

2019  
DELAWARE

Comprehensive Annual  
Financial Report

For the Fiscal Year Ended  
June 30, 2019

# State of Delaware

## Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019

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 <https://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  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019  
Table of Contents**

**INTRODUCTORY SECTION**

Letter of Transmittal .....	i
Certificate of Achievement for Excellence in Financial Reporting.....	ix
Selected State Officials .....	x
Organizational Chart.....	xi

**FINANCIAL SECTION**

Independent Auditors' Report.....	1
Management's Discussion and Analysis .....	4

**Basic Financial Statements**

**Government – Wide Financial Statements**

Statement of Net Position .....	20
Statement of Activities.....	21

**Governmental Fund Financial Statements**

Balance Sheet .....	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits).....	24
Reconciliation of the Net Changes in Fund Balances – Total Governmental Funds to Change in Net Position of Governmental Activities .....	25

**Proprietary Fund Financial Statements**

Statement of Net Position .....	26
Statement of Revenues, Expenses and Changes in Fund Net Position.....	27
Statement of Cash Flows .....	28

**Fiduciary Fund Financial Statements**

Statement of Fiduciary Net Position .....	29
Statement of Changes in Fiduciary Net Position .....	30

**Table of Contents  
(continued)**

	<u>Page</u>
<b>Discretely Presented Component Unit Financial Statements</b>	
Combining Statement of Net Position .....	31
Combining Statement of Activities.....	32
<b>Notes to the Financial Statements</b>	
Note 1 - Summary of Significant Accounting Policies .....	33
Note 2 - Cash, Investments and Restricted Assets .....	49
Note 3 - Fair Value of Investments .....	66
Note 4 - Receivables .....	72
Note 5 - Interfund Balances and Transfers.....	75
Note 6 - Capital Assets.....	76
Note 7 - Deferred Outflows and Inflows of Resources.....	78
Note 8 - General Obligation Bonds.....	79
Note 9 - Revenue Bonds .....	81
Note 10 - Loans and Notes Payable .....	89
Note 11 - Lease Commitments.....	92
Note 12 - Other Long-Term Obligations .....	93
Note 13 - Changes in Long-Term Obligations.....	94
Note 14 - Risk Management .....	94
Note 15 - Other Post-Employment Benefits (OPEB) .....	96
Note 16 - Pensions .....	102
Note 17 - Commitments .....	121
Note 18 - Contingencies.....	121
Note 19 - Governmental Fund Balances .....	122
Note 20 - Tax Abatements .....	124
Note 21 - No Commitment Debt.....	125
Note 22 - Affiliated Organizations.....	125
Note 23 - Component Unit Concession Agreement.....	125
Note 24 - Subsequent Events .....	127
<b>Required Supplementary Information</b>	
Notes to Required Supplementary Information .....	129
Budgetary Comparison Schedule – General and Special Funds.....	131
Statutory/Budgetary Reconciliations .....	132
Information About Infrastructure Assets Reported Using the Modified Approach.....	134
Delaware Public Employees’ Retirement System (DPERS) Schedule of Net Pension Liability .....	136
Schedule of Contributions.....	141
DelDOT – Delaware Transit Corporation – Pension Data Schedule of Net Pension Liability .....	144
Schedule of Contributions.....	146

**Table of Contents  
(continued)**

	<u>Page</u>
OPEB Trust	
Schedule of Net OPEB Liability.....	148
Schedule of Contributions.....	149
Delaware Transit Corporation – OPEB Trust	
Schedule of Net OPEB Liability.....	150
<b>Supplementary Information – Combining Statements</b>	
Combining Statement of Fiduciary Net Position.....	152
Combining Statement of Changes in Fiduciary Net Position.....	153
Investment Trust Funds:	
Combining Statement of Net Position.....	154
Combining Statement of Changes in Net Position.....	155
All Agency Funds:	
Combining Statement of Changes in Assets and Liabilities.....	156
Local School District Funds:	
Combining Balance Sheet.....	157
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	159

**STATISTICAL SECTION**

Statistical Section Index.....	161
Net Position by Component.....	162
Changes in Net Position.....	163
Changes in Fund Balances, Governmental Funds.....	165
Fund Balances, Governmental Funds.....	167
Personal Income by Industry.....	168
Personal Income Tax Rates.....	169
Personal Income Tax Filers and Liability by Income Level.....	170
Franchise Taxes.....	171
Ratios of Outstanding Debt by Type.....	172
Debt Limits.....	173
General Obligation Debt Support.....	174
Pledged Revenue Coverage.....	175
Demographic and Economic Statistics.....	176
Principal Employers by Industry.....	177
State Employees by Function.....	178
Operating Indicators by Function.....	179
Capital Assets Statistics by Function.....	180
Capital Asset Balances by Function.....	181



# Introductory Section

Comprehensive Annual Financial Report





STATE OF DELAWARE  
DEPARTMENT OF FINANCE  
OFFICE OF THE SECRETARY

RICHARD J. GEISENBERGER  
SECRETARY OF FINANCE

December 13, 2019

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, 2019. 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 2018 indicate over 967,000 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 expenditure forecasts are generated for the current and succeeding fiscal years 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 requires 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. The Executive Order also directs the Office of Management and Budget to recognize for reporting and planning purposes a Budget Stabilization Fund, to complement the State's Budget Reserve Account, and to allocate to that fund the unencumbered general funds forecast at the end of the

current fiscal year in excess of the two percent set-aside. The fiscal year 2020 Budget Bill established a separate Budget Stabilization Fund as a special fund holding account, and requires the unencumbered general fund balance at the end of each fiscal year in excess of the two percent set-aside be transferred into the fund. Funds in the account require an act of the General Assembly to enable appropriation and spending authority.

## **ECONOMIC CONDITION AND OUTLOOK**

Delaware's economic outlook is stable with forecasters suggesting continued steady economic performance over the next two years. Delaware's per capita personal income in 2018 ranked 21<sup>st</sup> in the U.S. and was 96 percent of the national average having increased by 3.1 percent from 2017 compared to 3.8 percent for the nation. Aggregate personal income growth will likely continue to lag national levels due, in part, to high levels of in-migration among retirees. Delaware is unique in its Mid-Atlantic location for positive net migration both domestically and on a total migration basis. The state's low costs attract businesses and its low taxes and cost of living draw residents from neighboring states.

Labor force growth remains solid and the state's unemployment rate, which has been consistently below the nation's rate for the past 20 years, rising slightly above in 2017, ended the fiscal year at 3.2 percent compared to the national rate of 3.7 percent.

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. Financial services firms with at least 250 employees accounted for 91% of statewide financial services employment in 2017, up from 88% in 2007.

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. (NYSE: JPM), Bank of America, N.A. (NYSE: BAC) and Capital One (NYSE: COF), 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. With the highest concentration of financial services jobs of any U.S. state, Delaware continues to attract companies, existing and start-ups, such as Acorns, College Ave Student Loans, Fair Square Financial, Marlette Funding and Social Finance, Inc. (SoFi). Between 2009 and 2018, 199 fintech patents were assigned to Delaware-based individuals and companies, ranking first in the U.S. on a per capita basis and fifth in absolute terms.

In response to the potential loss of The Chemours Company (NYSE: CC), Delaware enacted The Delaware Competes Act resulting in Chemours' commitment to maintain its administrative headquarters in Wilmington, Delaware and further demonstrating its commitment by 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. In February 2018, Corteva Agriscience (NYSE: CTVA) representing the combination of DuPont Crop Protection, DuPont Pioneer and Dow Agrosiences became an independent company with \$14.3 billion in sales. In June 2019, DuPont de Nemours began doing business as DuPont (NYSE: DD) representing the specialty products business offering legacy products like Kevlar, Tyvek, solar panels, Styrofoam, and Great Stuff foam insulation. Net sales are expected to be \$22.6 billion.

The Port of Wilmington, centrally located on the East Coast with easy access to rail and highway transportation systems, is owned by the Diamond State Port Corporation (“DSPC”), a membership corporation with the Department of State as the sole member. On October 3, 2018, Governor John Carney and DSPC officials signed a concession agreement with GT USA Wilmington LLC (“GT”), the local subsidiary of global shipping company Gultainer. The 50-year lease agreement gives GT the right to commercially redevelop and operate the existing Port facilities, and to develop, finance and operate new port facilities at Edgemoor, a site north of the Port of Wilmington purchased by DSPC from DuPont in 2017. In exchange for GT’s right to operate, DSPC will receive an annual concession fee and DSPC, and the State, are released from further funding commitments. Over the next 10 years, GT is expected to make investments of nearly \$600 million in the existing port and a new container terminal at Edgemoor. The capital investment along with technology improvements are expected to produce over 6,000 direct, indirect and induced jobs.

To support small, technology start-ups, 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 Milken Institute, in a study that evaluates each state in the U.S. by several factors, including access to startup capital and startup activity, ranked Delaware 7th. In the sub-index measuring the ability of tech and science companies to obtain investment, Delaware ranked 15, up from an average rank of 29, and ranked 5th in the strength of its tech and science workforce and its business startup rate of 53.4 per 1,000 residents.

With the transition of the former Chrysler plant to the STAR campus, Delaware has the potential to lead the bioscience sector. The STAR Campus, an example of Delaware’s efforts to reinvigorate, modernize, and repurpose its manufacturing base, 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 Newark, steps away from the STAR campus, a groundbreaking ceremony was held for a new station building at the Newark Rail Station. The three-phase, \$50 million renovation project added a new station building, accessible platforms and new tracks, which now carry Amtrak and SEPTA trains. The project allows for expansion of SEPTA service at the station and for a possible extension of MARC service from Maryland.

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. Early examples of its success are the grand opening of Adesis Inc.'s 50,000 square foot, state-of-the-art chemistry laboratory to support contract research for the pharmaceutical, chemical and biomaterial industry, Wilmington PharmaTech, a research and manufacturing company which plans to hire 139 new employees and invest \$18 million in a state-of-the-science facility in Newark, Delaware and FMC, an agricultural science company, which plans to invest \$50 million in a state-of-the-art reconfiguration of a greenhouse and research facility at the company's global research and development headquarters in Newark, Delaware.

Delaware's business-friendly legal system continues to attract incorporations and limited liability company and partnership formations. In the 2019 Lawsuit Climate Survey conducted for the U.S. Chamber Institute for Legal Reform, Delaware was ranked #1 for having a fair and reasonable liability system. 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. As of June 2019, the total number of active business entities registered with the Division of Corporations exceeded 1.4 million.

