,985)	(3,588)
Administrative expense	<u>(13)</u>	<u>(11)</u>	<u>(14)</u>	<u>(15)</u>	<u>(13)</u>
Net change in plan fiduciary net position	5,774	6,023	(2,652)	1,826	10,503
Plan fiduciary net position - beginning	<u>78,522</u>	<u>72,499</u>	<u>75,151</u>	<u>73,325</u>	<u>62,822</u>
Plan fiduciary net position - ending (b)	<u>\$ 84,296</u>	<u>\$ 78,522</u>	<u>\$ 72,499</u>	<u>\$ 75,151</u>	<u>\$ 73,325</u>
State's net pension liability (asset) - ending (a)-(b)	<u>\$ (4,012)</u>	<u>\$ 471</u>	<u>\$ 3,740</u>	<u>\$ (551)</u>	<u>\$ (1,357)</u>
Plan fiduciary net position as a percentage of total pension liability (asset)	105%	99%	95%	101%	102%
Covered payroll	\$ 10,629	\$ 10,604	\$ 10,400	\$ 9,988	\$ 10,244
State's net pension liability (asset) as a percentage of covered payroll	-38%	4%	36%	-6%	-13%

Notes to Schedule

*Benefit Changes:* None

*Changes of assumptions:* None

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**State of Delaware - DPERS**  
**Changes in Single Employer Plans' Net Pension Liability and Related Ratios**  
**Last 10 Fiscal Years \***  
(Dollar amounts in thousands)

<b>Closed State Police</b>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Interest	\$ 14,023	\$ 12,238	\$ 12,512	\$ 16,173	\$ 16,319
Differences between expected and actual experience	6,599	860	717	18,518	-
Changes of Assumptions	(16,687)	(33,784)	45,205	23,078	12,942
Benefit payments, including refunds of member contributions	<u>(22,641)</u>	<u>(22,895)</u>	<u>(23,098)</u>	<u>(23,125)</u>	<u>(23,301)</u>
Net change in total pension liability	(18,706)	(43,581)	35,336	34,644	5,960
Total pension liability - beginning	<u>396,333</u>	<u>439,914</u>	<u>404,578</u>	<u>369,934</u>	<u>363,974</u>
Total pension liability - ending (a)	<u>\$ 377,627</u>	<u>\$ 396,333</u>	<u>\$ 439,914</u>	<u>\$ 404,578</u>	<u>\$ 369,934</u>
Plan fiduciary net position					
Contributions - employer	\$ 22,750	\$ 23,067	\$ 23,300	\$ 23,473	\$ 23,064
Net investment income	1,292	1,268	(840)	364	(3)
Benefit payments, including refunds of member contributions	(22,641)	(22,896)	(23,098)	(23,125)	(23,301)
Administrative expense	<u>(40)</u>	<u>(42)</u>	<u>(48)</u>	<u>(60)</u>	<u>(46)</u>
Net change in plan fiduciary net position	1,361	1,397	(686)	652	(286)
Plan fiduciary net position - beginning	<u>3,365</u>	<u>1,968</u>	<u>2,654</u>	<u>2,002</u>	<u>2,288</u>
Plan fiduciary net position - ending (b)	<u>\$ 4,726</u>	<u>\$ 3,365</u>	<u>\$ 1,968</u>	<u>\$ 2,654</u>	<u>\$ 2,002</u>
State's net pension liability (asset) - ending (a)-(b)	<u>\$ 372,901</u>	<u>\$ 392,968</u>	<u>\$ 437,946</u>	<u>\$ 401,924</u>	<u>\$ 367,932</u>
Plan fiduciary net position as a percentage of total pension liability	1%	1%	0%	1%	1%
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -
State's net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
Notes to Schedule					
<i>Benefit Changes:</i> None					
<i>Changes of assumptions:</i> None					

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.



**DPERS - State Employees' Plan**  
**Schedule of Contributions**  
**Last 10 Fiscal Years \***  
**(Dollar amounts in thousands)**

<b>Contributions</b>	** 2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 185,484	\$ 168,276	\$ 165,301	\$ 161,259	\$ 158,956	\$ 146,620
Contributions in relation to the contractually required contribution	185,484	168,276	165,301	161,259	158,956	146,620
Contribution excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,781,666	\$ 1,756,537	\$ 1,725,473	\$ 1,686,806	\$ 1,673,099	\$ 1,712,613
Contributions as a percentage of covered payroll	10.4%	9.6%	9.6%	9.6%	9.5%	8.6%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

\*\* The total FY18 contributions are estimated since the Net Pension Liability for each applicable employer was not calculated.

**DPERS' Pension Plans  
Schedule of Contributions  
Last 10 Fiscal Years  
(Dollar amounts in Thousands)**

**Special**

No contributions were made to the plan for the past ten years.

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>New State Police</b>										
Actuarially determined contributions	\$ 13,202	\$ 11,096	\$ 11,001	\$ 10,730	\$ 10,500	\$ 9,292	\$ 8,309	\$ 7,810	\$ 6,562	\$ 6,791
Contributions in relation to the actuarially determined contribution	13,202	11,096	11,001	10,730	10,500	9,292	8,309	7,810	6,562	6,791
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 62,360	\$ 61,002	\$ 59,144	\$ 57,973	\$ 55,067	\$ 56,289	\$ 54,412	\$ 50,556	\$ 49,896	\$ 50,425
Contribution as a percentage of covered-employee payroll	21%	18%	19%	19%	19%	17%	15%	15%	13%	13%
<b>Judiciary</b>										
Actuarially determined contributions	\$ 2,112	\$ 2,347	\$ 2,237	\$ 2,640	\$ 2,839	\$ 2,762	\$ 2,674	\$ 2,557	\$ 2,473	\$ 2,549
Contributions in relation to the actuarially determined contribution	2,112	2,347	2,237	2,640	2,839	2,762	2,674	2,557	2,473	2,549
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 10,629	\$ 10,604	\$ 10,400	\$ 9,988	\$ 10,244	\$ 10,416	\$ 10,387	\$ 9,624	\$ 9,798	\$ 9,814
Contribution as a percentage of covered-employee payroll	20%	22%	22%	26%	28%	27%	26%	27%	25%	26%
<b>Closed State Police</b>										
Actuarially determined contributions	\$ 25,552	\$ 25,978	\$ 23,300	\$ 26,310	\$ 25,696	\$ 25,696	\$ 24,678	\$ 26,638	\$ 27,214	\$ 26,423
Contributions in relation to the actuarially determined contribution	22,750	23,067	23,300	23,473	23,064	23,064	23,064	23,367	23,367	21,775
Contribution deficiency (excess)	\$ 2,802	\$ 2,911	\$ -	\$ 2,837	\$ 2,632	\$ 2,632	\$ 1,614	\$ 3,271	\$ 3,847	\$ 4,648
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	\$ 124	\$ 114	\$ 339	\$ 619
Contribution as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	18600%	20497%	6893%	3518%

**Notes to Schedule**

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported, with exceptions of Special and Closed State Police plans whose contributions are calculated one year prior to the end of the fiscal year.

	<u>Special</u>	<u>New State Police</u>	<u>Judiciary</u>	<u>Closed State Police</u>
Valuation Date:	June 30, 2017	June 30, 2016	June 30, 2016	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Open 20-Year Level Percent of Payroll	Open 15-Year Level Percent of Payroll	Closed 19-Year Level Dollar Amortization
Period	N/A	20 years	15 years	19 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Inflation	N/A	2.5%	2.5%	2.5%
Amortization Growth Rate	N/A	2.5%	2.5%	N/A
Discount Rate	7.0%	7.2%	7.2%	7.0%
Retirement Age	In the 2016 actuarial experience study, expected retirement ages of general employees were adjusted to more closely reflect actual experience.			
Mortality	In the 2016 acutarial experience study, mortality rates were based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.			

**DelDOT- Delaware Transit Corporation**  
**Changes in DTC Plan Net Pension Liability and Related Ratios**  
**Last 10 Fiscal Years \***  
(Dollar amounts in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>				
Service Cost	\$ 1,060	\$ 873	\$ 843	\$ 840
Interest	1,691	1,724	1,612	1,483
Differences between expected and actual experience	(192)	(693)	(297)	-
Changes of Assumptions	1,530	-	-	-
Benefit payments, including refunds of member contributions	(753)	(705)	(629)	(569)
Net change in total pension liability	<u>3,336</u>	<u>1,199</u>	<u>1,529</u>	<u>1,754</u>
Total pension liability - beginning	24,540	23,341	21,812	20,058
Total pension liability - ending (a)	<u>\$ 27,876</u>	<u>\$ 24,540</u>	<u>\$ 23,341</u>	<u>\$ 21,812</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 1,104	\$ 1,104	\$ 1,176	\$ 1,158
Contributions - member	116	81	57	30
Net investment income	2,529	405	555	2,443
Benefit payments, including refunds of member contributions	(753)	(705)	(629)	(569)
Administrative expense	(161)	(166)	(94)	(116)
Net change in plan fiduciary net position	<u>2,835</u>	<u>719</u>	<u>1,065</u>	<u>2,946</u>
Plan fiduciary net position - beginning	22,668	21,949	20,884	17,938
Plan fiduciary net position - ending (b)	<u>\$ 25,503</u>	<u>\$ 22,668</u>	<u>\$ 21,949</u>	<u>\$ 20,884</u>
Corporation's net pension liability - ending (a)-(b)	<u>\$ 2,373</u>	<u>\$ 1,872</u>	<u>\$ 1,392</u>	<u>\$ 928</u>
Plan fiduciary net position as a percentage of total pension liability	91%	92%	94%	96%
Covered payroll	\$ 14,161	\$ 13,142	\$ 12,261	\$ 12,371
State's net pension liability as a percentage of covered payroll	17%	14%	11%	8%

Notes to Schedule

*Benefit Changes:* None

*Changes of assumptions:* In FY2017, the investment rate of return was lowered to 7.0% from 7.5%.

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**DelDOT- Delaware Transit Corporation**  
**Changes in DTC - Contributory Plan Net Pension Liability and Related Ratios**  
**Last 10 Fiscal Years \***  
(Dollar amounts in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>				
Service Cost	\$ 2,098	\$ 2,048	\$ 1,976	\$ 1,766
Interest	3,406	3,209	2,925	2,675
Change in Benefit Terms	1,042	197	1,473	1,030
Differences between expected and actual experience	(121)	(217)	(112)	4
Benefit payments, including refunds of member contributions	<u>(2,531)</u>	<u>(2,411)</u>	<u>(2,134)</u>	<u>(2,103)</u>
Net change in total pension liability	3,894	2,826	4,128	3,372
Total pension liability - beginning	<u>47,809</u>	<u>44,983</u>	<u>40,855</u>	<u>37,483</u>
Total pension liability - ending (a)	<u>\$ 51,703</u>	<u>\$ 47,809</u>	<u>\$ 44,983</u>	<u>\$ 40,855</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 1,048	\$ 1,080	\$ 1,253	\$ 909
Contributions - member	1,344	1,360	1,387	1,263
Net investment income	6,743	2,550	(869)	2,606
Benefit payments, including refunds of member contributions	(2,531)	(2,411)	(2,134)	(2,103)
Administrative expense	<u>(106)</u>	<u>(94)</u>	<u>(99)</u>	<u>(134)</u>
Net change in plan fiduciary net position	6,498	2,485	(462)	2,541
Plan fiduciary net position - beginning	<u>44,059</u>	<u>41,574</u>	<u>42,036</u>	<u>39,495</u>
Plan fiduciary net position - ending (b)	<u>\$ 50,557</u>	<u>\$ 44,059</u>	<u>\$ 41,574</u>	<u>\$ 42,036</u>
Corporation's net pension liability (asset) - ending (a)-(b)	<u>\$ 1,146</u>	<u>\$ 3,750</u>	<u>\$ 3,409</u>	<u>\$ (1,181)</u>
Plan fiduciary net position as a percentage of total pension liability	98%	92%	92%	103%
Covered payroll	\$ 27,383	\$ 27,472	\$ 28,203	\$ 27,627
State's net pension liability (asset) as a percentage of covered payroll	4%	14%	12%	-4%

Notes to Schedule

*Benefit Changes:* None

*Changes of assumptions:* None

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**DeIDOT - Delaware Transit Corporation**  
**Schedule of Contributions**  
**Last 10 Fiscal Years \***  
**(Dollar amounts in thousands)**

<b>DTC Plan (as of June 30)</b>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	
Actuarially determined contributions	\$ 1,255	\$ 980	\$ 1,104	\$ 1,176	\$ 1,156	\$ 963	\$ 997	\$ 1,112	\$ 1,034	
Contributions in relation to the actuarially determined contribution	<u>1,141</u>	<u>1,104</u>	<u>1,104</u>	<u>1,176</u>	<u>1,158</u>	<u>963</u>	<u>997</u>	<u>1,111</u>	<u>1,033</u>	
Contribution deficiency (excess)	<u>\$ 114</u>	<u>\$ (124)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>	
Covered payroll	\$ 14,985	\$ 14,161	\$ 13,142	\$ 12,261	\$ 12,099	\$ 11,041	\$ 11,253	\$ 11,464	\$ 11,624	
Contribution as a percentage of covered payroll	8%	8%	8%	10%	9%	9%	9%	10%	9%	
<b>Contributory Plan (as of December 31)</b>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contributions	\$ 1,027	\$ 1,012	\$ 857	\$ 635	\$ 773	\$ 715	\$ 598	\$ 611	\$ 859	\$ 683
Contributions in relation to the actuarially determined contribution	<u>1,048</u>	<u>1,080</u>	<u>1,253</u>	<u>909</u>	<u>1,250</u>	<u>1,080</u>	<u>1,074</u>	<u>1,082</u>	<u>1,063</u>	<u>996</u>
Contribution deficiency (excess)	<u>\$ (21)</u>	<u>\$ (68)</u>	<u>\$ (396)</u>	<u>\$ (274)</u>	<u>\$ (477)</u>	<u>\$ (365)</u>	<u>\$ (476)</u>	<u>\$ (471)</u>	<u>\$ (204)</u>	<u>\$ (313)</u>
Covered payroll	\$ 27,383	\$ 27,472	\$ 28,203	\$ 25,748	\$ 25,579	\$ 22,985	\$ 22,847	\$ 22,675	\$ 22,072	\$ 18,689
Contribution as a percentage of covered payroll	4%	4%	4%	4%	4%	5%	5%	5%	5%	5%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

## Notes to Schedule

### *Valuation data:*

Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year.

### *DTC Plan Methods and Assumptions used to determine contribution rates:*

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll (closed), increasing 2% per year
Remaining amortization period	Range from 13 to 20 years
Asset valuation method	Five-year market smoothed
Inflation	2.0 percent
Salary increases	2.5 percent, including inflation
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP-2000 Combined Healthy tables with generational projection by Scale AA

### *Valuation data:*

Actuarially determined contribution amounts are calculated as of the beginning of the plan year (January 1)

### *Contributory Plan Methods and Assumptions used to determine contribution rates:*

Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Pay
Remaining amortization period	15 years rolling
Asset valuation method	Five-year market smoothed
Inflation	2.0 percent
Salary increases	4.0 percent
Investment rate of return	7.0 percent
Retirement age	Rates vary by participant age and service
Mortality	RP-2000 Blue Collar Table without any future mortality improvements

**State of Delaware - OPEB Trust**  
**Schedule of Proportionate Share of the Net OPEB Liability**  
**Last 10 Fiscal Years \***  
**(Dollar amounts in thousands)**

<b>Proportionate Share of Net OPEB Liability</b>	<b>2017</b>	<b>2016</b>
Proportion of the net OPEB liability	90.4%	90.7%
Proportion of the net OPEB liability - dollar value	\$ 7,463,708	\$ 8,240,222
Covered payroll	\$ 1,855,280	\$ 1,846,178
Proportionate share of the net pension liability as a percentage of its covered payroll	400.1%	405.6%
Plan fiduciary net position as a percentage of the total pension liability	4.4%	4.1%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.



**State of Delaware - OPEB Trust**  
**Schedule of Contributions**  
**Last 10 Fiscal Years \***  
**(Dollar amounts in thousands)**

	**		
	2018	2017	2016
Statutorily determined contributions (a)	\$ 202,652	\$ 214,465	\$ 197,438
Contributions in relation to the statutorily determined contribution	<u>202,652</u>	<u>214,465</u>	<u>197,438</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,851,399	\$ 1,855,280	\$ 1,846,178
Contributions as a percentage of covered payroll	10.9%	11.6%	10.7%

(a) The Plan is not currently being pre-funded, so there is no actuarially determined contribution. The State operates on a pay-as-you-go basis; therefore, the participating employers base their calculations into the OPEB Trust on the expected benefit payments.

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

\*\* The total FY18 contributions are estimated since the Net OPEB Liability for each applicable employer was not calculated.

Notes to Schedule

Benefit Changes: *None*

Changes of assumptions: *None*

## Required Supplementary Information – DTC OPEB Trust

**State of Delaware - DTC OPEB Trust**  
**Changes in Net OPEB Liability and Related Ratios**  
**Last 10 Fiscal Years \***  
(Dollar amounts in thousands)

	2017
Total DTC OPEB Liability	
Service Cost	\$ 13,166
Interest	4,801
Differences between expected and actual experience	(1,365)
Changes of Assumptions	(21,367)
Benefit payments, including refunds of member contributions	(2,072)
Net change in total pension liability	(6,837)
Total DTC OPEB liability - beginning	170,184
Total DTC OPEB liability - ending (a)	\$ 163,347
 Plan fiduciary net position	
Contributions - employer	\$ 3,572
Net investment income	(20)
Benefit payments, including refunds of member contributions	(2,072)
Net change in plan fiduciary net position	1,480
Plan fiduciary net position - beginning	2,256
Plan fiduciary net position - ending (b)	\$ 3,736
 DTC OPEB Trust's net OPEB liability - ending (a)-(b)	\$ 159,611
 Plan fiduciary net position as a percentage of total DTC OPEB liability	2%
 Covered-employee payroll	\$ 50,228
 DTC's net OPEB liability as a percentage of covered-employee payroll	318%
 Notes to Schedule	
<i>Benefit Changes:</i> None	
<i>Changes of assumptions:</i> The discount rate was changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.	

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**State of Delaware  
Comprehensive Annual  
Financial Report**

**Supplementary  
Information —  
Combining Statements**

STATE OF DELAWARE  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2018  
 (Expressed in Thousands)

	Pension Trust												Total Pension and OPEB Trusts	
	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	Pension Trust Totals		OPEB Trust
<b>Assets</b>														
Cash, Cash Equivalents and Pooled Investments	\$ 687,839	\$ 14	\$ 36,148	\$ 6,447	\$ 576	\$ 2,571	\$ 28,285	\$ 917	\$ 4,069	\$ 612	\$ 374	\$ 767,852	\$ 17,338	\$ 785,190
Receivables:														
Accrued Investment Income	10,970	1	353	78	1	21	160	3	19	2	(4)	11,604	356	11,960
Pending Trade Sales	16,325	-	853	152	-	61	665	22	96	14	9	18,197	-	18,197
Employer Contributions	13,723	-	861	137	-	111	375	-	146	638	-	15,991	11,309	27,300
Member Contributions	4,247	-	249	17	-	26	229	-	60	-	-	4,828	-	4,828
Total Receivables	45,265	1	2,316	384	1	219	1,429	25	321	654	5	50,620	11,665	62,285
Investments at Fair Value:														
Domestic Fixed Income	928,871	20	48,558	8,673	-	3,450	37,832	1,225	5,457	802	488	1,035,376	147,553	1,182,929
Domestic Equities	1,668,095	36	87,203	15,575	-	6,196	67,939	2,200	9,799	1,441	876	1,859,360	150,064	2,009,424
Pooled Equity and Fixed Income	2,963,872	64	154,942	27,673	19,964	11,008	120,715	3,909	17,412	2,560	1,558	3,323,677	-	3,323,677
Alternative Investments	2,203,362	48	115,185	20,573	-	8,184	89,740	2,906	12,944	1,903	1,158	2,456,003	-	2,456,003
Foreign Fixed Income	71,026	2	3,713	663	-	264	2,893	94	417	61	37	79,170	-	79,170
Foreign Equities	479,356	10	25,059	4,476	-	1,780	19,524	632	2,816	414	252	534,319	72,500	606,819
Total Investments	8,314,582	180	434,660	77,633	19,964	30,882	338,643	10,966	48,845	7,181	4,369	9,287,905	370,117	9,658,022
<b>Total Assets</b>	<u>9,047,686</u>	<u>195</u>	<u>473,124</u>	<u>84,464</u>	<u>20,541</u>	<u>33,672</u>	<u>368,357</u>	<u>11,908</u>	<u>53,235</u>	<u>8,447</u>	<u>4,748</u>	<u>10,106,377</u>	<u>399,120</u>	<u>10,505,497</u>
<b>Liabilities</b>														
Pending Purchases Payable	14,812	-	774	138	-	55	603	20	87	13	8	16,510	345	16,855
Benefits Payable	944	-	11	-	6	-	24	-	4	9	9	998	17,128	18,126
Accrued Investment Expenses	3,242	-	166	30	4	15	132	4	19	2	3	3,617	10	3,627
Accrued Administrative Expenses	241	-	3	-	-	1	5	-	3	-	2	255	-	255
Other Liabilities	-	-	-	-	-	-	123	-	-	-	-	123	-	123
<b>Total Liabilities</b>	<u>19,239</u>	<u>-</u>	<u>954</u>	<u>168</u>	<u>10</u>	<u>71</u>	<u>887</u>	<u>24</u>	<u>113</u>	<u>15</u>	<u>22</u>	<u>21,503</u>	<u>17,483</u>	<u>38,986</u>
<b>Net Position Restricted for Pension/OPEB</b>	<u>\$ 9,028,447</u>	<u>\$ 195</u>	<u>\$ 472,170</u>	<u>\$ 84,296</u>	<u>\$ 20,531</u>	<u>\$ 33,601</u>	<u>\$ 367,470</u>	<u>\$ 11,884</u>	<u>\$ 53,122</u>	<u>\$ 8,432</u>	<u>\$ 4,726</u>	<u>\$ 10,084,874</u>	<u>\$ 381,637</u>	<u>\$ 10,466,511</u>

STATE OF DELAWARE  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 (Expressed in Thousands)

	Pension Trust													Total Pension & OPEB Trusts
	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	Pension Trust Totals	OPEB Trust	
<b>Additions</b>														
Contributions:														
Employer Contributions	\$ 206,883	\$ -	\$ 13,202	\$ 2,112	\$ 2,019	\$ 1,175	\$ 9,484	\$ -	\$ 2,826	\$ 11,021	\$ 22,750	\$ 271,472	\$ 224,624	\$ 496,096
Transfer of Contributions from Post-Retirement Increase Fund	10,600	-	280	64	-	-	-	-	-	-	-	10,944	-	10,944
Transfer of Assets from Outside the System	15	-	-	-	-	-	-	3,497	-	-	-	3,512	-	3,512
Member Contributions	64,312	-	4,329	354	145	280	6,068	-	1,032	-	-	76,520	-	76,520
Miscellaneous Receipts	-	-	36	-	-	-	-	-	-	-	-	36	157	193
<b>Total Contributions</b>	<b>281,810</b>	<b>-</b>	<b>17,847</b>	<b>2,530</b>	<b>2,164</b>	<b>1,455</b>	<b>15,552</b>	<b>3,497</b>	<b>3,858</b>	<b>11,021</b>	<b>22,750</b>	<b>362,484</b>	<b>224,781</b>	<b>587,265</b>
Investments:														
Investment Income	127,776	3	6,552	1,186	256	462	5,035	167	717	113	203	142,470	8,550	151,020
Net Change in Fair Value	759,971	18	38,916	7,048	1,033	2,742	29,909	956	4,258	665	1,129	846,645	15,404	862,049
<b>Total Investment Income</b>	<b>887,747</b>	<b>21</b>	<b>45,468</b>	<b>8,234</b>	<b>1,289</b>	<b>3,204</b>	<b>34,944</b>	<b>1,123</b>	<b>4,975</b>	<b>778</b>	<b>1,332</b>	<b>989,115</b>	<b>23,954</b>	<b>1,013,069</b>
Less Investment Manager/Advisor/Custody Fees	(20,396)	-	(1,051)	(190)	(26)	(74)	(810)	(27)	(116)	(18)	(36)	(22,744)	(124)	(22,868)
Less Investment Administrative Expenses	(754)	-	(11)	-	-	(4)	(16)	-	(10)	-	(6)	(801)	-	(801)
<b>Net Investment Income</b>	<b>866,597</b>	<b>21</b>	<b>44,406</b>	<b>8,044</b>	<b>1,263</b>	<b>3,126</b>	<b>34,118</b>	<b>1,096</b>	<b>4,849</b>	<b>760</b>	<b>1,290</b>	<b>965,570</b>	<b>23,830</b>	<b>989,400</b>
Securities Lending Income	1,094	-	56	10	-	4	43	1	6	1	2	1,217	-	1,217
Less Bank Fees	(164)	-	(8)	(2)	-	(1)	(6)	-	(1)	-	-	(182)	-	(182)
<b>Net Securities Lending Income</b>	<b>930</b>	<b>-</b>	<b>48</b>	<b>8</b>	<b>-</b>	<b>3</b>	<b>37</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>1,035</b>	<b>-</b>	<b>1,035</b>
<b>Deductions:</b>														
Transfer of Assets from Post-Retirement Increase Fund	-	-	-	-	-	-	-	-	-	10,945	-	10,945	-	10,945
Transfer of Assets Outside the System	-	-	-	-	-	-	-	3,367	-	-	-	3,367	-	3,367
Pension & OPEB Benefit Payments	616,085	26	18,584	4,793	2,167	964	7,751	-	1,268	-	22,480	674,118	222,099	896,217
Refunds of Contributions to Members	6,418	-	11	2	87	17	208	-	116	-	-	6,859	-	6,859
Burial Benefit Payments	6,435	7	-	-	-	-	-	-	-	-	161	6,603	-	6,603
Administrative Expenses	5,781	1	100	13	35	40	145	-	80	1	40	6,236	89	6,325
<b>Total Deductions</b>	<b>634,719</b>	<b>34</b>	<b>18,695</b>	<b>4,808</b>	<b>2,289</b>	<b>1,021</b>	<b>8,104</b>	<b>3,367</b>	<b>1,464</b>	<b>10,946</b>	<b>22,681</b>	<b>708,128</b>	<b>222,188</b>	<b>930,316</b>
<b>Change in Net Position</b>	<b>514,618</b>	<b>(13)</b>	<b>43,606</b>	<b>5,774</b>	<b>1,138</b>	<b>3,563</b>	<b>41,603</b>	<b>1,227</b>	<b>7,248</b>	<b>836</b>	<b>1,361</b>	<b>620,961</b>	<b>26,423</b>	<b>647,384</b>
<b>Net Position Restricted for Pension/OPEB:</b>														
<b>Net Position - Beginning</b>	<b>8,513,829</b>	<b>208</b>	<b>428,564</b>	<b>78,522</b>	<b>19,393</b>	<b>30,038</b>	<b>325,867</b>	<b>10,657</b>	<b>45,874</b>	<b>7,596</b>	<b>3,365</b>	<b>9,463,913</b>	<b>355,214</b>	<b>9,819,127</b>
<b>Net Position - Ending</b>	<b>\$ 9,028,447</b>	<b>\$ 195</b>	<b>\$ 472,170</b>	<b>\$ 84,296</b>	<b>\$ 20,531</b>	<b>\$ 33,601</b>	<b>\$ 367,470</b>	<b>\$ 11,884</b>	<b>\$ 53,122</b>	<b>\$ 8,432</b>	<b>\$ 4,726</b>	<b>\$ 10,084,874</b>	<b>\$ 381,637</b>	<b>\$ 10,466,511</b>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF NET POSITION**  
**INVESTMENT TRUST FUNDS**  
**JUNE 30, 2018**  
(Expressed in Thousands)