Delaware continues to diversify its gaming portfolio. In June 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. Lottery proceeds are expected to exceed \$200 million in fiscal 2020.

## INDEPENDENT AUDIT

The accounting firm of CliftonLarsonAllen, LLP has audited the State's basic financial statements for the fiscal year ended June 30, 2019. 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, 401 Federal Street, Dover, Delaware 19901.

## CERTIFICATE OF ACHIEVEMENT

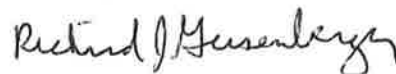
The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the State of Delaware for its CAFR for the fiscal year ended June 30, 2018. The Certificate of Achievement is a prestigious national award 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, 2018**

*Christopher P. Morill*

Executive Director/CEO

**STATE OF DELAWARE  
SELECTED STATE OFFICIALS  
AS OF JUNE 30, 2019**

**KEY ELECTED OFFICIALS:**

Governor	John Carney
Lieutenant Governor	Bethany Hall-Long
Attorney General	Kathy Jennings
State Treasurer	Colleen C. Davis
Auditor of Accounts	Kathleen K. McGuinness
Insurance Commissioner	Trinidad Navarro

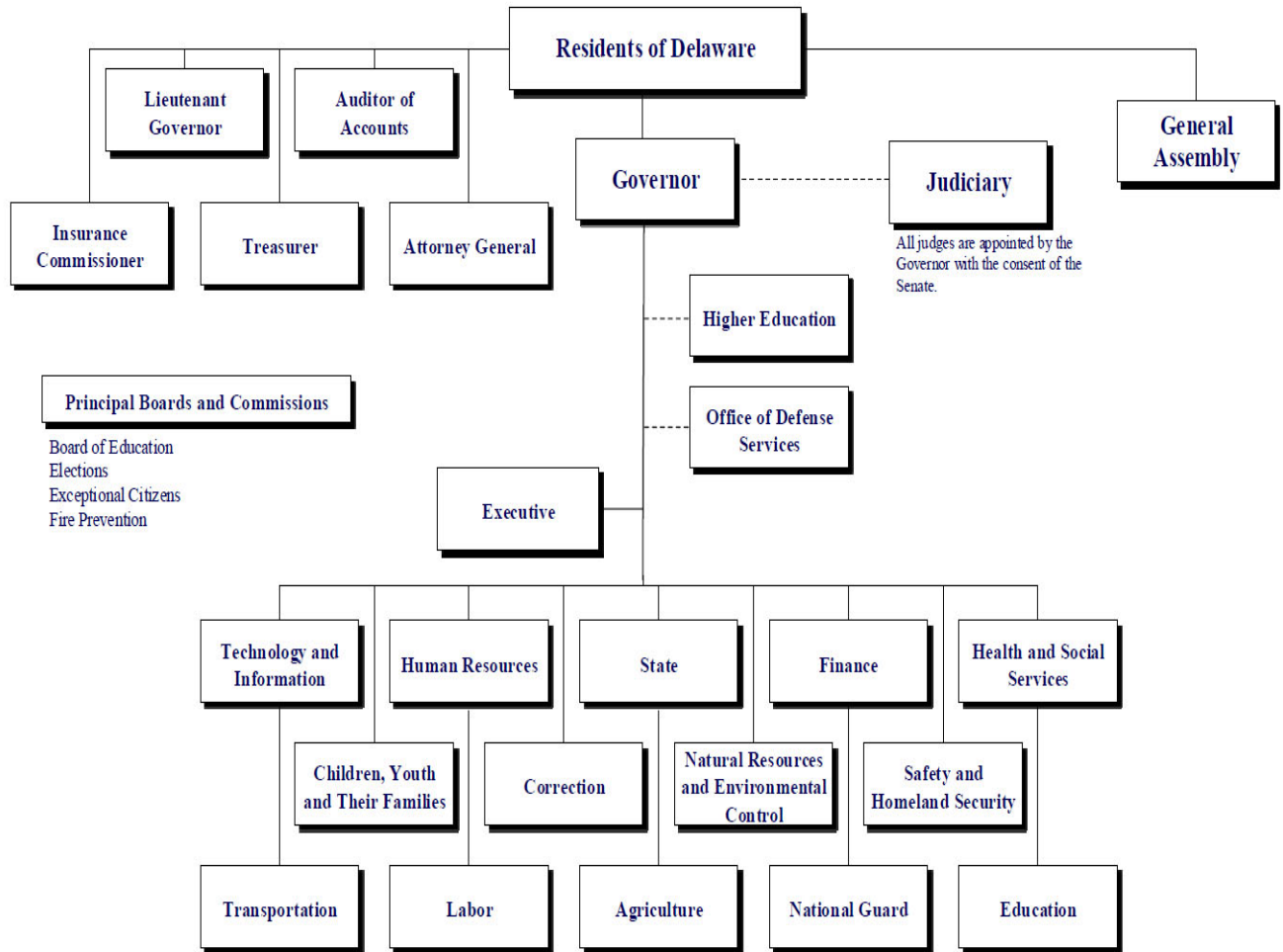
**KEY LEGISLATIVE OFFICIALS:**

President Pro Tem of the Senate	David B. McBride
Senate Majority Leader	Nicole Poore
Senate Minority Leader	Gerald W. Hocker
Speaker of the House of Representatives	Peter C. Schwartzkopf
House of Representatives Majority Leader	Valerie Longhurst
House of Representatives Minority Leader	Daniel B. Short

**CABINET POSITIONS AND OTHER APPOINTED OFFICIALS:**

Agriculture	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	Sandra Ross Johnson
Labor	Cerron Cade
Delaware National Guard	Adjutant General Michael R. Berry
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, 2019, 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 relates 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%
Discretely Presented Component Units	86%	74%
General Fund	2%	0%
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, 2019, 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 of a Component Unit***

As discussed in Note 23 to the financial statements, one of the State's discretely presented component units, the Diamond State Port Corporation, early adopted GASB Statement No. 87, *Leases*. The financial statements of the Diamond State Port Corporation were audited by other auditors and included an emphasis of matter paragraph. The other auditors' opinion on those financial statements was not modified with respect to this matter. As discussed in Note 1 to the financial statements, GASB Statement No. 87 will be adopted for the full reporting entity of the State for the period beginning July 1, 2020 as required by the Governmental Accounting Standards Board. Our auditors' opinion was not modified with respect to this matter.

### ***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

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

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our 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, 2019

## **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, 2019. 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 \$2,042.5 million (net deficit). Discretely presented component units reported a net position of \$715.5 million, an increase of \$24.0 million from the previous year's restated net position of \$691.5.
- As a result of its operations, the primary government's total net position increased by \$347.6 million (14.5%) in fiscal year 2019 when compared to the previous year's ending net position. Net position of governmental activities increased by \$219.9 million (3.6%) from the previous year, while net position of the business-type activities increased \$127.7 million (3.4%) from the previous year.
- The State's governmental funds reported combined ending fund balances of \$2,128.1 million, an increase of \$371.9 million (21.2%) in comparison with the prior year balance.
- The general fund reported unassigned fund balance of \$602.5 million which was 11.7% of total general fund expenditures.
- The State's total general obligation debt increased \$77.3 million (3.9%) during fiscal year 2019 to \$2,080.9 million. Of the State's outstanding general obligation debt, \$502.3 million (24.1%) 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 \$898.6 million in outstanding revenue bonds with \$60.4 million for energy conservation projects and \$838.2 million for transportation projects.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information and other supplementary information, in addition to the basic financial statements.



## Government-Wide Financial Statements

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

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

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

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

The government-wide financial statements include not only the State (known as the primary government), but also legally separate entities for which the State is financially accountable (discretely presented component units). These entities include the Delaware State Housing Authority, the Diamond State Port Corporation, the Riverfront Development Corporation, Delaware State University, the Delaware Agricultural Lands Preservation Foundation, and 23 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 158 - 161 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 132 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 153 - 157.

### **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 - 128 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 130 - 151 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 \$2,042.5 million at the close of the most recent fiscal year.

The largest portion of the State's net position of \$5,185.3 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 \$1,437.1 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 \$8,664.9 million.

## Condensed Financial Information - Primary Government

As of June 30, 2019

(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets:</b>						
Non-capital Assets	\$ 3,729,904	\$ 3,271,345	\$ 655,986	\$ 722,765	\$ 4,385,890	\$ 3,994,110
Capital Assets	3,689,056	3,681,574	5,010,631	4,793,892	8,699,687	8,475,466
Total Assets	7,418,960	6,952,919	5,666,617	5,516,657	13,085,577	12,469,576
Deferred Outflows of Resources	730,394	846,673	68,308	68,524	798,702	915,197
<b>Liabilities:</b>						
Long-term Liabilities						
Outstanding	11,651,622	11,746,988	1,515,347	1,524,149	13,166,969	13,271,137
Other Liabilities	1,269,662	1,229,137	245,475	239,823	1,515,137	1,468,960
Total Liabilities	12,921,284	12,976,125	1,760,822	1,763,972	14,682,106	14,740,097
Deferred Inflows of Resources	1,140,795	956,112	103,891	78,677	1,244,686	1,034,789
<b>Net Position:</b>						
Net Investment in						
Capital Assets	1,212,698	1,298,089	3,972,588	3,766,560	5,185,286	5,064,649
Restricted	1,077,843	1,044,556	359,207	380,463	1,437,050	1,425,019
Unrestricted Deficit	(8,203,266)	(8,475,290)	(461,583)	(404,490)	(8,664,849)	(8,879,780)
Total Net Position	\$ (5,912,725)	\$ (6,132,645)	\$ 3,870,212	\$ 3,742,533	\$ (2,042,513)	\$ (2,390,112)