	<b>Delaware Local Government Retirement Investment Pool</b>	<b>Delaware Local Government OPEB Investment Trust</b>	<b>Total Investment Trust Funds</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 3,084	\$ 342	\$ 3,426
Receivables:			
Accrued Investment Income	53	16	69
Pending Trade Sales	73	-	73
Investments, at Fair Value:			
Domestic Fixed Income	4,171	6,774	10,945
Domestic Equities	7,491	6,890	14,381
Pooled Equity and Fixed Income	13,309	-	13,309
Alternative Investments	9,894	-	9,894
Foreign Fixed Income	319	-	319
Foreign Equities	2,153	3,329	5,482
	<u>40,547</u>	<u>17,351</u>	<u>57,898</u>
<b>Total Assets</b>			
	<u>40,547</u>	<u>17,351</u>	<u>57,898</u>
<b>Liabilities:</b>			
Pending Purchases Payable	67	16	83
Accrued Investment Expense	15	-	15
	<u>82</u>	<u>16</u>	<u>98</u>
<b>Total Liabilities</b>			
	<u>82</u>	<u>16</u>	<u>98</u>
<b>Net Position:</b>			
Net Position Held in Trust for Pool Participants	<u>\$ 40,465</u>	<u>\$ 17,335</u>	<u>\$ 57,800</u>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION**  
**INVESTMENT TRUST FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**  
(Expressed in Thousands)

	<b>Delaware Local Government Retirement Investment Trust Funds</b>	<b>Delaware Local Government OPEB Investment Trust</b>	<b>Total Investment Trust Funds</b>
<b>Additions:</b>			
Contributions:			
Transfer of Assets from Outside the Trust	\$ 2,300	\$ 1,367	\$ 3,667
Total Contributions	<u>2,300</u>	<u>1,367</u>	<u>3,667</u>
Investments:			
Investment Income	653	386	1,039
Net Change in Fair Value of Investments	<u>3,767</u>	<u>713</u>	<u>4,480</u>
Total Investment Earnings (Loss)	4,420	1,099	5,519
Less Investment Manager/Advisor/Custody Fees	<u>(103)</u>	<u>(6)</u>	<u>(109)</u>
Net Investment Earnings	<u>4,317</u>	<u>1,093</u>	<u>5,410</u>
Net Securities Lending Income	<u>5</u>	<u>-</u>	<u>5</u>
Total Additions	<u>6,622</u>	<u>2,460</u>	<u>9,082</u>
<b>Deductions:</b>			
Transfer of Assets Outside the Trust	8,725	874	9,599
Administrative Expenses	<u>2</u>	<u>-</u>	<u>2</u>
Total Deductions	<u>8,727</u>	<u>874</u>	<u>9,601</u>
<b>Change in Net Position</b>	(2,105)	1,586	(519)
<b>Net Position - Beginning</b>	<u>42,570</u>	<u>15,749</u>	<u>58,319</u>
<b>Net Position - Ending</b>	<u>\$ 40,465</u>	<u>\$ 17,335</u>	<u>\$ 57,800</u>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**  
(Expressed in Thousands)

	<b>Balance June 30, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2018</b>
<b>Child Support Collection</b>				
Assets				
Cash and Cash Equivalents	\$ 3,810	\$ 271,336	\$ 271,365	\$ 3,781
Receivables, Net	397	4,207	4,252	352
Total Assets	<u>\$ 4,207</u>	<u>\$ 275,543</u>	<u>\$ 275,617</u>	<u>\$ 4,133</u>
Liabilities				
Funds Held In Escrow	\$ 4,207	\$ 275,543	\$ 275,617	\$ 4,133
Total Liabilities	<u>\$ 4,207</u>	<u>\$ 275,543</u>	<u>\$ 275,617</u>	<u>\$ 4,133</u>
<b>Court Fines and Restitution</b>				
Assets				
Cash and Cash Equivalents	\$ 12,949	\$ 14,590	\$ 15,954	\$ 11,585
Pooled Cash and Investments	21,984	17,001	10,645	28,340
Investments	364	-	127	237
Receivables, Net	5,087	9,696	9,497	5,286
Total Assets	<u>\$ 40,384</u>	<u>\$ 41,287</u>	<u>\$ 36,223</u>	<u>\$ 45,448</u>
Liabilities				
Funds Held In Escrow	\$ 40,384	\$ 41,287	\$ 36,223	\$ 45,448
Total Liabilities	<u>\$ 40,384</u>	<u>\$ 41,287</u>	<u>\$ 36,223</u>	<u>\$ 45,448</u>
<b>All Other Agency Funds</b>				
Assets				
Cash and Cash Equivalents	\$ 12,245	\$ 35,419	\$ 36,789	\$ 10,875
Pooled Cash and Investments	50,320	32,836	27,660	55,496
Investments	1,431	4	570	865
Total Assets	<u>\$ 63,996</u>	<u>\$ 68,259</u>	<u>\$ 65,019</u>	<u>\$ 67,236</u>
Liabilities				
Funds Held In Escrow	\$ 63,996	\$ 68,259	\$ 65,019	\$ 67,236
Total Liabilities	<u>\$ 63,996</u>	<u>\$ 68,259</u>	<u>\$ 65,019</u>	<u>\$ 67,236</u>
<b>Totals - All Agency Funds</b>				
Assets				
Cash and Cash Equivalents	\$ 29,004	\$ 321,345	\$ 324,108	\$ 26,241
Pooled Cash and Investments	72,304	49,837	38,305	83,836
Investments	1,795	4	697	1,102
Receivables, Net	5,484	13,903	13,749	5,638
Total Assets	<u>\$ 108,587</u>	<u>\$ 385,089</u>	<u>\$ 376,859</u>	<u>\$ 116,817</u>
Liabilities				
Funds Held In Escrow	\$ 108,587	\$ 385,089	\$ 376,859	\$ 116,817
Total Liabilities	<u>\$ 108,587</u>	<u>\$ 385,089</u>	<u>\$ 376,859</u>	<u>\$ 116,817</u>



STATE OF DELAWARE  
 COMBINING BALANCE SHEET  
 LOCAL SCHOOL DISTRICT FUNDS  
 June 30, 2018  
 (Expressed in Thousands)

	<u>Appoquinimink</u>	<u>Brandywine</u>	<u>Caesar Rodney</u>	<u>Cape Henlopen</u>	<u>Capital</u>	<u>Christina</u>	<u>Colonial</u>	<u>Delmar</u>	<u>Indian River</u>	<u>Lake Forest</u>
<b>Assets</b>										
Cash and Cash Equivalents	\$ 7	\$ 1,394	\$ 503	\$ -	\$ 240	\$ 377	\$ 897	\$ 239	\$ 52	\$ 196
Pooled Cash and Investments	9,742	24,145	21,273	28,238	19,361	43,654	39,584	1,507	22,129	7,223
Investments	-	-	-	-	-	-	349	-	-	-
Accounts Receivable, Net	-	-	-	-	-	-	-	-	-	-
Taxes Receivable, Net	1,727	4,326	1,532	1,870	2,423	7,495	4,932	539	3,618	1,297
<b>Total Assets</b>	<u>\$ 11,476</u>	<u>\$ 29,865</u>	<u>\$ 23,308</u>	<u>\$ 30,108</u>	<u>\$ 22,024</u>	<u>\$ 51,526</u>	<u>\$ 45,762</u>	<u>\$ 2,285</u>	<u>\$ 25,799</u>	<u>\$ 8,716</u>
<b>Liabilities</b>										
Accounts Payable	\$ 1,842	\$ 2,775	\$ 1,145	\$ 5,913	\$ 1,526	\$ 5,377	\$ 1,490	\$ 79	\$ 1,748	\$ 551
<b>Total Liabilities</b>	<u>1,842</u>	<u>2,775</u>	<u>1,145</u>	<u>5,913</u>	<u>1,526</u>	<u>5,377</u>	<u>1,490</u>	<u>79</u>	<u>1,748</u>	<u>551</u>
<b>Deferred Inflows of Resources</b>	<u>1,532</u>	<u>4,150</u>	<u>1,467</u>	<u>1,801</u>	<u>2,363</u>	<u>7,127</u>	<u>5,145</u>	<u>524</u>	<u>3,435</u>	<u>1,262</u>
<b>Fund Balances</b>										
Restricted Fund Balance	8,102	22,940	20,696	22,394	18,135	39,022	39,127	1,682	20,616	6,903
<b>Total Fund Balances</b>	<u>8,102</u>	<u>22,940</u>	<u>20,696</u>	<u>22,394</u>	<u>18,135</u>	<u>39,022</u>	<u>39,127</u>	<u>1,682</u>	<u>20,616</u>	<u>6,903</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u>\$ 11,476</u>	<u>\$ 29,865</u>	<u>\$ 23,308</u>	<u>\$ 30,108</u>	<u>\$ 22,024</u>	<u>\$ 51,526</u>	<u>\$ 45,762</u>	<u>\$ 2,285</u>	<u>\$ 25,799</u>	<u>\$ 8,716</u>

STATE OF DELAWARE  
 COMBINING BALANCE SHEET - CONTINUED  
 LOCAL SCHOOL DISTRICT FUNDS  
 June 30, 2018  
 (Expressed in Thousands)

	Laurel	Milford	NCC		Red Clay	Seaford	Smyrna	Sussex Co		DOE	Totals
			Vo-Tech	Polytech				Vo-Tech	Woodbridge	Administration	
<b>Assets</b>											
Cash and Cash Equivalents	\$ 135	\$ 44	\$ 74	\$ 7	\$ 2,850	\$ 424	\$ 4	\$ 7	\$ 23	\$ -	\$ 7,473
Pooled Cash and Investments	7,419	14,579	15,194	8,992	35,066	6,179	9,773	10,031	3,631	87	327,807
Investments											-
Accounts Receivable, Net	-	-	-	-	-	-	-	174	-	-	523
Taxes Receivable, Net	1,254	1,241	2,720	18	6,491	1,746	982	1,033	1,383	-	46,627
<b>Total Assets</b>	<b>\$ 8,808</b>	<b>\$ 15,864</b>	<b>\$ 17,988</b>	<b>\$ 9,017</b>	<b>\$ 44,407</b>	<b>\$ 8,349</b>	<b>\$ 10,759</b>	<b>\$ 11,245</b>	<b>\$ 5,037</b>	<b>\$ 87</b>	<b>\$ 382,430</b>
<b>Liabilities</b>											
Accounts Payable	\$ 178	\$ 216	\$ 580	\$ 344	\$ 5,146	\$ 386	\$ 501	\$ 300	\$ 731	\$ -	\$ 30,828
<b>Total Liabilities</b>	<b>178</b>	<b>216</b>	<b>580</b>	<b>344</b>	<b>5,146</b>	<b>386</b>	<b>501</b>	<b>300</b>	<b>731</b>	<b>-</b>	<b>30,828</b>
<b>Deferred Inflows of Resources</b>	<b>1,212</b>	<b>1,190</b>	<b>2,694</b>	<b>(215)</b>	<b>6,407</b>	<b>1,690</b>	<b>964</b>	<b>1,161</b>	<b>1,343</b>	<b>-</b>	<b>45,252</b>
<b>Fund Balances</b>											
Restricted Fund Balance	7,418	14,458	14,714	8,888	32,854	6,273	9,294	9,784	2,963	87	306,350
<b>Total Fund Balances</b>	<b>7,418</b>	<b>14,458</b>	<b>14,714</b>	<b>8,888</b>	<b>32,854</b>	<b>6,273</b>	<b>9,294</b>	<b>9,784</b>	<b>2,963</b>	<b>87</b>	<b>306,350</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 8,808</b>	<b>\$ 15,864</b>	<b>\$ 17,988</b>	<b>\$ 9,017</b>	<b>\$ 44,407</b>	<b>\$ 8,349</b>	<b>\$ 10,759</b>	<b>\$ 11,245</b>	<b>\$ 5,037</b>	<b>\$ 87</b>	<b>\$ 382,430</b>

STATE OF DELAWARE  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 LOCAL SCHOOL DISTRICT FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 (Expressed in Thousands)

	Appoquinimink	Brandywine	Caesar Rodney	Cape Henlopen	Capital	Christina	Colonial	Delmar	Indian River	Lake Forest
<b>Revenues</b>										
Real Estate Taxes	\$ 46,263	\$ 82,792	\$ 13,608	\$ 42,854	\$ 21,764	\$ 130,840	\$ 58,832	\$ 2,238	\$ 49,228	\$ 8,388
Licenses, Fees, Permits and Fines	2	900	34	186	-	1	15	-	-	-
Rentals and Sales	392	581	109	518	207	1,427	379	58	774	312
Federal Government	629	8	513	236	3	445	2,507	91	65	130
Interest & Other Investment Income	155	204	148	200	109	299	218	10	120	44
Other	1,243	(1,236)	3,271	724	965	(696)	745	216	59	1,461
<b>Total Revenues</b>	<b>48,684</b>	<b>83,249</b>	<b>17,683</b>	<b>44,718</b>	<b>23,048</b>	<b>132,316</b>	<b>62,696</b>	<b>2,613</b>	<b>50,246</b>	<b>10,335</b>
<b>Expenditures</b>										
Education	40,724	70,497	18,341	46,235	17,576	110,240	44,120	1,786	42,660	8,432
Unrestricted Payments to Component Unit - Education	3,612	4,604	(1,815)	(1,980)	2,590	23,868	8,698	(120)	1,195	671
<b>Total Expenditures</b>	<b>44,336</b>	<b>75,101</b>	<b>16,526</b>	<b>44,255</b>	<b>20,166</b>	<b>134,108</b>	<b>52,818</b>	<b>1,666</b>	<b>43,855</b>	<b>9,103</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>4,348</b>	<b>8,148</b>	<b>1,157</b>	<b>463</b>	<b>2,882</b>	<b>(1,792)</b>	<b>9,878</b>	<b>947</b>	<b>6,391</b>	<b>1,232</b>
<b>Other Sources (Uses) of Financial Resources</b>										
Transfers In	1,035	2,528	949	1,995	776	17,932	1,614	85	2,520	537
Transfers Out	(5,814)	(6,730)	(2,036)	(4,469)	(6,490)	(19,604)	(4,764)	(351)	(3,562)	(746)
<b>Total Other Sources (Uses) of Financial Resources</b>	<b>(4,779)</b>	<b>(4,202)</b>	<b>(1,087)</b>	<b>(2,474)</b>	<b>(5,714)</b>	<b>(1,672)</b>	<b>(3,150)</b>	<b>(266)</b>	<b>(1,042)</b>	<b>(209)</b>
<b>Net Change in Fund Balances</b>	<b>(431)</b>	<b>3,946</b>	<b>70</b>	<b>(2,011)</b>	<b>(2,832)</b>	<b>(3,464)</b>	<b>6,728</b>	<b>681</b>	<b>5,349</b>	<b>1,023</b>
<b>Fund Balances - Beginning</b>	<b>8,533</b>	<b>18,994</b>	<b>20,626</b>	<b>24,405</b>	<b>20,967</b>	<b>42,486</b>	<b>32,399</b>	<b>1,001</b>	<b>15,267</b>	<b>5,880</b>
<b>Fund Balances - Ending</b>	<b>\$ 8,102</b>	<b>\$ 22,940</b>	<b>\$ 20,696</b>	<b>\$ 22,394</b>	<b>\$ 18,135</b>	<b>\$ 39,022</b>	<b>\$ 39,127</b>	<b>\$ 1,682</b>	<b>\$ 20,616</b>	<b>\$ 6,903</b>

STATE OF DELAWARE  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CONTINUED  
 LOCAL SCHOOL DISTRICT FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 (Expressed in Thousands)

	Laurel	Milford	NCC Vo-Tech	Polytech	Red Clay	Seaford	Smyrna	Sussex Co Vo-Tech	Woodbridge	DOE Administration	Totals
<b>Revenues</b>											
Real Estate Taxes	\$ 5,915	\$ 12,380	\$ 30,842	\$ 5,509	\$ 116,676	\$ 7,495	\$ 12,561	\$ 9,518	\$ 5,162	\$ -	\$ 662,865
Licenses, Fees, Permits and Fines	-	-	-	8	-	-	546	-	160	-	1,852
Rentals and Sales	50	89	1,104	1,239	319	92	986	453	82	-	9,171
Federal Government	9	6	-	71	103	57	103	94	58	-	5,128
Interest & Other Investment Income	63	67	162	49	293	44	59	56	24	-	2,324
Other	109	(238)	1,446	92	2,158	3	(411)	665	313	(14,785)	(3,896)
<b>Total Revenues</b>	<b>6,146</b>	<b>12,304</b>	<b>33,554</b>	<b>6,968</b>	<b>119,549</b>	<b>7,691</b>	<b>13,844</b>	<b>10,786</b>	<b>5,799</b>	<b>(14,785)</b>	<b>677,444</b>
<b>Expenditures</b>											
Education	2,589	5,577	30,745	6,830	92,835	7,687	9,980	10,001	6,308	(8,963)	564,200
Unrestricted Payments to Component Unit - Education	1,031	1,939	(1,185)	(15)	10,755	1,007	1,651	114	(548)	-	56,072
<b>Total Expenditures</b>	<b>3,620</b>	<b>7,516</b>	<b>29,560</b>	<b>6,815</b>	<b>103,590</b>	<b>8,694</b>	<b>11,631</b>	<b>10,115</b>	<b>5,760</b>	<b>(8,963)</b>	<b>620,272</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>2,526</b>	<b>4,788</b>	<b>3,994</b>	<b>153</b>	<b>15,959</b>	<b>(1,003)</b>	<b>2,213</b>	<b>671</b>	<b>39</b>	<b>(5,822)</b>	<b>57,172</b>
<b>Other Sources (Uses) of Financial Resources</b>											
Transfers In	208	723	75	708	3,270	405	618	52	241	6,593	42,864
Transfers Out	(2,068)	(1,510)	(4,207)	(1,040)	(9,742)	(1,200)	(2,648)	(1,067)	(1,377)	(769)	(80,194)
<b>Total Other Sources (Uses) of Financial Resources</b>	<b>(1,860)</b>	<b>(787)</b>	<b>(4,132)</b>	<b>(332)</b>	<b>(6,472)</b>	<b>(795)</b>	<b>(2,030)</b>	<b>(1,015)</b>	<b>(1,136)</b>	<b>5,824</b>	<b>(37,330)</b>
<b>Net Change in Fund Balances</b>	<b>666</b>	<b>4,001</b>	<b>(138)</b>	<b>(179)</b>	<b>9,487</b>	<b>(1,798)</b>	<b>183</b>	<b>(344)</b>	<b>(1,097)</b>	<b>2</b>	<b>19,842</b>
<b>Fund Balances - Beginning</b>	<b>6,752</b>	<b>10,457</b>	<b>14,852</b>	<b>9,067</b>	<b>23,367</b>	<b>8,071</b>	<b>9,111</b>	<b>10,128</b>	<b>4,060</b>	<b>85</b>	<b>286,508</b>
<b>Fund Balances - Ending</b>	<b>\$ 7,418</b>	<b>\$ 14,458</b>	<b>\$ 14,714</b>	<b>\$ 8,888</b>	<b>\$ 32,854</b>	<b>\$ 6,273</b>	<b>\$ 9,294</b>	<b>\$ 9,784</b>	<b>\$ 2,963</b>	<b>\$ 87</b>	<b>\$ 306,350</b>

## Statistical Section Index

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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)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012*</u>	<u>2013**</u>	<u>2014***</u>	<u>2015</u>	<u>2016</u>	<u>2017****</u>	<u>2018</u>
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 1,665,199	\$ 1,799,599	\$ 1,831,490	\$ 1,851,218	\$ 1,701,366	\$ 1,808,658	\$ 1,764,526	\$ 1,534,319	\$ 1,476,850	\$ 1,298,089
Restricted	186,430	186,430	186,430	186,400	408,964	728,406	745,852	937,764	970,545	1,044,556
Unrestricted (Deficit)**	<u>366,597</u>	<u>269,978</u>	<u>314,021</u>	<u>(56,000)</u>	<u>(416,439)</u>	<u>(1,212,955)</u>	<u>(2,360,730)</u>	<u>(2,834,000)</u>	<u>(3,622,572)</u>	<u>(8,475,290)</u>
<b>Total Governmental Activities Net Position</b>	<u>\$ 2,218,226</u>	<u>\$ 2,256,007</u>	<u>\$ 2,331,941</u>	<u>\$ 1,981,618</u>	<u>\$ 1,693,891</u>	<u>\$ 1,324,109</u>	<u>\$ 149,648</u>	<u>\$ (361,917)</u>	<u>\$ (1,175,177)</u>	<u>\$ (6,132,645)</u>
<b>Business-type Activities</b>										
Net Investment in Capital Assets	\$ 2,727,661	\$ 2,803,634	\$ 2,840,595	\$ 2,956,316	\$ 3,142,841	\$ 3,267,409	\$ 3,445,879	\$ 3,505,882	\$ 3,619,968	\$ 3,766,560
Restricted	202,220	137,831	109,613	169,954	163,539	161,483	212,681	306,057	320,957	380,463
Unrestricted (Deficit)	<u>56,596</u>	<u>5,069</u>	<u>61,721</u>	<u>(85,800)</u>	<u>(122,830)</u>	<u>(65,049)</u>	<u>(157,324)</u>	<u>(157,917)</u>	<u>(137,578)</u>	<u>(404,490)</u>
<b>Total Business-type Activities Net Position</b>	<u>\$ 2,986,477</u>	<u>\$ 2,946,534</u>	<u>\$ 3,011,929</u>	<u>\$ 3,040,470</u>	<u>\$ 3,183,550</u>	<u>\$ 3,363,843</u>	<u>\$ 3,501,236</u>	<u>\$ 3,654,022</u>	<u>\$ 3,803,347</u>	<u>\$ 3,742,533</u>
<b>Primary Government</b>										
Net Investment in Capital Assets	\$ 4,392,860	\$ 4,603,233	\$ 4,672,085	\$ 4,807,534	\$ 4,844,207	\$ 5,076,067	\$ 5,210,405	\$ 5,040,201	\$ 5,096,818	\$ 5,064,649
Restricted	388,650	324,261	296,043	356,354	572,503	889,889	958,533	1,243,821	1,291,502	1,425,019
Unrestricted (Deficit)**	<u>423,193</u>	<u>275,047</u>	<u>375,742</u>	<u>(141,800)</u>	<u>(539,269)</u>	<u>(1,278,004)</u>	<u>(2,518,054)</u>	<u>(2,991,917)</u>	<u>(3,760,150)</u>	<u>(8,879,780)</u>
<b>Total Primary Government Net Position</b>	<u>\$ 5,204,703</u>	<u>\$ 5,202,541</u>	<u>\$ 5,343,870</u>	<u>\$ 5,022,088</u>	<u>\$ 4,877,441</u>	<u>\$ 4,687,952</u>	<u>\$ 3,650,884</u>	<u>\$ 3,292,105</u>	<u>\$ 2,628,170</u>	<u>\$ (2,390,112)</u>

**Source:**

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

**Notes:**

\* 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 are 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.

\*\*\*The State implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during fiscal year 2015. The provisions of GASB Statement No. 68 require the State to record its net position liability (asset) at July 1, 2014; therefore, the State's ending net position for fiscal year 2014 has been restated.