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

**Changes in Net Position - Primary Government**  
**For Year End June 30, 2019**  
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 620,818	\$ 575,322	\$ 1,496,021	\$ 1,314,914	\$ 2,116,839	\$ 1,890,236
Operating Grants and Contributions	2,343,756	2,377,841	212,604	236,688	2,556,360	2,614,529
<b>General Revenues:</b>						
<b>Taxes:</b>						
Personal Income Taxes	1,349,476	1,309,214	-	-	1,349,476	1,309,214
Business Taxes	2,595,385	2,490,985	-	-	2,595,385	2,490,985
Real Estate Taxes	687,858	661,856	-	-	687,858	661,856
Other Taxes	355,350	309,194	-	-	355,350	309,194
Investment Income (Loss)	47,355	23,255	9,753	9,908	57,108	33,163
Miscellaneous	27,539	30,033	-	-	27,539	30,033
<b>Total Revenues</b>	<b>8,027,537</b>	<b>7,777,700</b>	<b>1,718,378</b>	<b>1,561,510</b>	<b>9,745,915</b>	<b>9,339,210</b>
<b>Expenses:</b>						
General Government	859,261	725,609	-	-	859,261	725,609
Health and Children's Services	3,355,780	3,459,649	-	-	3,355,780	3,459,649
Judicial and Public Safety	772,871	723,807	-	-	772,871	723,807
Natural Resources and Environmental Control	182,155	147,578	-	-	182,155	147,578
Labor	62,624	65,780	-	-	62,624	65,780
Education	2,784,951	2,622,988	-	-	2,784,951	2,622,988
Interest Expense	57,736	87,693	-	-	57,736	87,693
Lottery	-	-	524,025	390,901	524,025	390,901
Transportation/DelDOT	-	-	739,732	712,290	739,732	712,290
Unemployment	-	-	59,181	61,137	59,181	61,137
<b>Total Expenses</b>	<b>8,075,378</b>	<b>7,833,104</b>	<b>1,322,938</b>	<b>1,164,328</b>	<b>9,398,316</b>	<b>8,997,432</b>
Increase (Decrease) in Net Position Before Transfers	(47,841)	(55,404)	395,440	397,182	347,599	341,778
Transfers	267,761	250,778	(267,761)	(250,778)	-	-
Increase (Decrease) in Net Position	219,920	195,374	127,679	146,404	347,599	341,778
Net Position - Beginning of Year	(6,132,645)	(6,328,019)	3,742,533	3,596,129	(2,390,112)	(2,731,890)
Net Position - End of Year	<b>\$ (5,912,725)</b>	<b>\$ (6,132,645)</b>	<b>\$ 3,870,212</b>	<b>\$ 3,742,533</b>	<b>\$ (2,042,513)</b>	<b>\$ (2,390,112)</b>

## Governmental Activities

The capital assets of the governmental activities increased by \$7.5 million (0.2%) from the prior year. The increase is due largely to increase in new buildings, mainly schools.

The increase in governmental activities non-capital assets is mainly due to an increase in pooled cash and investments as a result of revenues and charges for services that exceeded the increase in expense and an increase in the net pension asset.

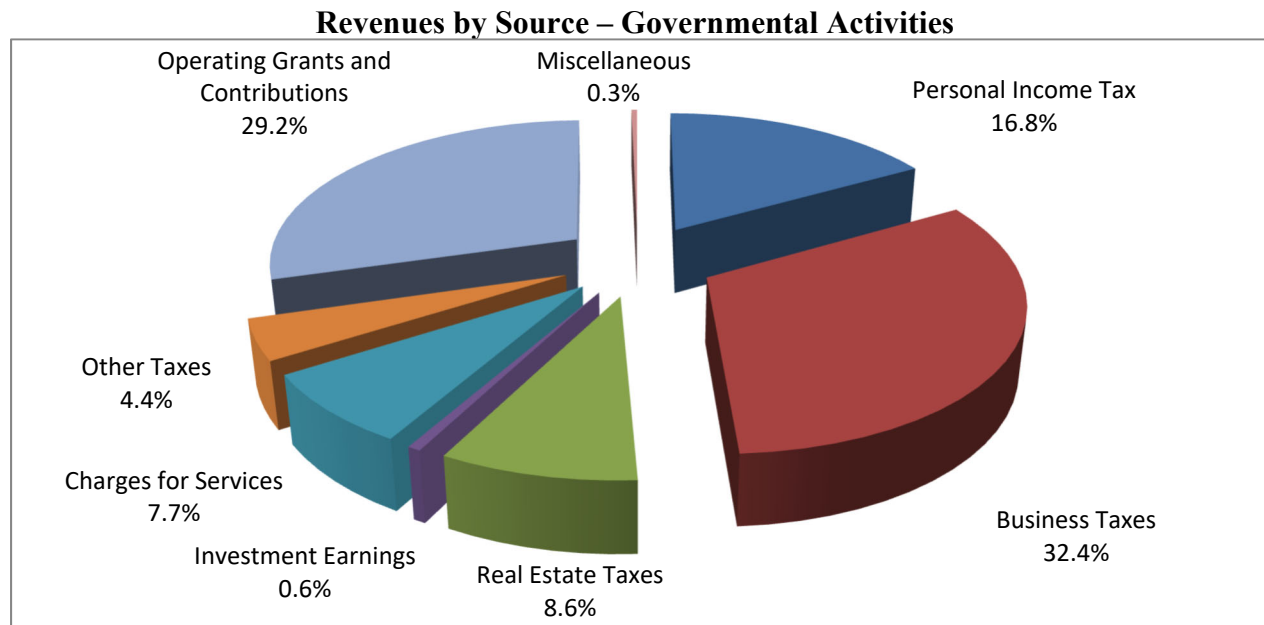
The decrease in governmental activities long-term liabilities outstanding of \$95.4 million (0.8%) is primarily due to decreases in the net OPEB liability of \$54.5 million and pension liability of \$187.0 million, offset by increases in the escheat liability of \$35.0 million, general obligation long term debt of \$77.4 million, revenue bonds of \$16.2 million, and compensated absences of \$12.3. The State's debt as a percentage of the State's personal income was 6.7% in both fiscal years 2019 and 2018. The State's debt burden reflects its centralized role in financing facilities, such as schools and prisons.

Deferred outflows of resources are \$730.4 million, a decrease of \$116.3 million (13.7%) and are largely for difference between expected and actual experience, changes in proportion, and changes in assumptions for OPEB and the pension plans. Deferred inflows of resources are \$1,140.8, an increase of \$184.7 million and are largely for difference between projected and actual investment earnings, difference in expected and actual experience, and changes in assumptions for OPEB and the pension plans.

Since fiscal year 2018, the net position for governmental activities has increased by \$219.9 million. A comparison of the cost of services by function for the State’s governmental activities is shown in the following chart, along with the revenues used to cover the net expenses of the governmental activities. Key elements of the increase in the State’s net position from governmental activities are as follows:

Total general revenues of governmental activities increased overall by \$238.4 million (4.9%) relating primarily to increases in personal income taxes of \$40.3 million (3.1%), increases in business taxes of \$104.4 million (4.2%), increases in real estate taxes of \$26.0 million (3.9%), and increases in other taxes of \$46.1 million (14.9%). 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 continued new home construction.

Program revenues increased by \$11.4 million (0.4%) from the prior year primarily due to an increase in charges for services, offset by a decrease in operating grants and contributions.

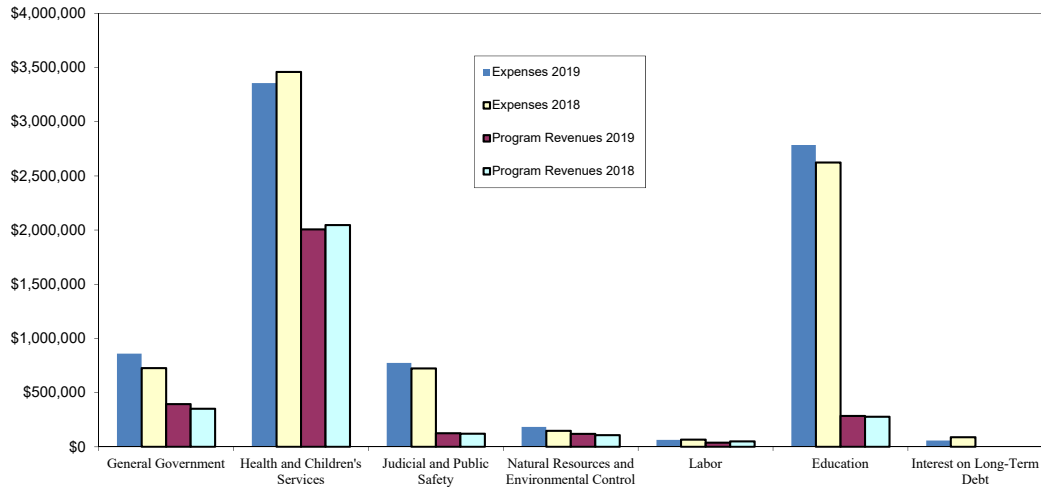


Expenses for governmental activities, not including interest on long-term debt, increased during fiscal year 2019 by \$272.2 million (3.5%). The increase in governmental activities is primarily due to increased budget authority expenditures for capital projects, salaries, and fringe benefits of \$162.0 million (6.2%) for Education, \$133.7 million (18.4%) for General Government, \$34.6 million for the Department of Natural Resources and Environmental Control, and \$49.1 million

for Public Safety (6.8%). The Department Health and Children’s Services decreased by \$103.9 million (3.0%) is due to a stable Medicaid eligibility population and lower-than-expected rates from the Managed Care Organizations.

**Expenses and Program Revenues – Governmental Activities**

(Expressed in Thousands)



**Business-type Activities**

The net position for business-type activities increased by \$127.7 million (3.4%) in fiscal year 2019. This increase is comprised of a \$112.2 million (11.8%) increase in net position for DelDOT plus a \$15.5 million (19.5%) in the Unemployment Insurance Trust Fund.

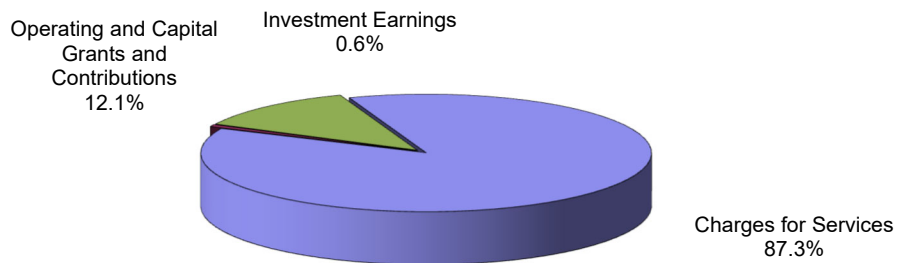
DelDOT’s net position at June 30, 2019 increased by \$112.2 million from June 30, 2018. Change in net position decreased from \$127.2 million in fiscal year 2018 to \$112.2 million in fiscal year 2019. DelDOT’s total operating revenues increased by \$50.9 million (8.6%) while operating expenses increased by \$8.7 million (1.3%). The change in revenue is primarily attributable to increases in motor fuel tax revenues, motor vehicle registration fees, and passenger fares. The increase in operating expenditures is primarily due to the upkeep and operations of the rail projects, storm events, and pavement and rehab projects in each county. Nonoperating revenues decreased by \$44.1 million (19.7%) due to decreased federal revenues to fund the U.S. 301 project and a decrease in investment returns. Total capital assets (net of depreciation) increased \$216.7 million to \$5,010.6 million during fiscal year 2019 primarily as a result of infrastructure spending for U.S. 301 and State Route 1 projects, increases truck, tractor and equipment purchases, and increases in land improvements.