\*\*\*\*The State implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year 2018. The provisions of GASB Statement No. 75 require the State to record its net position liability (asset) at July 1, 2017; therefore, the State's ending net position for fiscal year 2017 has been restated.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General Government	\$ 551,390	\$ 436,025	\$ 662,291	\$ 654,311	\$ 543,931	\$ 683,643	\$ 572,708	\$ 906,593	\$ 1,167,143	\$ 725,609
Health and Children's Services	1,980,118	2,059,215	2,225,657	2,386,475	2,428,629	2,850,068	3,007,367	3,087,138	3,259,908	3,459,649
Judicial and Public Safety	641,296	624,565	596,764	660,053	711,361	705,218	718,645	714,932	753,778	723,807
Natural Resources and Environmental Control	154,871	148,776	189,301	161,354	147,733	134,294	172,886	160,059	164,879	147,578
Labor	77,911	74,163	74,063	79,706	69,226	68,997	73,155	74,766	93,510	65,780
Education	2,002,158	2,040,439	2,331,626	2,372,080	2,408,647	2,482,569	2,612,590	2,722,666	2,799,115	2,622,988
Payment to Component Unit:										
Education	100,139	105,819	-	-	-	-	-	-	-	-
Interest	57,570	55,782	75,522	61,111	54,969	59,747	60,557	91,894	62,815	87,693
<b>Total Governmental Activities Expenses</b>	<b>5,565,453</b>	<b>5,544,784</b>	<b>6,155,224</b>	<b>6,375,090</b>	<b>6,364,496</b>	<b>6,984,536</b>	<b>7,217,908</b>	<b>7,758,048</b>	<b>8,301,148</b>	<b>7,833,104</b>
<b>Business-type Activities:</b>										
Lottery	388,260	353,449	384,611	386,241	358,467	344,389	358,907	382,424	383,270	390,901
DelDOT	602,296	626,012	587,604	641,850	580,392	606,738	624,452	682,364	671,765	712,290
Unemployment	203,817	379,065	300,262	247,932	169,508	110,063	68,699	64,629	62,249	61,137
<b>Total Business-type Activities Expenses</b>	<b>1,194,373</b>	<b>1,358,526</b>	<b>1,272,477</b>	<b>1,276,023</b>	<b>1,108,367</b>	<b>1,061,190</b>	<b>1,052,058</b>	<b>1,129,417</b>	<b>1,117,284</b>	<b>1,164,328</b>
<b>Total Primary Government Expenses</b>	<b>6,759,826</b>	<b>6,903,310</b>	<b>7,427,701</b>	<b>7,651,113</b>	<b>7,472,863</b>	<b>8,045,726</b>	<b>8,269,966</b>	<b>8,887,465</b>	<b>9,418,432</b>	<b>8,997,432</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
General Government	104,268	149,299	214,997	166,979	287,709	334,285	273,905	301,172	366,922	319,829
Health and Children's Services	87,548	121,855	67,485	98,430	73,522	67,698	70,532	70,435	91,413	71,010
Judicial and Public Safety	52,681	60,024	54,681	75,713	126,052	72,664	59,551	75,887	77,344	71,777
Natural Resources and Environmental Control	42,555	58,925	95,460	50,587	59,262	52,692	56,364	58,790	63,920	69,363
Labor	-	-	6,370	7,089	7,103	7,135	7,228	7,319	28,010	8,382
Education	57,101	63,099	89,125	22,796	5,565	3,029	66,666	33,372	28,982	34,961
Operating Grants and Contributions	1,199,961	1,460,903	1,701,136	1,541,931	1,551,954	1,953,254	2,076,241	2,196,373	2,201,933	2,377,841
Capital Grants and Contributions	9,936	30,861	-	-	-	-	-	-	-	-
<b>Total Governmental Activities Program Revenues</b>	<b>1,554,050</b>	<b>1,944,966</b>	<b>2,229,254</b>	<b>1,963,525</b>	<b>2,111,167</b>	<b>2,490,757</b>	<b>2,610,487</b>	<b>2,743,348</b>	<b>2,858,524</b>	<b>2,953,163</b>

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Business-type Activities:</b>										
Charges for Services:										
Lottery	\$ 704,308	\$ 689,652	\$ 728,506	\$ 714,303	\$ 635,264	\$ 600,825	\$ 601,869	\$ 635,289	\$ 627,984	\$ 645,722
DelDOT	426,046	426,924	445,084	449,270	462,609	488,178	512,471	574,057	581,222	592,285
Unemployment	76,608	119,473	117,060	122,334	107,646	112,746	131,195	112,053	93,129	76,907
Operating Grants and Contributions	-	196,889	170,681	109,037	72,517	43,760	234,092	202,900	207,338	236,688
Capital Grants and Contributions	193,219	238,276	195,030	199,214	211,245	210,985	-	-	-	-
<b>Total Business-type Activities Program Revenues</b>	<b>1,400,181</b>	<b>1,671,214</b>	<b>1,656,361</b>	<b>1,594,158</b>	<b>1,489,281</b>	<b>1,456,494</b>	<b>1,479,627</b>	<b>1,524,299</b>	<b>1,509,673</b>	<b>1,551,602</b>
<b>Total Primary Government Program Revenues</b>	<b>2,954,231</b>	<b>3,616,180</b>	<b>3,885,615</b>	<b>3,557,683</b>	<b>3,600,448</b>	<b>3,947,251</b>	<b>4,090,114</b>	<b>4,267,647</b>	<b>4,368,197</b>	<b>4,504,765</b>
<b>Net (Expenses) Revenue</b>										
<b>Governmental Activities</b>	(4,011,403)	(3,599,818)	(3,925,970)	(4,357,588)	(4,253,329)	(4,493,779)	(4,607,421)	(5,014,700)	(5,442,624)	(4,879,941)
<b>Business-type Activities</b>	205,808	312,688	383,884	318,135	380,914	395,304	427,569	394,882	392,389	387,274
<b>Total Primary Government Net Expense</b>	<b>(3,805,595)</b>	<b>(3,287,130)</b>	<b>(3,542,086)</b>	<b>(4,039,453)</b>	<b>(3,872,415)</b>	<b>(4,098,475)</b>	<b>(4,179,852)</b>	<b>(4,619,818)</b>	<b>(5,050,235)</b>	<b>(4,492,667)</b>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental Activities:</b>										
Taxes:										
Personal Income	914,460	760,617	986,002	1,126,014	1,130,501	1,040,341	1,140,248	1,112,368	1,180,975	1,309,214
Business	1,655,938	1,820,023	1,926,473	1,834,684	2,051,071	2,061,007	2,291,067	2,294,173	2,281,220	2,490,985
Real Estate	428,878	434,718	464,713	473,351	504,620	537,395	552,215	573,968	625,903	661,856
Other	238,786	250,630	246,268	241,525	344,106	232,017	224,842	244,526	256,998	309,194
Investment Earnings	41,140	20,185	28,356	32,849	11,636	14,192	10,511	12,584	18,237	23,255
Miscellaneous	29,197	15,546	29,201	24,103	25,244	28,878	13,654	16,694	20,109	30,033
Transfers	335,468	335,880	320,891	287,903	238,244	215,006	249,896	248,822	245,922	250,778
<b>Total Governmental Activities</b>	<b>3,643,867</b>	<b>3,637,599</b>	<b>4,001,904</b>	<b>4,020,429</b>	<b>4,305,422</b>	<b>4,128,836</b>	<b>4,482,433</b>	<b>4,503,135</b>	<b>4,629,364</b>	<b>5,075,315</b>
<b>Business-type Activities:</b>										
Investment Earnings	11,686	(15,336)	2,815	4,029	(608)	2,375	2,213	6,726	2,858	9,908
Gain (Loss) on Sale of Assets	235	(415)	587	308	1,018	-	-	-	-	-
Miscellaneous	(1,000)	(1,000)	(1,000)	-	-	-	-	-	-	-
Transfers	(335,468)	(335,880)	(320,891)	(287,903)	(238,244)	(215,006)	(249,896)	(248,822)	(245,922)	(250,778)
<b>Total Business-type Activities</b>	<b>(324,547)</b>	<b>(352,631)</b>	<b>(318,489)</b>	<b>(283,566)</b>	<b>(237,834)</b>	<b>(212,631)</b>	<b>(247,683)</b>	<b>(242,096)</b>	<b>(243,064)</b>	<b>(240,870)</b>
<b>Change in Net Position</b>										
<b>Governmental Activities</b>	(367,536)	37,781	75,934	(391,136)	(74,133)	(364,943)	(124,988)	(511,565)	(813,260)	195,374
<b>Business-type Activities</b>	(118,739)	(39,943)	65,395	34,569	143,080	182,673	179,886	152,786	149,325	146,404
<b>Total Primary Government</b>	<b>\$ (486,275)</b>	<b>\$ (2,162)</b>	<b>\$ 141,329</b>	<b>\$ (356,567)</b>	<b>\$ 68,947</b>	<b>\$ (182,270)</b>	<b>\$ 54,898</b>	<b>\$ (358,779)</b>	<b>\$ (663,935)</b>	<b>\$ 341,778</b>

**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)

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Revenues</b>										
Taxes (1)	\$ 3,238,062	\$ 3,249,145	\$ 3,623,456	\$ 3,621,597	\$ 3,904,072	\$ 3,870,760	\$ 4,208,372	\$ 4,225,034	\$ 4,345,095	\$ 4,771,249
Licenses, Fees, Permits and Fines	356,228	392,388	326,249	340,351	336,068	351,789	374,554	374,952	415,013	419,344
Rentals and Sales	37,736	38,615	123,781	118,839	135,530	86,428	119,743	127,771	124,877	117,382
Federal Government	1,220,072	1,442,722	1,726,141	1,528,034	1,529,921	1,936,497	2,076,443	2,196,434	2,203,207	2,375,609
Interest and Other Investment Income	41,140	20,185	28,356	32,850	11,637	14,170	10,462	12,556	18,164	23,238
Other Revenues	146,967	215,951	106,925	206,356	218,176	195,346	165,800	169,569	261,794	163,980
<b>Total Revenues</b>	<b>5,040,205</b>	<b>5,359,006</b>	<b>5,934,908</b>	<b>5,848,027</b>	<b>6,135,404</b>	<b>6,454,990</b>	<b>6,955,374</b>	<b>7,106,316</b>	<b>7,368,150</b>	<b>7,870,802</b>
<b>Expenditures</b>										
General Government (2)	577,079	471,515	551,988	624,616	459,465	610,073	617,220	873,234	980,662	524,999
Health and Children's Services (3)	1,996,677	2,059,159	2,230,948	2,358,293	2,452,766	2,849,628	3,030,064	3,142,133	3,242,306	3,390,655
Judicial and Public Safety (4)	572,830	578,777	600,911	602,635	663,861	663,072	674,179	670,640	682,774	713,839
Natural Resources and Environmental Control	157,669	156,268	177,823	154,486	172,521	175,545	164,662	157,184	162,794	146,908
Labor	75,804	73,922	69,912	72,444	68,554	67,952	72,057	72,032	89,480	65,856
Education (5)	1,851,336	1,886,353	1,982,154	2,069,469	2,159,145	2,184,638	2,230,063	2,335,129	2,330,212	2,343,518
Payment to Component Unit: Education	100,139	105,819	117,381	131,268	141,700	150,034	164,108	186,000	202,447	216,014
Capital Outlay	270,847	241,050	195,415	187,704	226,123	285,705	200,087	231,863	264,475	250,874
Debt Service:										
Principal	142,069	155,789	140,750	139,325	155,096	157,372	170,068	172,771	176,559	181,417
Interest	60,827	66,222	65,725	72,293	77,136	77,693	80,318	86,905	82,291	83,267
Costs of Issuance of Debt	841	3,797	628	548	1,118	975	598	881	973	764
<b>Total Expenditures</b>	<b>5,806,118</b>	<b>5,798,671</b>	<b>6,133,635</b>	<b>6,413,081</b>	<b>6,577,485</b>	<b>7,222,687</b>	<b>7,403,424</b>	<b>7,928,772</b>	<b>8,214,973</b>	<b>7,918,111</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(765,913)</b>	<b>(439,665)</b>	<b>(198,727)</b>	<b>(565,054)</b>	<b>(442,081)</b>	<b>(767,697)</b>	<b>(448,050)</b>	<b>(822,456)</b>	<b>(846,823)</b>	<b>(47,309)</b>

**STATE OF DELAWARE**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(Modified Accrual Basis of Accounting, Expressed in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Other Financing Sources (Uses)</b>										
Transfer In	\$ 470,687	\$ 970,215	\$ 549,639	\$ 540,713	\$ 589,269	\$ 446,493	\$ 600,793	\$ 603,138	\$ 512,256	\$ 626,689
Transfer Out	(135,219)	(634,335)	(228,749)	(252,810)	(351,025)	(231,487)	(350,897)	(354,316)	(266,334)	(375,911)
Other Financing Sources	-	-	-	-	29,134	1,867	-	-	-	-
Issuance of General Obligation Bonds	236,000	645,130	310,665	275,425	336,330	225,000	306,870	321,530	225,000	352,235
Issuance of Revenue Bonds	-	-	-	56,170	-	-	-	-	-	-
Premium on Bond Sales	17,044	66,054	10,910	37,347	44,635	24,413	53,159	51,957	24,108	65,988
Payment to Bond Refunding Agent	-	(460,580)	-	-	-	-	(98,915)	(147,740)	-	(140,802)
Advance Refunding Escrow	-	35,189	54,644	-	-	-	-	-	-	-
Issuance of Advanced Refundings	-	(35,189)	(54,644)	(54,834)	(132,178)	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>588,512</u>	<u>586,484</u>	<u>642,465</u>	<u>602,011</u>	<u>516,165</u>	<u>466,286</u>	<u>511,010</u>	<u>474,569</u>	<u>495,030</u>	<u>528,199</u>
<b>Net Change in Fund Balance</b>	<u>\$ (177,401)</u>	<u>\$ 146,819</u>	<u>\$ 443,738</u>	<u>\$ 36,957</u>	<u>\$ 74,084</u>	<u>\$ (301,411)</u>	<u>\$ 62,960</u>	<u>\$ (347,887)</u>	<u>\$ (351,793)</u>	<u>\$ 480,890</u>
<b>Debt Service as a Percentage of Non-capital Expenditures</b>	3.72%	4.13%	3.50%	3.42%	3.68%	3.42%	3.44%	3.37%	3.22%	3.40%

**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**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>General Fund</b>										
Reserved	\$ 311,745	\$ 352,732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	744,438	843,635	-	-	-	-	-	-	-	-
Nonspendable Fund Balance	-	-	9,807	8,121	7,681	6,630	5,306	32,115	27,729	28,665
Restricted Fund Balance	-	-	209,513	87,507	114,418	157,502	184,079	209,535	229,797	233,054
Committed Fund Balance	-	-	142,198	236,896	209,557	184,091	192,970	183,294	152,451	158,677
Assigned Fund Balance	-	-	229,241	100,483	91,597	80,289	83,002	83,559	113,197	99,917
Unassigned (Deficit)	-	-	786,663	963,986	1,025,284	788,727	763,249	390,386	11,403	424,400
<b>Total General Fund</b>	<u>\$ 1,056,183</u>	<u>\$ 1,196,367</u>	<u>\$ 1,377,422</u>	<u>\$ 1,396,993</u>	<u>\$ 1,448,537</u>	<u>\$ 1,217,239</u>	<u>\$ 1,228,606</u>	<u>\$ 898,889</u>	<u>\$ 534,577</u>	<u>\$ 944,713</u>
<b>All Other Governmental Funds:</b>										
Reserved	\$ 176,172	\$ 12,202	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported In:										
Federal Fund	(15,916)	(48,405)	-	-	(914)	-	-	-	-	-
Local School District Fund	213,160	296,171	-	-	-	-	-	-	-	-
Capital Projects Fund	(118,479)	(33,638)	-	-	-	-	-	-	-	-
Restricted Fund Balance										
Federal Fund	-	-	56,030	15,630	-	281,260	277,348	281,689	292,842	318,110
Local School District Fund	-	-	338,271	306,397	294,276	289,644	284,425	268,772	286,508	306,350
Capital Projects Fund	-	-	40,068	110,302	160,982	123,902	184,626	177,768	161,398	187,042
<b>Total All Other Governmental Funds</b>	<u>\$ 254,937</u>	<u>\$ 226,330</u>	<u>\$ 434,369</u>	<u>\$ 432,329</u>	<u>\$ 454,344</u>	<u>\$ 694,806</u>	<u>\$ 746,399</u>	<u>\$ 728,229</u>	<u>\$ 740,748</u>	<u>\$ 811,502</u>

**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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Earnings by Industry</b>										
<u>Farm Earnings</u>										
Farm	\$ 149.0	\$ 162.0	\$ 147.0	\$ 178.0	\$ 213.0	\$ 246.0	\$ 262.0	\$ 608.0	\$ 325.0	\$ 413.0
<u>Non-farm Earnings</u>										
Private Earnings:										
Accommodation and Food Services	\$ 780.0	\$ 746.0	\$ 777.0	\$ 800.0	\$ 838.0	\$ 847.0	\$ 888.0	\$ 1,002.0	\$ 1,078.0	\$ 1,109.0
Administrative and Waste Services	987.0	915.0	935.0	1,010.0	1,035.0	1,098.0	1,209.0	1,331.0	1,292.0	1,434.0
Arts, Entertainment, and Recreation	297.0	301.0	336.0	368.0	359.0	343.0	368.0	387.0	340.0	349.0
Construction	1,938.0	1,591.0	1,537.0	1,599.0	1,564.0	1,696.0	1,786.0	1,917.0	2,080.0	2,297.0
Educational Services	303.0	316.0	314.0	320.0	340.0	334.0	396.0	367.0	364.0	379.0
Finance and Insurance	3,580.0	3,611.0	3,818.0	4,053.0	4,217.0	4,426.0	4,609.0	4,901.0	4,679.0	5,213.0
Forestry, Fishing, and Related Activities	16.0	15.0	19.0	23.0	28.0	26.0	-	-	-	-*
Health Care and Social Assistance	3,317.0	3,442.0	3,572.0	3,765.0	3,901.0	3,972.0	4,185.0	4,486.0	4,691.0	4,904.0
Information	943.0	962.0	947.0	943.0	1,046.0	1,061.0	1,054.0	1,264.0	438.0	410.0
Management of Companies and Enterprises	1,130.0	1,086.0	1,174.0	1,183.0	1,107.0	950.0	901.0	538.0	1,215.0	1,416.0
Manufacturing, Durable and Non-durable	2,456.0	2,178.0	1,983.0	1,907.0	1,957.0	1,908.0	1,961.0	2,316.0	2,049.0	2,067.0
Mining	92.0	25.0	-	30.0	26.0	27.0	-	-	-	-*
Professional, Scientific, and Technical Services	3,057.0	2,857.0	2,903.0	3,305.0	3,646.0	3,677.0	3,904.0	3,944.0	3,419.0	3,756.0
Real Estate and Rental and Leasing	771.0	840.0	844.0	816.0	852.0	949.0	957.0	864.0	1,144.0	741.0
Trade, Retail	1,787.0	1,716.0	1,743.0	1,823.0	1,849.0	1,891.0	1,970.0	2,060.0	2,031.0	2,061.0
Trade, Wholesale	1,335.0	1,264.0	1,262.0	1,316.0	1,294.0	1,231.0	1,275.0	1,213.0	1,199.0	990.0
Transportation and Warehousing	652.0	636.0	632.0	681.0	727.0	779.0	862.0	917.0	968.0	960.0
Utilities	277.0	277.0	275.0	274.0	265.0	281.0	288.0	319.0	340.0	348.0
Other Services, Except Public Administration	908.0	860.0	873.0	895.0	938.0	968.0	1,012.0	997.0	1,058.0	1,099.0
<b>Total Private Earnings</b>	<b>\$ 24,626.0</b>	<b>\$ 23,638.0</b>	<b>\$ 23,944.0</b>	<b>\$ 25,111.0</b>	<b>\$ 25,989.0</b>	<b>\$ 26,464.0</b>	<b>\$ 27,625.0</b>	<b>\$ 28,823.0</b>	<b>\$ 28,385.0</b>	<b>\$ 29,533.0</b>
Government and Government Enterprises:										
Federal, Civilian	\$ 490.0	\$ 487.0	\$ 515.0	\$ 525.0	\$ 537.0	\$ 523.0	\$ 527.0	\$ 576.0	\$ 561.0	\$ 597.0
Military	414.0	447.0	468.0	465.0	470.0	469.0	457.0	438.0	448.0	450.0
State and Local Government	3,738.0	3,959.0	3,952.0	4,036.0	4,244.0	4,359.0	4,362.0	4,271.0	4,447.0	4,437.0
<b>Total Government Enterprises</b>	<b>\$ 4,642.0</b>	<b>\$ 4,893.0</b>	<b>\$ 4,935.0</b>	<b>\$ 5,026.0</b>	<b>\$ 5,251.0</b>	<b>\$ 5,351.0</b>	<b>\$ 5,346.0</b>	<b>\$ 5,285.0</b>	<b>\$ 5,456.0</b>	<b>\$ 5,484.0</b>
<b>Total Non-farm Earnings</b>	<b>\$ 29,268.0</b>	<b>\$ 28,531.0</b>	<b>\$ 28,879.0</b>	<b>\$ 30,137.0</b>	<b>\$ 31,240.0</b>	<b>\$ 31,815.0</b>	<b>\$ 32,971.0</b>	<b>\$ 34,108.0</b>	<b>\$ 33,841.0</b>	<b>\$ 35,017.0</b>
<b>Total Earnings by Industry</b>	<b>\$ 29,417.0</b>	<b>\$ 28,693.0</b>	<b>\$ 29,026.0</b>	<b>\$ 30,315.0</b>	<b>\$ 31,453.0</b>	<b>\$ 32,061.0</b>	<b>\$ 33,233.0</b>	<b>\$ 34,716.0</b>	<b>\$ 34,166.0</b>	<b>\$ 35,430.0</b>
Less: Contributions for Government Social Insurance (1)	\$ (3,193.0)	\$ (3,124.0)	\$ (3,145.0)	\$ (2,854.0)	\$ (2,964.0)	\$ (3,445.0)	\$ (3,618.0)	\$ (3,757.0)	\$ (3,916.0)	\$ (3,983.0)
Plus: Adjustment for Residence (2)	(2,571.0)	(2,132.0)	(2,268.0)	(2,803.0)	(2,818.0)	(2,407.0)	(2,545.0)	(2,371.0)	(2,247.0)	(2,504.0)
Plus: Dividends, Interest and Rent (3)	7,042.0	6,351.0	6,160.0	6,686.0	7,029.0	7,239.0	7,521.0	7,546.0	8,152.0	8,816.0
Plus: Personal Current Transfer Receipts	5,895.0	6,634.0	7,087.0	7,423.0	7,679.0	8,039.0	8,393.0	8,898.0	9,312.0	9,941.0
<b>Total Personal Income</b>	<b>\$ 36,590.0</b>	<b>\$ 36,422.0</b>	<b>\$ 36,860.0</b>	<b>\$ 38,767.0</b>	<b>\$ 40,379.0</b>	<b>\$ 41,487.0</b>	<b>\$ 42,984.0</b>	<b>\$ 45,032.0</b>	<b>\$ 45,467.0</b>	<b>\$ 47,700.0</b>

**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](http://www.bea.gov/regional)) through estimates released September 2018.

**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 organization and foreign embassies.
- (3) Rental income of persons includes the capital consumption adjustment.

\* Not shown to avoid disclosure of confidential information

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Personal Income Tax Revenue (1)	\$ 1,008.5	\$ 914.5	\$ 743.8	\$ 986.0	\$ 1,095.5	\$ 1,130.5	\$ 1,040.3	\$ 1,140.2	\$ 1,112.4	\$ 1,181.0
Personal Income (2)	36,590.0	36,422.0	36,860.0	38,767.0	40,379.0	41,487.0	42,984.0	45,032.0	45,467.0	47,700.0
Average Effective Rate (3)	2.76%	2.51%	2.02%	2.54%	2.71%	2.72%	2.42%	2.53%	2.45%	2.48%

**Personal Income Tax Rates (4)**

Tax Year	Taxable		Plus	On Taxable Income Over
	Income	Tax Liability		
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		Plus	On Taxable Income Over
	Income	Tax Liability		
2014-2017	\$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](http://www.bea.gov/regional)) through estimates released September 2018.

**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 2016 and Ten Years Prior**

Tax Year 2006					Tax Year 2016						
Delaware AGI Taxpayer Percentile	Number of Filers	Delaware AGI		Liability Net of Credits		Number of Filers	Delaware AGI		Liability Net of Credits		
		Average DE AGI	Percentage of Total (1)	Total Liability	Percentage of Total (1)		Average DE AGI	Percentage of Total (1)	Total Liability	Percentage of Total (1)	
From:	To:										
0	10	48,705	3,908	0.7%	86,198	0.0%	54,057	4,158	0.7%	133,433	0.0%
10	20	48,706	10,411	1.9%	1,932,061	0.2%	54,057	11,151	1.9%	2,534,649	0.2%
20	30	48,706	16,936	3.2%	8,402,991	0.9%	54,058	17,971	3.1%	10,618,784	0.9%
30	40	48,705	23,391	4.4%	18,022,019	2.0%	54,058	25,090	4.3%	22,383,649	1.9%
40	50	48,706	29,953	5.6%	31,865,070	3.6%	54,057	32,540	5.6%	40,303,917	3.5%
50	60	48,706	37,223	7.0%	48,315,271	5.4%	54,057	41,135	7.1%	63,527,396	5.5%
60	70	48,706	45,870	8.6%	66,054,298	7.3%	54,057	51,900	9.0%	90,114,926	7.7%
70	80	48,705	57,443	10.7%	89,331,421	9.9%	54,058	66,259	11.5%	124,766,315	10.7%
80	90	48,706	76,558	14.3%	126,788,196	14.1%	54,057	89,735	15.5%	185,423,245	15.9%
90	95	24,353	108,482	10.1%	98,919,939	11.0%	27,029	127,926	11.1%	146,381,268	12.6%
95	99	19,482	189,046	14.1%	159,866,330	17.7%	21,623	218,022	15.1%	226,790,329	19.5%
99	100	4,871	1,035,329	19.4%	251,802,484	27.9%	5,406	873,512	15.1%	252,186,779	21.6%

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 Fiscal Years**

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Franchise Tax (In Millions)	\$ 574.2	\$ 633.6	\$ 615.8	\$ 612.6	\$ 606.4	\$ 623.4	\$ 677.0	\$ 703.3	\$ 717.2	\$ 837.0
Number of Filers	219,808.0	214,561.0	214,788.0	216,393.0	219,773.0	224,691.0	230,558.0	236,779.0	240,341.0	245,718.0
Average Amount per Filer	\$ 2,612.3	\$ 2,953.0	\$ 2,867.0	\$ 2,831.0	\$ 2,759.2	\$ 2,774.5	\$ 2,936.0	\$ 2,970.3	\$ 2,984.0	\$ 3,406.0

Corporations - Authorized Share Method	Tax Year 2009-2014	Tax Year 2015-2016
3,000 shares or less, Minimum Tax	\$ 75.00	\$ 175.00
3,001-5,000 shares	75.00	175.00
5,001-10,000 shares	150.00	250.00
Each additional 10,000 shares, add	75.00	75.00
Maximum Yearly Tax	180,000.00	180,000.00

Corporations - Authorized Share Method	Tax Year 2017	Tax Year 2018
5,000 shares or less, Minimum Tax	\$ 175.00	\$ 175.00
5,001-10,000 - shares	250.00	250.00
Each additional 10,000 shares or portion thereof add	75.00	85.00
Maximum Annual Tax	200,000.00	200,000.00

Limited Liability Companies; Limited Partnerships	Tax Year 2009-2014	Tax Year 2015-2018
Yearly Tax	\$ 250.00	\$ 300.00

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 \$400
- 6 The minimum tax for the Assumed Par Value Capital Method of calculation is \$400.00.