The increase of \$15.5 million in fiscal year 2019 compared to an increase of \$19.2 million in fiscal year 2018 for the Delaware Unemployment Insurance Trust Fund net position is due to decreases in the State unemployment taxes and unemployment benefits paid. The operating revenues decreased by \$6.5 million (8.5%) due to decreases in unemployment taxes collected. The decreases are a result of continued improvements in the economy, which resulted in fewer individuals collecting unemployment benefits.

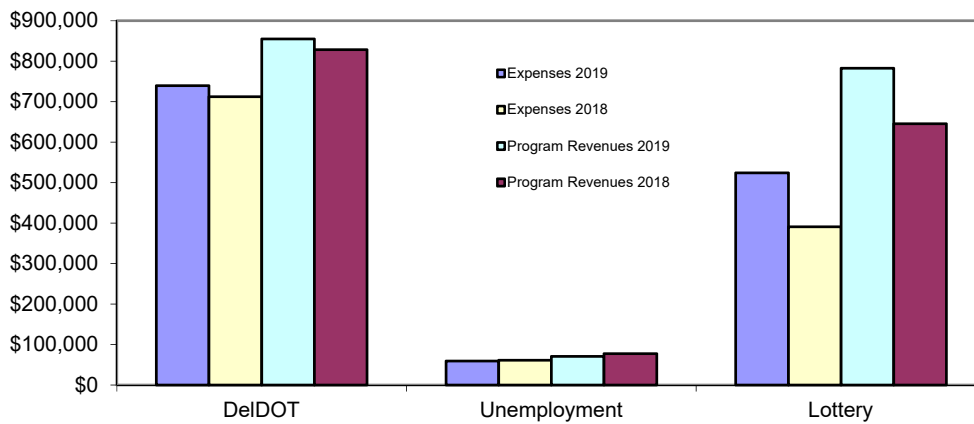
There was no change in the Lottery’s net position. By law, the Lottery’s net position cannot exceed \$1.0 million. Lottery revenue for fiscal year 2019 showed an increase over fiscal year 2018 of \$137.0 million or 21.2%. Fiscal year 2019 included a record year for instant sales, resulting in an increase of \$9.2 million (13.0%) over fiscal year 2018; a record Mega Millions billion-dollar jackpot, resulting in an increase of \$8.6 million (71.1%) over fiscal year 2018; an increase in video lottery, resulting in an increase of \$13.6 million (3.8%) over fiscal year 2018; and reflects a full year of sports bettings, resulting in an increase of \$103.9 million (189.9%) over fiscal year 2018.

The Lottery transferred \$258.7 million in gaming revenues to the State, an increase of \$3.9 million (1.5%).

**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 \$2,128.1 million, an increase of \$371.9 million over the prior year fund balance.

Of this amount, \$37.8 million is nonspendable (1.8%), either due to its form or legal constraints, \$1,077.8 million (50.3%) is restricted for specific programs by external constraints, and \$300.3 million (14.1%) is committed for specific purposes pursuant to constraints imposed by a formal action of the Delaware Legislature. An additional \$109.7 million (5.2%) has been assigned to specific purposes by management. The remaining \$602.5 million (28.4%) of fund balance is unassigned.

#### ***General Fund***

The General Fund accounts for the operation and administration of the State. The fund balance increased by \$356.2 million for the fiscal year.

Total General Fund revenues increased by \$242.1 million (5.0%) which was due to several factors. Personal income taxes increased by \$40.3 million, which was due to increased collections with rising personal income. Business taxes increased by \$104.4 million due to increased franchise tax rates and continued economic improvement. In addition, licenses, fees, permits and fines and other tax revenue increased by \$36.5 million and \$46.2 million, respectively, due to increased sales and increased realty transfer taxes. Interest and other investment income increase of \$17.2 million is due to better market conditions leading to favorable short term yields and flatter long term yields.

Total General Fund expenditures increased by \$391.8 million (8.2%). This was primarily due to increases in General Government of \$226.3 million, Education of \$90.3 million, Public Safety of \$48.2 million, and Natural Resources and Environmental Control of \$31.8 million due to increased expenditures for salaries, fringe benefits and capital projects.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$602.5 million, and the total fund balance was \$1,300.9 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 decreased by \$22.0 and \$52.2 million, respectively. Revenues and expenditures decreased for Health and Children's Services by \$21.8 and \$60.7 million, respectively, due to a stable Medicaid eligibility population and lower-than-expected rates from the Managed Care Organizations.

*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 \$16.7 million to \$323.1 million primary due to increased taxes of \$26.0 million and increased interest and other investment income of \$6.6 million, offset by an increase in expenditures of \$20.6 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 \$273.8 million in fiscal year 2019, an increase of \$23.0 million due to an increase in construction projects in fiscal year 2019.

*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 2019 by \$127.7 million as a result of operations. Pages 11 - 12 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 \$197.5 million.

Revenues were \$198.8 million (4.5%) more than the previous fiscal year. This was due to increases in personal income tax of \$99.3 million (7.0%), corporate income tax of \$58.1 (64.8%) franchise fees of \$47.3 million (5.6%), limited partnership and LLCs of \$16.9 million (5.5%), insurance tax and fees of \$10.7 million (15.7%), and realty transfer taxes of \$10.5 million (7.3%). The increases in personal income taxes and corporate income taxes are due to rising personal income, a low unemployment rate, and strong economic conditions.

Expenditures were \$276.1 million (6.7%) more than the previous fiscal year. Salaries and wages increased by \$78.8 million (5.5%), fringe benefits increased by \$14.7 million (3.1%), pension and

benefit costs increased by \$44.2 million (13.9%), Grants-in-Aid increased by \$370.5 million (102.1%), contractual services increased by \$62.8 million (11.9%) and Supplies increased by \$7.5 million (12.0%). Medicaid costs decreased by \$305.0 million (40.7%), and debt service payments decreased by \$3.3 million (1.8%).

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 2018 to fiscal year 2019 are increases of \$117.3 million for General Government, \$91.7 million for Education, and \$47.1 million for Judicial and Public Safety, respectively, due to salary increases, fringe benefit costs, and multi-year ongoing projects.

Funded projects, which are not completed by year-end, may carry over unspent funds into fiscal year 2019. Unspent funds are reflected in the final budget which may cause variances from original budget.

Actual revenues for the general fund were \$7.7 million more than budgeted due largely to increased personal income, corporate, and franchise taxes collected during fiscal year 2019. For the special fund, actual revenues exceed budgeted by \$149.8 due to additional grants received. Actual expenditures were \$182.1 million for the general fund and \$132.2 million for the special fund less than budgeted primarily due to lower Medicaid expenses as a result of a stable Medicaid eligibility population and lower-than-expected rates from the Managed Care Organizations.

## **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, 2019, amounted to \$8,699.7 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles and equipment, easements, roads, highways, and bridges. The total increase in capital assets for governmental activities was \$7.5 million (0.2 %) and the increase for business-type activities was \$216.7 million (4.5%).

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 and State Route 1. The increase is primarily a result of the following infrastructure and equipment spending: U.S. 301 – \$71.5 million; State Route 1 – \$37.2 million; truck, tractor, and equipment purchases – \$13.5 million; and land improvements – \$8.2 million.

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 847 bridges that the State is responsible to maintain with a total book value of \$4,301.4 million as of June 30, 2019.

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 847 bridge structures that were rated in 2019, 76.2% received good or better BCR rating, 21.1% were rated fair, and 2.7% received a substandard rating. Of the 8,315,420 square feet of bridge deck that was rated, 64.1%, or 5,332,466 square feet, received an OPC condition rating of good or better, 31.6% received a fair rating, and 4.3% received a substandard deck rating. Of the 4,455 center-line miles that were rated in 2017, 90.5% received a fair or better OPC rating and 6.7% received a poor rating. No roadway condition assessment was performed for Fiscal Year 2019.

For 2019, the estimated and actual expenditures to maintain and preserve the Department's infrastructure were \$402.5 million and \$356.8 million, respectively.

Additional information on the State's capital assets can be found in Note 1 on pages 45 - 46, Note 6 on pages 77 - 79 and pages 135 - 136 in the Required Supplementary Information.

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

## State of Delaware Capital Assets as of June 30, 2019

Net of Depreciation  
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 501,660	\$ 494,654	\$ 357,779	\$ 320,563	\$ 859,439	\$ 815,217
Land Improvements	175,055	172,765	6,011	4,857	181,066	177,622
Buildings	2,554,337	2,490,798	144,479	131,622	2,698,816	2,622,420
Easements	83,550	83,297	-	-	83,550	83,297
Equipment, Vehicles and Computer Software	222,115	285,544	142,375	138,621	364,490	424,165
Infrastructure	-	-	4,301,367	4,185,972	4,301,367	4,185,972
Construction-In-Progress	152,339	154,516	58,620	12,257	210,959	166,773
	<u>\$ 3,689,056</u>	<u>\$ 3,681,574</u>	<u>\$ 5,010,631</u>	<u>\$ 4,793,892</u>	<u>\$ 8,699,687</u>	<u>\$ 8,475,466</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 \$2,080.9 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, 2019, \$502.3 million, or 24.1%, of the State's outstanding debt was issued on behalf of local school districts. Local school districts transferred \$66.5 million of property tax revenue to the State to cover related debt service during fiscal year 2019.

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 2019, debt authorization was limited to \$218.2 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 6.2% 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 2019, 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 2019. On February 26, 2019, the State issued \$246.0 million of general obligation bonds maturing between February 1, 2020 and February 1, 2039. The \$246.0 million was issued as Series 2019 representing new money, the proceeds of which were used to fund various capital projects as authorized by the General

Assembly. The bonds bear coupons between 3.00% and 5.00% and yield between 1.60% and 3.33%. Subsequent to year-end, on August 14, 2019, the State issued \$104.4 million of general obligation refunding bonds maturing between October 1, 2020 and October 1, 2029. The \$104.4 million was issued as Series 2019A representing refunding bonds, the proceeds of which will be applied to fund to maturity or refund a portion of the State's outstanding series 2009D bonds. The bonds bear coupons of 5.0% and yield between 0.92% and 1.23%.