**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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental Activities</b>										
General Obligation Bonds	\$ 1,467,143	\$ 1,495,904	\$ 1,748,454	\$ 1,853,287	\$ 1,941,110	\$ 1,999,892	\$ 2,067,323	\$ 2,118,548	\$ 2,177,005	\$ 2,257,868
Revenue Bonds	-	-	-	56,170	56,170	54,535	56,837	53,596	50,486	47,235
Notes Payable	3,006	212	77	-	28,500	28,123	27,277	25,939	24,503	22,999
<b>Total Governmental Activities</b>	<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>	<u>2,151,437</u>	<u>2,198,083</u>	<u>2,251,994</u>	<u>2,328,102</u>
<b>Business-type Activities</b>										
General Obligation Bonds	2,107	1,451	787	441	246	103	-	-	-	-
Revenue Bonds	1,142,613	1,219,530	1,244,208	1,087,669	1,007,131	939,055	906,878	1,073,365	1,062,055	975,800
<b>Total Business-type Activities</b>	<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>	<u>906,878</u>	<u>1,073,365</u>	<u>1,062,055</u>	<u>975,800</u>
<b>Total Primary Government</b>	<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>	<u>\$ 3,058,315</u>	<u>\$ 3,271,448</u>	<u>\$ 3,314,049</u>	<u>\$ 3,303,902</u>
<b>Personal Income</b>	\$36,423,315	\$36,860,326	\$38,767,723	\$40,378,899	\$41,487,286	\$42,984,325	\$45,031,693	\$45,466,783	\$ 47,696,849	\$49,221,784 *
<b>Debt as a Percentage of Personal Income</b>	7.18%	7.37%	7.72%	7.42%	7.31%	7.03%	6.79%	7.20%	6.95%	6.71%
<b>Population</b>	892	900	908	917	926	936	946	953	958	969 *
<b>Amount of Debt per Capita (Expressed in Thousands)</b>	\$2,931	\$3,019	\$3,297	\$3,269	\$3,276	\$3,228	\$3,233	\$3,433	\$3,459	\$3,410

**Sources:**

Personal income and population is provided by the Bureau of Economic Analysis, U.S. Department of Commerce ([www.bea.gov/regional](http://www.bea.gov/regional)) through estimates released September 2018.

**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.

\* - Average for first two quarters of calendar year 2018



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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Estimated General Fund Revenue	\$ 3,147.0	\$ 3,190.7	\$ 3,333.2	\$ 3,422.9	\$ 3,689.7	\$ 3,740.5	\$ 3,908.5	\$ 3,939.2	\$ 4,048.4	\$ 4,145.8
Projected New Tax- Supported Debt Authorizations (5%)	\$ 157.4	\$ 160.0	\$ 167.0	\$ 171.1	\$ 184.5	\$ 187.0	\$ 193.9	\$ 196.9	\$ 202.4	\$ 207.2

**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)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>General Obligation Debt Supported by</b>										
<b>Budgetary General Fund Revenue</b>										
State Facilities	\$ 343.2	\$ 437.6	\$ 471.1	\$ 485.2	\$ 567.6	\$ 592.7	\$ 663.9	\$ 747.4	\$ 777.8	\$ 847.0
School Facilities (State Share)	608.7	542.0	604.7	665.6	641.5	694.2	677.9	638.1	681.3	655.3
Bond Issue Premium	72.1	127.9	136.7	156.8	186.1	174.6	191.9	215.7	221.2	254.2
<b>Subtotal</b>	<u>1,024.0</u>	<u>1,107.5</u>	<u>1,212.5</u>	<u>1,307.6</u>	<u>1,395.2</u>	<u>1,461.5</u>	<u>1,533.7</u>	<u>1,601.2</u>	<u>1,680.3</u>	<u>1,756.5</u>
<b>General Obligation Debt Supported by</b>										
<b>Budgetary Special Fund Revenue</b>										
Highway and Other Transportation										
Improvements	2.1	1.5	0.8	0.4	0.2	0.1	-	-	-	-
School Facilities (Local Share)	514.9	516.0	536.0	545.3	545.7	538.3	533.5	517.4	496.6	501.2
Housing Authority Loans	0.4	0.3	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<u>517.4</u>	<u>517.8</u>	<u>536.8</u>	<u>545.7</u>	<u>545.9</u>	<u>538.4</u>	<u>533.5</u>	<u>517.4</u>	<u>496.6</u>	<u>501.2</u>
<b>Total General Obligation Debt</b>										
<b>Outstanding</b>	<u>\$ 1,541.4</u>	<u>\$ 1,625.3</u>	<u>\$ 1,749.3</u>	<u>\$ 1,853.3</u>	<u>\$ 1,941.1</u>	<u>\$ 1,999.9</u>	<u>\$ 2,067.2</u>	<u>\$ 2,118.6</u>	<u>\$ 2,176.9</u>	<u>\$ 2,257.7</u>
<b>Population (In Thousands)</b>	892.0	900.0	908.0	917.0	926.0	936.0	946.0	953.0	962.0	969.0 *
<b>Debt Per Capita (In Thousands)</b>	<u>1.73</u>	<u>1.81</u>	<u>1.93</u>	<u>2.02</u>	<u>2.10</u>	<u>2.14</u>	<u>2.19</u>	<u>2.22</u>	<u>2.26</u>	<u>2.33</u>

**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.

The schedule has been updated to report the Bond Issue Premium.

\* - Average for first two quarters of calendar year 2018

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Revenue Bonds - DeIDOT</b>										
Revenue - Turnpike and Motor Vehicles	\$ 367,399	\$ 363,948	\$ 376,186	\$ 378,960	\$ 387,918	\$ 401,923	\$ 412,850	\$ 457,169	\$ 479,285	\$ 477,725
Debt Service:										
Principal	\$ 73,510	\$ 74,380	\$ 71,760	\$ 76,320	\$ 83,230	\$ 75,205	\$ 77,655	\$ 72,580	\$ 70,595	\$ 69,880
Interest	43,619	50,885	52,585	56,411	48,097	47,162	41,467	39,768	44,581	42,885
Debt Service Requirements	\$ 117,129	\$ 125,265	\$ 124,345	\$ 132,731	\$ 131,327	\$ 122,367	\$ 119,122	\$ 112,348	\$ 115,176	\$ 112,765
Coverage	3.14	2.91	3.03	2.86	2.95	3.28	3.47	4.07	4.16	4.24
<b>Revenue Bonds - DSU</b>										
Revenue - Student Tuition and Fees	\$ 57,036	\$ 59,197	\$ 66,712	\$ 75,769	\$ 82,393	\$ 71,439	\$ 70,500	\$ 81,622	\$ 76,255	\$ 85,128
Less: Operating Expenses	(41,224)	(44,105)	(47,454)	(58,230)	(61,156)	(60,972)	(57,281)	(59,212)	(66,367)	(70,922)
Net Available Revenue	\$ 15,812	\$ 15,092	\$ 19,258	\$ 17,539	\$ 21,237	\$ 10,467	\$ 13,219	\$ 22,410	\$ 9,888	\$ 14,206
Debt Service:										
Principal	\$ 1,585	\$ 1,710	\$ 1,845	\$ 2,030	\$ 1,700	\$ 2,793	\$ 2,942	\$ 2,895	\$ 3,156	\$ 3,413
Interest *	4,381	3,542	3,510	3,310	4,923	5,233	5,457	5,379	5,265	4,768
Debt Service Requirements	\$ 5,966	\$ 5,252	\$ 5,355	\$ 5,340	\$ 6,623	\$ 8,026	\$ 8,399	\$ 8,274	\$ 8,421	\$ 8,181
Coverage	2.65	2.87	3.60	3.28	3.21	1.30	1.57	2.71	1.17	1.74
<b>Revenue Bonds - DSHA</b>										
Gross Revenues	\$ 144,322	\$ 294,656	\$ 259,106	\$ 360,467	\$ 314,633	\$ 175,961	\$ 112,651	\$ 93,643	\$ 75,769	\$ 60,893
Less: Operating Expenses	(962)	(893)	(2,944)	(504)	(321)	(267)	(264)	(295)	(214)	(150)
Net Available Revenue	\$ 143,360	\$ 293,763	\$ 256,162	\$ 359,963	\$ 314,312	\$ 175,694	\$ 112,387	\$ 93,348	\$ 75,555	\$ 60,743
Debt Service:										
Principal	\$ 79,687	\$ 217,757	\$ 219,278	\$ 232,105	\$ 275,434	\$ 151,501	\$ 94,073	\$ 79,036	\$ 63,388	\$ 48,548
Interest	52,251	49,496	39,646	39,076	32,161	22,557	17,099	13,138	10,219	7,471
Debt Service Requirements	\$ 131,938	\$ 267,253	\$ 258,924	\$ 271,181	\$ 307,595	\$ 174,058	\$ 111,172	\$ 92,174	\$ 73,607	\$ 56,019
Coverage	1.09	1.10	0.99	1.33	1.02	1.01	1.01	1.01	1.03	1.08

**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 (DeIDOT), 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 2004-2014

\*Interest on Delaware State University Student Housing Foundation is a variable rate.

**STATE OF DELAWARE**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**  
(Expressed in Thousands, Unless Otherwise Stated)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Population</b>										
State	884	892	900	908	917	926	936	946	952	962
Percentage Change	1.4%	0.9%	0.9%	0.9%	1.0%	1.0%	1.1%	1.1%	0.6%	1.1%
National	304,094	306,772	309,326	311,583	313,874	316,129	318,857	321,467	323,127	325,719
Percentage Change	1.0%	0.9%	0.8%	0.7%	0.7%	0.7%	0.9%	0.8%	0.5%	0.8%
<b>Total Personal Income</b>										
State (In Millions)	\$36,590.0	\$36,422.0	\$36,860.0	\$38,767.0	\$40,379.0	\$41,487.0	\$42,984.0	\$45,032.0	\$45,467.0	\$47,700.0
Percentage Change	2.5%	-0.5%	1.2%	5.2%	4.2%	2.7%	3.6%	4.9%	1.0%	4.9%
National (In Billions)	\$12,429	\$12,080	\$12,417	\$13,190	\$13,873	\$14,151	\$14,709	\$15,324.1	\$15,912.8	\$16,820.2
Percentage Change	3.7%	-2.8%	2.8%	6.2%	5.2%	2.0%	3.9%	4.2%	3.8%	5.7%
<b>Per Capita Personal Income</b>										
State	\$41,398	\$40,846	\$40,969	\$42,696	\$44,031	\$44,815	\$45,942	\$47,662	\$47,869	\$49,673
Percentage Change	1.1%	-1.3%	0.3%	4.2%	3.1%	1.8%	2.5%	3.7%	0.4%	3.8%
National	\$40,873	\$39,379	\$40,144	\$42,332	\$44,200	\$44,765	\$46,129	\$47,669	\$49,246	\$51,640
Percentage Change	2.7%	-3.7%	1.9%	5.5%	4.4%	1.3%	3.0%	3.3%	3.3%	4.9%
<b>Resident Civilian Labor Force and Employment (in units)</b>										
Civilian Labor Force	447,000	437,500	434,400	443,200	445,500	442,500	451,800	482,629	477,300	483,000
Employed	424,900	401,300	397,900	410,000	413,300	412,800	425,900	462,455	454,900	463,500
Unemployed	22,100	36,200	36,500	33,200	32,200	29,700	25,900	20,174	22,400	19,500
Unemployment Rate	4.9%	8.3%	8.4%	7.5%	7.2%	6.7%	5.7%	4.2%	4.7%	4.0%