In addition, the Sustainable Energy Utility, Inc. (SEU) had \$60.4 million of Revenue Bonds, Series 2011 and Series 2019 outstanding as of June 30, 2019. On February 5, 2019, the SEU issued \$18.7 million as Series 2019 revenue bonds maturing between June 15, 2019 and December 15, 2039. The bonds bear coupons between 3.00% and 5.00% and yield between 1.70% and 3.70%. 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 \$838.2 million to support its ongoing capital transportation program which includes \$56.7 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 \$191.9 million as of June 30, 2019.

Additional information on the State of Delaware's long-term debt can be found in Notes 8, 9, and 10 on pages 80 - 93 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 19, 2019 to prepare the final revenue and expenditure estimates upon which the fiscal year 2020 operating and capital budgets would be based. Forecasters suggest continued steady economic performance with Delaware employment, at its highest levels, growing at a steady pace over the next two year horizon.

The fiscal year 2020 operating and capital budgets were well below budgetary spending limitations imposed by law. The fiscal year 2020 operating budget, along with supplemental appropriations, was \$4,753.3 million, and was based on the revenue resolution passed by the General Assembly in the amount of \$4,986.3 million. The 2020 operating budget included \$55.1 million in appropriations to the Grant-in-Aid bill, \$62.0 million in one-time supplemental appropriations and \$184.3 million in operating cash to supplement the capital budget. Less than 96% of expected revenue in fiscal 2020 has been appropriated with an additional \$126.3 million set aside in a special budget stabilization fund.

### **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, 2019**  
(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	\$ 23,305	\$ 244,560	\$ 267,865	\$ 65,154
Pooled Cash and Investments	1,948,566	13,480	1,962,046	81,540
Receivables, Net	788,788	85,128	873,916	562,456
Interfund Balances	(34,786)	34,786	-	-
Inventories	5,541	21,998	27,539	-
Prepaid Items	-	-	-	4,432
Investments	185,140	103,689	288,829	373,036
Other Assets	-	2,939	2,939	1,464
Restricted Assets:				
Pooled Cash and Investments	805,033	-	805,033	8,483
Deposit on Hold with Trustee	4,232	-	4,232	-
Restricted Investments	-	149,406	149,406	13,481
Net Pension Asset	4,085	-	4,085	-
Other Restricted Assets	-	-	-	1,523
Capital Assets:				
Non-Depreciable Assets	737,549	4,739,866	5,477,415	341,661
Depreciable Capital Assets, Net	2,951,507	270,765	3,222,272	587,477
<b>Total Capital Assets, Net</b>	<u>3,689,056</u>	<u>5,010,631</u>	<u>8,699,687</u>	<u>929,138</u>
<b>Total Assets</b>	<u>7,418,960</u>	<u>5,666,617</u>	<u>13,085,577</u>	<u>2,040,707</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>730,394</u>	<u>68,308</u>	<u>798,702</u>	<u>116,709</u>
<b>LIABILITIES</b>				
Accounts Payable	793,976	110,127	904,103	20,350
Accrued Liabilities	65,312	17,345	82,657	34,836
Accrued Interest Payable	31,259	14,773	46,032	3,279
Unearned Revenue	2,542	-	2,542	11,408
Escrow Deposits	-	11,503	11,503	-
Advances from Federal Government	5,915	-	5,915	-
Due Within One Year	370,658	91,727	462,385	21,279
Agency Funds Held for Others	-	-	-	678
Due In More Than One Year	2,995,156	1,011,399	4,006,555	506,037
Net Pension Liability, Due In More Than One Year	1,541,699	60,380	1,602,079	90,016
Net OPEB Liability, Due In More Than One Year	7,114,767	443,568	7,558,335	540,516
<b>Total Liabilities</b>	<u>12,921,284</u>	<u>1,760,822</u>	<u>14,682,106</u>	<u>1,228,399</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>1,140,795</u>	<u>103,891</u>	<u>1,244,686</u>	<u>213,556</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,212,698	3,972,588	5,185,286	617,566
Restricted For:				
Debt Service	-	181,072	181,072	-
Federal and State Regulations	1,077,843	-	1,077,843	403,806
Bond Covenants	-	-	-	34,260
Unemployment Benefits	-	178,135	178,135	-
Loan Program	-	-	-	72,544
Other Purposes	-	-	-	33,615
Unrestricted (Deficit)	<u>(8,203,266)</u>	<u>(461,583)</u>	<u>(8,664,849)</u>	<u>(446,330)</u>
<b>Total Net Position (Deficit)</b>	<u>\$ (5,912,725)</u>	<u>\$ 3,870,212</u>	<u>\$ (2,042,513)</u>	<u>\$ 715,461</u>



**STATE OF DELAWARE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position			Discretely Presented Component Units
		Charges for Services	Grants and Contributions		Governmental Activities	Primary Government		
			Operating	Capital		Business-type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General Governmental Services	\$ 859,261	\$ 359,528	\$ 34,141	\$ -	\$ (465,592)	\$ -	\$ (465,592)	\$ -
Health and Children's Services	3,355,780	49,114	1,956,597	-	(1,350,069)	-	(1,350,069)	-
Judicial and Public Safety	772,871	80,579	44,065	-	(648,227)	-	(648,227)	-
Natural Resources and Environmental Control	182,155	81,587	37,027	-	(63,541)	-	(63,541)	-
Labor	62,624	7,805	30,026	-	(24,793)	-	(24,793)	-
Education	2,784,951	42,205	241,900	-	(2,500,846)	-	(2,500,846)	-
Interest on Long-term Debt	57,736	-	-	-	(57,736)	-	(57,736)	-
<b>Total Governmental Activities</b>	<b>8,075,378</b>	<b>620,818</b>	<b>2,343,756</b>	<b>-</b>	<b>(5,110,804)</b>	<b>-</b>	<b>(5,110,804)</b>	<b>-</b>
<b>Business-type Activities:</b>								
Lottery	524,025	782,717	-	-	-	258,692	258,692	-
DelDOT	739,732	642,904	212,039	-	-	115,211	115,211	-
Unemployment	59,181	70,400	565	-	-	11,784	11,784	-
<b>Total Business-type Activities</b>	<b>1,322,938</b>	<b>1,496,021</b>	<b>212,604</b>	<b>-</b>	<b>-</b>	<b>385,687</b>	<b>385,687</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 9,398,316</b>	<b>\$ 2,116,839</b>	<b>\$ 2,556,360</b>	<b>\$ -</b>	<b>(5,110,804)</b>	<b>385,687</b>	<b>(4,725,117)</b>	<b>-</b>
<b>Discretely Presented Component Units:</b>								
Delaware State Housing Authority	\$ 89,529	\$ 25,128	\$ 88,571	\$ 527	-	-	-	24,697
Diamond State Port Corporation	26,488	-	18,072	6,194	-	-	-	(2,222)
Riverfront Development Corporation	11,289	3,065	-	8,356	-	-	-	132
Delaware State University	155,101	83,943	12,678	13,400	-	-	-	(45,080)
Delaware Charter Schools	241,704	5,084	20,492	2,137	-	-	-	(213,991)
Delaware Agricultural Lands Preservation Foundation	984	421	10,520	844	-	-	-	10,801
<b>Total Discretely Presented Component Units</b>	<b>\$ 525,095</b>	<b>\$ 117,641</b>	<b>\$ 150,333</b>	<b>\$ 31,458</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(225,663)</b>
<b>General Revenues:</b>								
Taxes:								
Personal Income					1,349,476	-	1,349,476	-
Business					2,595,385	-	2,595,385	-
Real Estate					687,858	-	687,858	-
Other					355,350	-	355,350	-
Unrestricted Payments from Primary Government					-	-	-	228,032
Investment Income					47,355	9,753	57,108	16,672
Miscellaneous					27,539	-	27,539	4,888
Transfers In (Out)					267,761	(267,761)	-	-
<b>Total General Revenues and Transfers</b>					<b>5,330,724</b>	<b>(258,008)</b>	<b>5,072,716</b>	<b>249,592</b>
Changes in Net Position					219,920	127,679	347,599	23,929
<b>Net Position - Beginning As Restated (Note 1)</b>					<b>(6,132,645)</b>	<b>3,742,533</b>	<b>(2,390,112)</b>	<b>691,532</b>
<b>Net Position - Ending</b>					<b>\$ (5,912,725)</b>	<b>\$ 3,870,212</b>	<b>\$ (2,042,513)</b>	<b>\$ 715,461</b>

**STATE OF DELAWARE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019  
(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	\$ 14,727	\$ 1,924	\$ 6,654	\$ -	\$ 23,305
Pooled Cash and Investments	2,199,261	-	348,635	205,703	2,753,599
Deposit on Hold with Trustee	4,232	-	-	-	4,232
Investments	185,140	-	-	-	185,140
Accounts Receivable, Net	97,828	43,602	152	-	141,582
Taxes Receivable, Net	74,893	-	48,642	-	123,535
Intergovernmental Receivables, Net	-	167,419	-	-	167,419
Loans and Notes Receivable, Net	36,433	319,819	-	-	356,252
Due from Other Funds	25,639	-	-	-	25,639
Inventories	5,541	-	-	-	5,541
<b>TOTAL ASSETS</b>	<u>\$ 2,643,694</u>	<u>\$ 532,764</u>	<u>\$ 404,083</u>	<u>\$ 205,703</u>	<u>\$ 3,786,244</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 575,210	\$ 163,203	\$ 34,110	\$ 21,453	\$ 793,976
Accrued Liabilities	65,312	-	-	-	65,312
Other Liabilities	865	-	-	-	865
Escheat Liability	550,000	-	-	-	550,000
Due to Other Funds	35,487	24,938	-	-	60,425
Advances from Federal Government	-	5,915	-	-	5,915
Unearned Revenue	2,542	-	-	-	2,542
<b>Total Liabilities</b>	<u>1,229,416</u>	<u>194,056</u>	<u>34,110</u>	<u>21,453</u>	<u>1,479,035</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>113,354</u>	<u>18,889</u>	<u>46,893</u>	<u>-</u>	<u>179,136</u>
<b>FUND BALANCES</b>					
Nonspendable	37,820	-	-	-	37,820
Restricted	250,694	319,819	323,080	184,250	1,077,843
Committed	300,246	-	-	-	300,246
Assigned	109,702	-	-	-	109,702
Unassigned	602,462	-	-	-	602,462
<b>Total Fund Balances</b>	<u>1,300,924</u>	<u>319,819</u>	<u>323,080</u>	<u>184,250</u>	<u>2,128,073</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>	<u>\$ 2,643,694</u>	<u>\$ 532,764</u>	<u>\$ 404,083</u>	<u>\$ 205,703</u>	<u>\$ 3,786,244</u>