**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 2018. 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.

**STATE OF DELAWARE**  
**Principal Employers by Industry**  
**Last Ten Calendar Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Number of Employees by Industry</b>										
<u>Farm Employment</u>										
Farm	3,041	2,983	3,113	3,113	3,457	3,343	3,801	3,758	4,121	4,042
<u>Non-farm Employment</u>										
Private Employment:										
Accommodation and Food Services	35,329	35,117	35,742	36,617	37,299	38,371	39,265	41,079	42,122	42,678
Administrative and Waste Services	29,672	27,810	27,747	28,329	28,164	29,678	31,934	33,383	33,088	34,215
Arts, Entertainment, and Recreation	13,135	12,909	13,724	14,160	14,096	14,171	15,347	15,498	15,098	15,447
Construction	34,975	29,750	28,416	27,993	27,363	28,594	29,601	29,958	30,078	31,670
Educational Services	9,187	9,211	9,214	9,020	9,064	9,089	9,891	10,214	9,955	9,806
Finance and Insurance	50,647	52,332	50,562	52,905	53,293	55,118	56,411	55,823	57,356	60,949
Forestry, Fishing, and Related Activities	- *	- *	- *	- *	- *	- *	- *	- *	- *	- *
Health Care and Social Assistance	61,099	62,126	62,919	64,392	65,828	67,927	69,962	72,587	74,672	75,596
Information	8,175	7,591	7,147	6,978	6,813	6,630	6,367	6,395	6,062	6,120
Management of Companies and Enterprises	11,870	11,075	10,548	9,196	8,751	7,216	6,850	6,368	10,323	10,742
Manufacturing, Durable and Nondurable	32,754	29,046	27,168	26,814	26,970	26,627	27,100	28,537	27,287	27,422
Mining	- *	- *	- *	- *	- *	- *	- *	- *	- *	- *
Professional, Scientific, and Technical Services	36,145	34,369	34,003	36,017	37,523	38,798	39,476	39,243	36,992	36,927
Real Estate and Rental and Leasing	23,008	22,529	22,749	23,851	23,008	23,312	22,964	27,739	28,592	28,932
Trade, Retail	62,057	59,098	58,437	59,576	59,442	60,404	61,346	62,014	62,903	62,452
Trade, Wholesale	15,739	14,478	13,623	13,815	13,804	13,544	13,386	13,904	14,360	12,185
Transportation and Warehousing	13,807	12,874	12,421	12,783	13,169	14,464	15,915	17,409	18,487	19,232
Utilities	2,281	2,185	2,150	2,004	2,065	2,137	2,204	2,228	2,271	2,443
Other Services, Except Public Administration	28,751	27,470	27,066	27,467	27,967	28,390	26,253	26,682	27,370	27,234
<b>Total Private Employment</b>	<b>468,631</b>	<b>449,970</b>	<b>443,636</b>	<b>451,917</b>	<b>454,619</b>	<b>464,470</b>	<b>474,272</b>	<b>489,061</b>	<b>497,016</b>	<b>504,050</b>
Governmental and Governmental Enterprises:										
Federal, Civilian	5,693	5,797	6,156	5,842	5,629	5,551	5,538	5,668	5,678	5,754
Military	8,378	8,464	8,674	8,765	8,974	9,141	8,922	8,566	8,603	8,566
State Governmental	33,176	32,581	32,804	32,491	33,273	33,459	33,855	33,683	32,493	32,750
Local Governmental	24,452	24,810	25,303	25,693	25,913	26,111	26,321	26,650	26,910	27,132
<b>Total Governmental Employment</b>	<b>71,699</b>	<b>71,652</b>	<b>72,937</b>	<b>72,791</b>	<b>73,789</b>	<b>74,262</b>	<b>74,636</b>	<b>74,567</b>	<b>73,684</b>	<b>74,202</b>
<b>Total Non-farm Employment</b>	<b>540,330</b>	<b>521,622</b>	<b>516,573</b>	<b>524,708</b>	<b>528,408</b>	<b>538,732</b>	<b>548,908</b>	<b>563,628</b>	<b>570,700</b>	<b>578,252</b>
<b>Total Employment</b>	<b>543,371</b>	<b>524,605</b>	<b>519,686</b>	<b>527,821</b>	<b>531,865</b>	<b>542,075</b>	<b>552,709</b>	<b>567,386</b>	<b>574,821</b>	<b>582,294</b>

**Source:**

Number of employees by industry is provided by the Bureau of Economic Analysis, U.S. Department of Commerce ([www.bea.gov/regional](http://www.bea.gov/regional)) through estimates released September 2018.

**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**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Full-Time Employees</b>										
General Government	2,201	1,971	1,974	1,956	2,024	2,043	2,014	2,039	2,004	1,975
Health and Children's Services	5,761	5,031	5,053	5,024	4,978	4,916	4,826	4,718	4,738	4,626
Judicial and Public Safety	5,496	5,401	5,363	5,411	5,463	5,476	5,561	5,556	5,465	5,481
Natural Resources and Environmental Control	1,302	713	716	720	706	693	683	683	671	634
Transportation	1,997	1,716	1,732	1,743	1,699	1,684	1,662	1,666	1,653	1,642
Labor	454	445	441	435	434	436	422	412	415	411
Education	<u>16,530</u>	<u>16,753</u>	<u>17,039</u>	<u>17,366</u>	<u>17,571</u>	<u>17,786</u>	<u>17,697</u>	<u>17,780</u>	<u>18,181</u>	<u>18,319</u>
State Total	<u><u>33,741</u></u>	<u><u>32,030</u></u>	<u><u>32,318</u></u>	<u><u>32,655</u></u>	<u><u>32,875</u></u>	<u><u>33,034</u></u>	<u><u>32,865</u></u>	<u><u>32,854</u></u>	<u><u>33,127</u></u>	<u><u>33,088</u></u>

**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**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Children, Youth and Their Families</b>										
Number of Youths in Care	7,532	22,539	23,442	25,068	22,987	21,591	23,155	21,875	23,443	23,337
<b>Corrections</b>										
Average Daily Inmate Population	7,018	6,727	6,577	6,652	6,884	6,951	6,824	6,559	6,386	6,221
<b>Natural Resources and Environmental Control</b>										
Number of Visitors to State Parks	4,650,000	4,789,780	4,436,936	4,780,745	5,066,857	5,020,518	5,481,315	5,548,398	5,838,582	5,892,564
<b>Education</b>										
Public School Enrollment, Grades K-12	125,430	126,801	129,395	130,610	131,514	133,369	134,932	136,027	137,217	137,873
Delaware State University - Students Enrolled	3,534	3,819	4,178	4,425	4,877	4,857	5,015	4,600	4,600	4,648
Delaware Technical & Community College - Enrolled	20,484	21,352	21,654	21,062	20,366	19,421	19,165	19,065	19,516	19,538
<b>Health and Social Services</b>										
Medicaid Eligibles	156,266	173,769	193,633	207,067	212,693	217,658	224,198	228,045	227,209	234,936
Prescription Assistance Program	6,267	5,995	6,178	6,243	6,075	5,867	5,640	5,373	5,463	- *
Childcare Caseloads	13,549	13,696	14,461	14,609	14,765	14,063	14,303	15,120	15,890	16,416
Client Visits to Service Centers	605,991	686,606	687,976	708,000	653,243	643,299	636,473	633,932	616,407	664,890
<b>Judicial</b>										
Court of Common Pleas - Filings	136,631	140,139	126,843	119,753	188,082	139,209	134,713	135,733	248,608	243,376
Superior Court - Filings	14,137	15,060	23,265	20,676	20,367	19,497	18,520	18,292	43,092	18,132
<b>Labor</b>										
Workers' Compensations Petitions Filed	8,196	7,641	7,205	6,755	6,841	6,645	7,035	7,472	7,759	7,087
<b>Safety and Homeland Security</b>										
Number of Criminal Histories Requested	37,384	39,627	43,571	45,995	48,821	50,823	53,964	60,240	57,499	63,650
Calls to 911 Centers	596,691	263,424	325,803	296,796	555,060	369,867	333,282	576,629	602,247	549,990
<b>Transportation</b>										
Licensed Drivers	636,580	644,014	651,799	657,978	663,524	717,875	737,952	750,601	721,561	786,504
Registered Motor Vehicles	845,802	832,661	839,733	825,327	833,786	855,239	879,071	901,256	921,850	928,927
Bus ridership - Fixed Routes	9,146,869	9,218,232	9,920,213	11,594,262	11,195,263	10,952,118	10,257,127	8,401,294	7,512,218	7,170,180
Train Ridership	1,137,709	1,106,742	1,158,650	1,207,644	1,232,098	1,208,279	1,273,590	1,240,830	1,128,094	1,160,079

**Sources:**

Delaware Department of Services for Children Youth & Their Families  
Delaware Department of Correction  
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.

\* Program no longer exists

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Government</b>										
Acres of Farmland Permanently Preserved	2,896	4,487	5,927	6,355	5,859	4,360	1,066	2,245	3,039	3,526
<b>Health and Children's Services</b>										
Hospitals	6	6	6	6	5	5	5	4	4	4
Service Centers	15	15	15	15	15	15	15	15	15	15
<b>Natural Resources and Environmental Control</b>										
Acres of Wildlife Habitat Actively Managed	8,557	8,500	8,700	8,700	8,400	8,400	8,200	8,200	7,464	8,500
<b>Transportation</b>										
Centerline Miles	4,360	4,378	4,378	4,378	4,378	4,448	4,448	4,452	4,452	4,455
Centerline Miles Rated Good	3,423	3,796	3,796	3,796	3,796	4,032	4,032	3,960	3,960	3,623
Number of Bridges	1,556	1,562	1,566	1,591	1,601	1,592	1,626	1,674	843 *	825
Structural Rating of Good	1,144	1,137	1,140	1,149	1,151	1,198	1,211	1,238	582 *	575
Square Feet of Bridge Deck	7,330,395	7,341,988	7,354,916	7,174,339	7,614,980	7,858,872	8,049,340	8,039,759	7,853,193	7,885,958
Square Feet of Bridge Deck Rated Good	6,800,531	6,685,282	6,670,643	6,476,158	6,956,457	5,886,694	5,979,029	5,697,809	4,788,784	4,518,306
<b>National Guard</b>										
Number of Armory Facilities	12	12	12	10	11	10	11	11	11	11
<b>Education</b>										
Local School Districts										
Number of Elementary Schools	102	100	101	104	106	106	107	106	105	109
Number of Middle Schools	38	40	40	37	38	37	36	35	36	42
Number of High Schools	31	31	31	32	30	30	32	32	32	36
Number of Special Schools	13	13	15	14	14	14	12	12	17	19
Number of Administration Buildings	20	22	23	24	23	25	25	25	20	20

**Source:**

Delaware Department of Agriculture  
Delaware Office of Management and Budget  
Delaware Department of Transportation  
Delaware National Guard  
Department of Education

**Notes:**

N/A - Data is not available at this time.

\*The State updated its reporting of bridges to coincide with the Federal Highway Administration's definition of bridges, which have specific length requirements.



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

<b>Function</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Buildings</b>										
General Government	\$ 459,906	\$ 468,958	\$ 525,042	\$ 521,673	\$ 523,219	\$ 527,752	\$ 554,355	\$ 567,467	\$ 568,714	\$ 570,625
Health and Children's Services	190,450	188,454	193,410	191,778	190,865	194,224	190,798	189,738	189,738	176,660
Judicial and Public Safety	359,135	371,690	373,648	375,424	375,869	387,579	430,857	436,495	436,617	437,649
Natural Resources and Environmental Control	29,149	38,750	42,143	43,130	43,130	43,484	45,100	47,612	48,841	49,125
Transportation	89,564	91,065	98,057	104,837	109,638	140,730	159,631	167,691	185,138	190,130
Education	1,890,709	2,093,349	2,271,507	2,382,520	2,465,751	2,503,000	2,806,521	2,810,884	2,808,316	2,830,366
<b>Total Buildings</b>	<b>\$ 3,018,913</b>	<b>\$ 3,252,266</b>	<b>\$ 3,503,807</b>	<b>\$ 3,619,362</b>	<b>\$ 3,708,472</b>	<b>\$ 3,796,769</b>	<b>\$ 4,187,262</b>	<b>\$ 4,219,887</b>	<b>\$ 4,237,364</b>	<b>\$ 4,254,555</b>
<b>Land and Land Improvements</b>										
General Government	\$ 274,853	\$ 289,265	\$ 317,066	\$ 337,587	\$ 127,166	\$ 128,036	\$ 133,499	\$ 136,150	\$ 137,973	\$ 142,635
Health and Children's Services	13,667	13,518	13,518	13,518	13,518	13,518	13,518	13,518	13,650	13,202
Judicial and Public Safety	25,971	25,987	79,567	80,820	80,820	84,458	84,133	84,363	84,363	86,061
Natural Resources and Environmental Control	323,370	371,079	369,834	375,847	383,945	397,552	402,858	418,464	423,116	429,239
Transportation	249,775	276,761	276,761	276,761	283,876	288,612	298,948	306,704	310,298	326,165
Education	100,968	110,825	138,874	148,668	160,218	165,246	194,740	205,161	206,990	216,907
<b>Total Land and Land Improvements</b>	<b>\$ 988,604</b>	<b>\$ 1,087,435</b>	<b>\$ 1,195,620</b>	<b>\$ 1,233,201</b>	<b>\$ 1,049,543</b>	<b>\$ 1,077,422</b>	<b>\$ 1,127,696</b>	<b>\$ 1,164,360</b>	<b>\$ 1,176,390</b>	<b>\$ 1,214,209</b>
<b>Equipment and Vehicles</b>										
General Government	\$ 26,339	\$ 25,826	\$ 25,255	\$ 21,192	\$ 21,472	\$ 21,610	\$ 31,829	\$ 32,256	\$ 30,095	\$ 29,646
Health and Children's Services	20,876	17,486	18,203	18,377	17,453	17,490	15,980	9,930	9,883	9,269
Judicial and Public Safety	33,488	31,573	30,960	35,509	36,290	40,310	41,804	44,519	47,222	51,428
Natural Resources and Environmental Control	21,412	22,021	22,731	23,077	24,409	25,290	26,693	27,366	26,107	26,997
Transportation	220,630	237,416	239,415	254,506	268,900	296,476	294,328	308,635	309,593	322,756
Labor	806	862	862	662	946	1,023	1,023	1,023	1,023	1,023
Education	63,787	62,990	68,287	77,130	80,657	81,807	86,079	88,766	90,609	94,700
<b>Total Equipment and Vehicles</b>	<b>\$ 387,338</b>	<b>\$ 398,174</b>	<b>\$ 405,713</b>	<b>\$ 430,453</b>	<b>\$ 450,127</b>	<b>\$ 484,006</b>	<b>\$ 497,736</b>	<b>\$ 512,495</b>	<b>\$ 514,532</b>	<b>\$ 535,819</b>
<b>Infrastructure</b>										
Transportation	\$ 3,385,364	\$ 3,432,677	\$ 3,481,075	\$ 3,564,347	\$ 3,670,250	\$ 3,723,674	\$ 3,760,135	\$ 3,823,201	\$ 4,005,063	\$ 4,185,972

**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.