**STATE OF DELAWARE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2019**  
(Expressed in Thousands)

<b>Total Fund Balances - Governmental Funds</b>		\$ 2,128,073
Amounts reported for governmental activities in the statement of net position are different because:		
Net pension asset available to fund future pension obligations		4,085
Net capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	501,660	
Land Improvements	175,055	
Buildings	2,554,337	
Easements	83,550	
Equipment, Vehicles and Software	222,115	
Construction in Progress	152,339	
		3,689,056
Deferred outflows of resources related to the pension and OPEB contributions, changes in proportion, change in assumptions, experience differences, and investment differences		730,394
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	179,136	
Pension investment differences, changes in proportion, and experience differences	(74,922)	
OPEB investment differences, changes in proportion, and change in assumptions	(1,016,062)	
Deferred gains on refunding of bonds	(49,811)	
		(961,659)
Certain liabilities net of related assets are not due and payable in the current period and are not reported in the fund balance sheet. These liabilities consist of:		
Interest Payable	(31,259)	
Claims and Judgments (Current and Long-term)	(184,625)	
Compensated Absences (Current and Long-term)	(180,544)	
Pollution Remediation Obligations (Current and Long-term)	(17,919)	
Notes Payable	(21,423)	
General Obligation and Revenue Bonds and Related Accounts	(2,405,123)	
Net Pension Liability, Due In More Than One Year	(1,541,699)	
Net OPEB Liability, Due In More Than One Year	(7,114,767)	
Other Long-term Obligations	(5,315)	
		(11,502,674)
<b>Total Net Position (Deficit) of Governmental Activities</b>		<b>\$ (5,912,725)</b>

**STATE OF DELAWARE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES (DEFICITS)**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
(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	\$ 1,349,476	\$ -	\$ -	\$ -	\$ 1,349,476
Business Taxes	2,594,360	-	-	-	2,594,360
Other Tax Revenue	355,347	-	688,886	-	1,044,233
Licenses, Fees, Permits and Fines	453,947	-	2,159	-	456,106
Rentals and Sales	105,895	-	11,707	-	117,602
Grants	54,790	2,298,049	2,037	-	2,354,876
Interest and Other Investment Income	38,404	-	8,948	-	47,352
Other	163,413	-	(2,571)	-	160,842
<b>Total Revenues</b>	<u>5,115,632</u>	<u>2,298,049</u>	<u>711,166</u>	<u>-</u>	<u>8,124,847</u>
<b>Expenditures</b>					
Current:					
General Government	734,112	20,774	-	-	754,886
Health and Children's Services	1,444,764	1,874,192	-	-	3,318,956
Judicial and Public Safety	718,488	38,552	-	-	757,040
Natural Resources and Environmental Control	151,310	36,541	-	-	187,851
Labor	31,065	32,886	-	-	63,951
Education	1,645,511	226,406	593,607	-	2,465,524
Unrestricted Payments to Component Unit - Education	168,034	-	59,998	-	228,032
Capital Outlay	-	-	-	273,828	273,828
Debt Service:					
Principal	172,536	-	-	-	172,536
Interest and Other Charges	90,126	-	-	-	90,126
Costs of Issuance of Debt	1,202	-	-	-	1,202
<b>Total Expenditures</b>	<u>5,157,148</u>	<u>2,229,351</u>	<u>653,605</u>	<u>273,828</u>	<u>8,313,932</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(41,516)</u>	<u>68,698</u>	<u>57,561</u>	<u>(273,828)</u>	<u>(189,085)</u>
<b>Other Sources (Uses) of Financial Resources</b>					
Transfers In	409,521	-	26,652	-	436,173
Transfers Out	(31,751)	(66,989)	(67,483)	(2,189)	(168,412)
Issuance of General Obligation Bonds	-	-	-	246,000	246,000
Issuance of Revenue Bonds - SEU	18,650	-	-	-	18,650
Premiums on Bond Sales	1,307	-	-	27,225	28,532
<b>Total Other Sources (Uses) of Financial Resources</b>	<u>397,727</u>	<u>(66,989)</u>	<u>(40,831)</u>	<u>271,036</u>	<u>560,943</u>
<b>Net Change in Fund Balances</b>	356,211	1,709	16,730	(2,792)	371,858
<b>Fund Balances - Beginning</b>	<u>944,713</u>	<u>318,110</u>	<u>306,350</u>	<u>187,042</u>	<u>1,756,215</u>
<b>Fund Balances - Ending</b>	<u>\$ 1,300,924</u>	<u>\$ 319,819</u>	<u>\$ 323,080</u>	<u>\$ 184,250</u>	<u>\$ 2,128,073</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, 2019**  
(Expressed in Thousands)

**Net Changes in Fund Balances** \$ 371,858

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	195,387	
Depreciation Expense	(184,274)	
Loss on Disposal of Assets	<u>(3,631)</u>	7,482

Change in revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds.	4,435
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Components of the debt related adjustments consist of:

Debt Service Principal Repayments (net of sinking fund in the amount of \$72)	170,889	
New Debt Issued (Face Value)	(264,650)	
Premium Received on General Obligation Bonds	(28,532)	
Amortization of Premiums on Bonds	22,274	
Amortization of Gain on Refunding of Debt	<u>5,571</u>	(94,448)

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	4,544	
Claims and Judgments	(4,574)	
Compensated Absences	(11,664)	
Pollution Remediation Obligation	2,557	
Change in Pension Liability	5,109	
Change in OPEB Liability	(66,146)	
Notes Payable	1,575	
Other Liabilities	<u>(808)</u>	(69,407)

**Change in Net Position in the Statement of Activities** \$ 219,920

**STATE OF DELAWARE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019**  
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DelDOT</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 174,712	\$ 2,772	\$ 67,076	\$ 244,560
Pooled Cash and Investments	-	1,977	11,503	13,480
Accounts Receivable, Net	7,451	12,370	23,035	42,856
Taxes Receivable, Net	20,313	-	-	20,313
Intergovernmental Receivables, Net	-	-	21,171	21,171
Interest Receivable	-	-	788	788
Inventories	-	-	21,998	21,998
Due from Other Funds	-	12,607	22,880	35,487
Other Assets	-	-	94	94
Investments:				
Unrestricted	-	-	103,689	103,689
Restricted	-	-	117,904	117,904
<b>Total Current Assets</b>	<b>202,476</b>	<b>29,726</b>	<b>390,138</b>	<b>622,340</b>
<b>Noncurrent Assets:</b>				
Investments:				
Restricted	-	-	31,502	31,502
Other Assets	-	2,845	-	2,845
Capital Assets:				
Capital Assets, Non-depreciable	-	-	4,739,866	4,739,866
Capital Assets, Depreciable, Net	-	-	270,765	270,765
<b>Total Capital Assets, Net</b>	<b>-</b>	<b>-</b>	<b>5,010,631</b>	<b>5,010,631</b>
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>2,845</b>	<b>5,042,133</b>	<b>5,044,978</b>
<b>Total Assets</b>	<b>202,476</b>	<b>32,571</b>	<b>5,432,271</b>	<b>5,667,318</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>967</b>	<b>67,341</b>	<b>68,308</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	24,341	6,872	78,914	110,127
Accrued Liabilities	-	8,545	8,800	17,345
Escrow Deposits	-	-	11,503	11,503
Interest Payable	-	-	14,773	14,773
Due to Other Funds	-	701	-	701
Pollution Remediation Obligation	-	-	14	14
Claims and Judgements	-	-	1,762	1,762
Compensated Absences	-	-	1,804	1,804
Revenue Bonds	-	-	88,147	88,147
<b>Total Current Liabilities</b>	<b>24,341</b>	<b>16,118</b>	<b>205,717</b>	<b>246,176</b>
<b>Noncurrent Liabilities:</b>				
Claims and Judgments	-	-	7,304	7,304
Liabilities Payable from Restricted Assets	-	2,845	-	2,845
Loans Payable	-	-	191,937	191,937
Net Pension Liability, Due in More Than One Year	-	1,586	58,794	60,380
Net OPEB Liability, Due in More Than One Year	-	9,824	433,744	443,568
Compensated Absences	-	-	10,854	10,854
Revenue Bonds	-	-	798,459	798,459
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>14,255</b>	<b>1,501,092</b>	<b>1,515,347</b>
<b>Total Liabilities</b>	<b>24,341</b>	<b>30,373</b>	<b>1,706,809</b>	<b>1,761,523</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>2,165</b>	<b>101,726</b>	<b>103,891</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	-	-	3,972,588	3,972,588
Restricted for:				
Debt Service	-	-	181,072	181,072
Unemployment Benefits	178,135	-	-	178,135
Unrestricted	-	1,000	(462,583)	(461,583)
<b>Total Net Position</b>	<b>\$ 178,135</b>	<b>\$ 1,000</b>	<b>\$ 3,691,077</b>	<b>\$ 3,870,212</b>

**STATE OF DELAWARE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DelDOT</u>	<u>Total</u>
<b>Operating Revenues:</b>				
Unemployment Taxes-State Funded	\$ 70,400	\$ -	\$ -	\$ 70,400
Gaming Revenue	-	782,717	-	782,717
Pledged Revenues:				
Turnpike/Toll Revenue	-	-	141,935	141,935
Motor Vehicle and Related Revenue	-	-	363,416	363,416
Toll Revenue	-	-	62,485	62,485
Passenger Fares	-	-	17,477	17,477
Miscellaneous	-	-	56,979	56,979
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Revenues	70,400	782,717	642,292	1,495,409
<b>Operating Expenses:</b>				
Unemployment Benefits - State Funded	58,709	-	-	58,709
Unemployment Benefits - Federal Funded	472	-	-	472
Cost of Sales	-	267,954	-	267,954
Prizes	-	244,362	-	244,362
Transportation	-	-	668,745	668,745
Depreciation	-	-	32,029	32,029
General and Administrative	-	10,709	-	10,709
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Expenses	59,181	523,025	700,774	1,282,980
Operating Income (Loss)	<hr/>	<hr/>	<hr/>	<hr/>
	11,219	259,692	(58,482)	212,429
<b>Nonoperating Revenues (Expenses):</b>				
Interest Income	3,697	-	6,056	9,753
Interest Expense	-	-	(33,219)	(33,219)
Unemployment Taxes-Federal Funded	-	-	-	-
Federal Grant Revenue	565	-	212,039	212,604
Grants to Other Agencies	-	-	(5,739)	(5,739)
Other Revenue	-	-	612	612
Contributions to Thoroughbred Program	-	(1,000)	-	(1,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Nonoperating Revenues (Expenses)	4,262	(1,000)	179,749	183,011
Income Before Transfers	<hr/>	<hr/>	<hr/>	<hr/>
	15,481	258,692	121,267	395,440
Transfers In	-	-	5,099	5,099
Transfers Out	-	(258,692)	(14,168)	(272,860)
	<hr/>	<hr/>	<hr/>	<hr/>
Increase in Net Position	15,481	-	112,198	127,679
<b>Net Position - Beginning</b>	<hr/>	<hr/>	<hr/>	<hr/>
	162,654	1,000	3,578,879	3,742,533
<b>Net Position - Ending</b>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 178,135	\$ 1,000	\$ 3,691,077	\$ 3,870,212

**STATE OF DELAWARE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DeIDOT</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>				
Receipts from Employers	\$ 74,708	\$ -	\$ -	\$ 74,708
Receipts from Customers and Users	-	781,184	641,432	1,422,616
Payments to Suppliers for Goods and Services	-	(52,438)	(453,886)	(506,324)
Payments to Employees for Services	-	(5,750)	(202,932)	(208,682)
Payments for Insurance Claims	(54,995)	-	(4,570)	(59,565)
Payments for Prizes	-	(242,479)	-	(242,479)
Payment for Commissions	-	(220,219)	-	(220,219)
	<u>19,713</u>	<u>260,298</u>	<u>(19,956)</u>	<u>260,055</u>
<b>Net Cash Provided (Used) by Operating Activities</b>				
<b>Cash Flows from Noncapital Financing Activities:</b>				
Receipts from Federal Government for Operating Activities	565	-	6,314	6,879
Payment on Other Grants	-	(1,000)	(5,739)	(6,739)
Transfers In	-	-	5,099	5,099
Transfers Out	-	(260,452)	(14,168)	(274,620)
	<u>565</u>	<u>(261,452)</u>	<u>(8,494)</u>	<u>(269,381)</u>
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>				
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Receipts from Federal Government for Capital Outlays	-	-	211,318	211,318
Purchases of Capital Assets	-	-	(248,830)	(248,830)
Principal Paid on Capital Debt	-	-	(74,770)	(74,770)
Interest Paid on Capital Debt	-	-	(40,917)	(40,917)
Proceeds from Issuance of Debt	-	-	80,459	80,459
	<u>-</u>	<u>-</u>	<u>(72,740)</u>	<u>(72,740)</u>
<b>Net Cash Used by Capital and Related Financing Activities</b>				
<b>Cash Flows from Investing Activities:</b>				
Interest and Investment Revenues	3,697	-	6,187	9,884
Escrow Deposits Received	-	-	135	135
Purchase of Investments	-	-	(3,535,865)	(3,535,865)
Proceeds from Sales and Maturities of Investments	-	-	3,638,087	3,638,087
	<u>3,697</u>	<u>-</u>	<u>108,544</u>	<u>112,241</u>
<b>Net Cash Provided by Investing Activities</b>				
<b>Net Increase (Decrease) in Cash, Cash Equivalents and Pooled Investments</b>				
	23,975	(1,154)	7,354	30,175
<b>Cash, Cash Equivalents and Pooled Investments- Beginning of Year</b>	<u>150,737</u>	<u>5,903</u>	<u>71,225</u>	<u>227,865</u>
<b>Cash, Cash Equivalents and Pooled Investments - End of Year</b>	<u>\$ 174,712</u>	<u>\$ 4,749</u>	<u>\$ 78,579</u>	<u>\$ 258,040</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 11,219	\$ 259,692	\$ (58,482)	\$ 212,429
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	-	-	32,029	32,029
Effect of Changes in Operating Assets and Liabilities:				
Receivables, Net	4,308	(1,533)	(795)	1,980
Inventories	-	-	(1,424)	(1,424)
Prepaid Items	-	-	(21)	(21)
Net Pension Adjustment	-	-	3,621	3,621
Due to/from General Fund	-	-	(9,530)	(9,530)
Deferred Outflows of Resources	-	-	(3,888)	(3,888)
Deferred Inflows of Resources	-	-	25,369	25,369
Accounts and Other Payables	4,186	256	948	5,390
Accrued Liabilities	-	1,883	1,228	3,111
Accrued Payroll and Related Expenses	-	-	1,087	1,087
Net OPEB Adjustment	-	-	(10,098)	(10,098)
	<u>\$ 19,713</u>	<u>\$ 260,298</u>	<u>\$ (19,956)</u>	<u>\$ 260,055</u>
<b>Net Cash Provided (Used) by Operating Activities</b>				
<b>Schedule of Noncash Noncapital Financing Activities</b>				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	1,760	-	1,760



**STATE OF DELAWARE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2019**  
(Expressed in Thousands)

	<b>Pension &amp; OPEB Trusts</b>	<b>Investment Trust</b>	<b>Agency</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 819,670	\$ 5,189	\$ 26,201
Pooled Cash and Investments	12,178	-	76,920
Receivables:			
Accrued Interest	13,216	84	-
Investment Sales Pending	30,704	194	-
Employer Contributions	29,065	-	-
Member Contributions	5,160	-	-
Other Receivables	-	-	5,953
Investments, at Fair Value:			
Domestic Fixed Income	1,689,489	10,701	-
Domestic Equities	2,070,227	13,115	-
Pooled Equity and Fixed Income	2,989,062	18,800	-
Alternative Investments	2,382,805	15,094	-
Other Investments	-	-	1,349
Foreign Fixed Income	89,992	571	-
Foreign Equities	584,558	3,703	-
	<b>Total Assets</b>	<b>67,451</b>	<b>\$ 110,423</b>
<b>Liabilities:</b>			
Investment Purchase Payable	50,720	322	\$ -
Benefits/Claims Payable	17,765	-	-
Accrued Investment Expense	4,357	27	-
Accrued Administrative Expenses	291	-	-
Funds Held in Escrow	-	-	110,423
	<b>Total Liabilities</b>	<b>349</b>	<b>\$ 110,423</b>
<b>Net Position:</b>			
Net Position Restricted for Pensions	10,232,892	-	
Net Position Restricted for OPEB	410,101	-	
Net Position Held in Trust for Pool Participants	-	67,102	
	<b>Total Net Position</b>	<b>\$ 67,102</b>	

**STATE OF DELAWARE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	<u>Pension &amp; OPEB Trusts</u>	<u>Investment Trust</u>
<b>Additions:</b>		
Contributions:		
Employer Contributions	\$ 577,501	\$ -
Transfer of Contributions from Post-Retirement Increase Fund	11,301	-
Transfer of Assets from Outside the Trusts	3,727	7,877
Member Contributions	82,350	-
Miscellaneous Receipts	145	-
	<hr/>	<hr/>
Total Contributions	675,024	7,877
Investments:		
Investment Earnings	162,047	1,027
Net Change in Fair Value of Investments	350,170	2,095
	<hr/>	<hr/>
Total Investment Earnings	512,217	3,122
Less Investment Manager/Advisor/Custody Fees	(23,601)	(138)
Less Investment Administrative Expenses	(795)	-
	<hr/>	<hr/>
Net Investment Earnings	487,821	2,984
Securities Lending Income	1,010	4
Securities Lending Expense	(151)	-
	<hr/>	<hr/>
Total Net Securities Lending Income	859	4
Total Additions	<hr/> 1,163,704	<hr/> 10,865
<b>Deductions:</b>		
Transfer of Assets to Post-Retirement Increase Fund	11,300	-
Transfer of Assets to Outside the Trusts	1,658	1,560
Pension/Claim Payments	954,252	-
Refunds of Contributions to Members	7,002	-
Burial Benefit Payments	6,339	-
Administrative Expenses	6,671	3
	<hr/>	<hr/>
Total Deductions	987,222	1,563
Change in Net Position	176,482	9,302
<b>Net Position - Beginning</b>	<hr/> 10,466,511	<hr/> 57,800
<b>Net Position - Ending</b>	<hr/> <u>\$ 10,642,993</u>	<hr/> <u>\$ 67,102</u>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2019**  
(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	\$ 50,673	\$ 7,073	\$ 3,612	\$ 19	\$ 3,777	\$ -	\$ 65,154
Pooled Cash and Investments	227	-	322	9,882	60,726	10,383	81,540
Accounts and Other Receivables, Net	65,149	136,149	592	12,232	5,600	409	220,131
Loans and Notes Receivable, Net	278,768	54,837	955	-	-	7,765	342,325
Prepaid Items	4,160	-	57	-	215	-	4,432
Investments	350,594	-	-	16,324	6,118	-	373,036
Other Assets	-	-	-	1,269	195	-	1,464
Restricted Assets:							
Cash and Cash Equivalents	1,469	105	-	4,113	2,796	-	8,483
Restricted Investments	-	-	-	13,306	175	-	13,481
Other Restricted Assets	-	-	-	1,522	1	-	1,523
Capital Assets:							
Capital Assets - Non-Depreciable	1,683	36,484	21,109	12,478	26,388	243,519	341,661
Capital Assets - Depreciable, Net	7,010	140,346	80,889	216,073	143,158	1	587,477
<b>Total Capital Assets, Net</b>	<b>8,693</b>	<b>176,830</b>	<b>101,998</b>	<b>228,551</b>	<b>169,546</b>	<b>243,520</b>	<b>929,138</b>
<b>Total Assets</b>	<b>759,733</b>	<b>374,994</b>	<b>107,536</b>	<b>287,218</b>	<b>249,149</b>	<b>262,077</b>	<b>2,040,707</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,207</b>	<b>434</b>	<b>140</b>	<b>19,702</b>	<b>95,158</b>	<b>68</b>	<b>116,709</b>
<b>LIABILITIES</b>							
Accounts Payable	929	4,566	1,083	10,168	3,600	4	20,350
Accrued Liabilities	3	4,219	126	4,727	25,735	26	34,836
Accrued Interest Payable	-	66	-	1,140	2,073	-	3,279
Unearned Revenue	-	8,407	3	2,968	30	-	11,408
Due Within One Year	3,264	7,000	2,187	4,556	4,272	-	21,279
Agency Funds Held for Others	-	-	-	678	-	-	678
Due in More Than One Year	205,239	15,169	16,984	112,962	155,683	-	506,037
Net Pension Liability, Due In More Than One Year	292	4,035	68	31,627	53,925	69	90,016
Net OPEB Liability, Due In More Than One Year	9,997	-	-	195,966	334,125	428	540,516
<b>Total Liabilities</b>	<b>219,724</b>	<b>43,462</b>	<b>20,451</b>	<b>364,792</b>	<b>579,443</b>	<b>527</b>	<b>1,228,399</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>7,934</b>	<b>118,585</b>	<b>66</b>	<b>35,975</b>	<b>50,930</b>	<b>66</b>	<b>213,556</b>
<b>Net Position</b>							
Net Investment in Capital Assets	8,693	148,007	82,827	120,867	13,653	243,519	617,566
Restricted for:							
Federal and State Regulations	402,190	105	-	1,511	-	-	403,806
Bond Covenants	34,260	-	-	-	-	-	34,260
Loan Program	72,544	-	-	-	-	-	72,544
Other Purposes	-	-	-	23,294	10,321	-	33,615
Unrestricted (Deficit)	15,595	65,269	4,332	(239,519)	(310,040)	18,033	(446,330)
<b>Total Net Position</b>	<b>\$ 533,282</b>	<b>\$ 213,381</b>	<b>\$ 87,159</b>	<b>\$ (93,847)</b>	<b>\$ (286,066)</b>	<b>\$ 261,552</b>	<b>\$ 715,461</b>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(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	\$ 89,529	\$ 25,128	\$ 88,571	\$ 527	\$ 24,697	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,697
Diamond State Port Corporation	26,488	-	18,072	6,194	-	(2,222)	-	-	-	-	(2,222)
Riverfront Development Corporation	11,289	3,065	-	8,356	-	-	132	-	-	-	132
Delaware State University	155,101	83,943	12,678	13,400	-	-	-	(45,080)	-	-	(45,080)
Delaware Charter Schools	241,704	5,084	20,492	2,137	-	-	-	-	(213,991)	-	(213,991)
Delaware Agricultural Lands Preservation Foundation	984	421	10,520	844	-	-	-	-	-	10,801	10,801
	<u>\$ 525,095</u>	<u>\$ 117,641</u>	<u>\$ 150,333</u>	<u>\$ 31,458</u>	<u>24,697</u>	<u>(2,222)</u>	<u>132</u>	<u>(45,080)</u>	<u>(213,991)</u>	<u>10,801</u>	<u>(225,663)</u>
<b>General Revenues</b>											
Unrestricted Payments from Primary Government					-	-	-	35,959	192,073	-	228,032
Investment Income					13,301	189	-	1,735	1,430	17	16,672
Miscellaneous					6	-	179	-	4,703	-	4,888
Total General Revenues					<u>13,307</u>	<u>189</u>	<u>179</u>	<u>37,694</u>	<u>198,206</u>	<u>17</u>	<u>249,592</u>
Change in Net Position					38,004	(2,033)	311	(7,386)	(15,785)	10,818	23,929
<b>Net Position - Beginning As Restated (Note 1)</b>					<u>495,278</u>	<u>215,414</u>	<u>86,848</u>	<u>(86,461)</u>	<u>(270,281)</u>	<u>250,734</u>	<u>691,532</u>
<b>Net Position - Ending</b>					<u>\$ 533,282</u>	<u>\$ 213,381</u>	<u>\$ 87,159</u>	<u>\$ (93,847)</u>	<u>\$ (286,066)</u>	<u>\$ 261,552</u>	<u>\$ 715,461</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 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, 2019 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 Postemployment 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 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, 2019 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, 2019 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 \$36.0 million in fiscal year ending June 30, 2019, which is 24 percent of DSU's total revenues.

*Delaware Charter Schools*

The State's 23 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 \$192.1 million for the fiscal year ending June 30, 2019 which represents 85 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 DeDOT 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:

*DeDOT Fund* – The DeDOT 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, 2019, the State adopted GASB 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 adoption of this statement had no impact on the financial statements of the State.

During fiscal year ending June 30, 2019, the State adopted GASB 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 adoption of this statement had no impact on the financial statements of the State.

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

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 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.



In August of 2018, the GASB issued Statement No. 90 *Majority Equity Interests*. The objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity in the component unit. 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 May of 2019, the GASB issued Statement No. 91 *Conduit Debt Obligations*. The objective of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. It also clarifies various definitions related to conduit debt obligations and improves required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. 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 DPERS 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, 2019, 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 \$252.4 million at June 30, 2019.

Executive Order 21, approved on June 30, 2018, allocated \$274.9 million of the General Fund to the Budget Stabilization Fund prior to enactment of the fiscal year 2020 budget. This fund is designed to assist the State in developing a more sustainable, long-term approach to annual budgeting by storing excess funds during periods of budget surplus and covering operating expenditures during period of budget deficit. Effective July 1, 2019 and per 82 Del Law c 64 (HB 225, § 77), \$126.3 million of the \$274.9 million was allocated to a special fund holding account and would require an act of the General Assembly to enable appropriation and spending authority.

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 \$15.9 million has been recorded pursuant to the settlement. The Master Settlement agreement receipts of \$32.0 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.

**Restatements**

Net position of the Discretely Presented Component Units was restated from the fiscal year 2018 ending balance of \$683.1 million to \$691.5 million at the beginning of fiscal year 2019, an increase of \$8.4 million. The increase was due to a Charter School's correction of a prior year error of \$0.1 million and the closure of a Charter School, removing \$8.3 million fund balance deficit from the Discretely Presented Component Units.

**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, 2019, 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 - 64.

***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, 2019, the carrying amount of the primary government's deposits was \$504.9 million and the bank balance was \$550.3 million. Of the \$550.3 million bank balance, \$40.7 million was fully insured; \$174.7 million represents unemployment insurance taxes collected from Delaware employers that are held in escrow by the U.S. Treasury; and the remaining \$334.9 million was subject to custodial credit risk because they were uninsured and uncollateralized. Included in the primary government's deposits are agency funds. The carrying amount of the agency fund's deposits was \$26.2 million and the bank balance was \$26.8 million. The \$26.8 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 \$550.3 million, \$252.0 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, 2019, the primary government's investments were \$3,076.9 million. Of the primary government's investments, \$253.1 million was fully insured and collateralized. Included in the primary government's investments of \$3,076.9 million are agency funds. The amount of the agency funds' investments was \$78.2 million.

The following table provides information on \$2,823.8 million of the primary government's investments that are exposed to custodial credit risk; \$76.9 million of this amount represents the agency funds' investments:

<b>Investment Type</b>	<b>Fair Value (Expressed in Thousands)</b>
Certificates of Deposit	\$ 118,540
Commerical Paper	36,712
Corporate Obligations	881,828
U.S. Government Obligations	1,413,810
Municipal Obligations	10,310
Money Market	18,866
Mutual Funds	93,280
Equity Securities	151,922
Other Obligations	98,566
	<u>\$ 2,823,834</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, 2019:

Investment Type	Expressed in Thousands			Effective Duration (In Years)
	Treasurer's Pool	Outside Treasurer's Pool	Total Investments	
Corporate Obligations	\$ 874,332	\$ 7,496	\$ 881,828	3.20
Municipal Obligations	10,310	-	10,310	7.26
U.S. Government Obligations	1,410,640	164,540	1,575,180	4.72
Other Obligations	98,017	-	98,017	1.98
Other Pooled	-	549	549	N/A
Equity Securities	-	151,922	151,922	N/A
Mutual Funds	71,506	21,774	93,280	N/A
Money Market	18,089	777	18,866	N/A
Commercial Paper	36,712	91,726	128,438	0.39
Certificates of Deposit	117,740	800	118,540	0.59
	<u>\$ 2,637,346</u>	<u>\$ 439,584</u>	<u>\$ 3,076,930</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, 2019, the primary government and agency funds had the following debt investments and maturities:

	<b>Investment Maturity</b> (Expressed in Thousands)				
	<b>Fair Value</b>	<b>Investment Maturities</b>			
		<b>Less Than 1</b>	<b>1 to 5</b>	<b>6 to 10</b>	<b>More than 10</b>
Corporate Obligations	\$ 881,828	\$ 182,155	\$ 489,480	\$ 204,592	\$ 5,601
Municipal Obligations	10,310	1,210	1,004	8,096	-
U.S. Government Obligations					
U.S. Treasury Bonds, Notes	1,143,588	56,990	679,937	406,661	-
U.S. Agency Bonds, Notes	431,592	242,150	109,250	41,919	38,273
Other Obligations					
Private Placements	98,017	30,281	60,249	7,487	-
Pooled Investments	549	549	-	-	-
<b>Total Investments</b>	<b>\$ 2,565,884</b>	<b>\$ 513,335</b>	<b>\$ 1,339,920</b>	<b>\$ 668,755</b>	<b>\$ 43,874</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:

<b>Investment</b>	<b>S &amp; P</b>	<b>Moody's</b>	<b>Fitch</b>
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, 2019:

Investment Type	Credit Risk - Quality Ratings					
	(Expressed in Thousands)					
	TOTAL	AAA	AA	A	A-1	NR
Corporate Obligations	\$ 881,828	\$ 52,174	\$ 182,636	\$ 610,330	\$ -	\$ 36,688
Municipal Obligations	10,310	-	9,306	1,004	-	-
U.S. Government Obligations						
U.S. Treasury Bonds, Notes	1,143,588	-	1,143,588	-	-	-
U.S. Agency Bonds, Notes	431,592	9,753	419,839	-	-	2,000
Other Obligations						
Private Placements	98,017	10,713	29,017	53,276	-	5,011
Pooled Investments	549	-	-	-	-	549
Money Market	18,866	-	-	-	-	18,866
Equity Securities	151,922	-	-	-	-	151,922
Mutual Funds	93,280	-	-	-	-	93,280
Certificate of Deposit	118,540	-	-	-	-	118,540
Commercial Paper	128,438	-	-	-	91,726	36,712
<b>Total Investments</b>	<b>\$ 3,076,930</b>	<b>\$ 72,640</b>	<b>\$ 1,784,386</b>	<b>\$ 664,610</b>	<b>\$ 91,726</b>	<b>\$ 463,568</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, 2019, 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, 2019, 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) and Delaware Public Employees' Retirement System (DPERS)****Investment Policy**

The Board of Pension Trustees is authorized to maintain and invest the funds of the OPEB Trust and DPERS. There are no State statutes limiting allowable investments for the OPEB Trust or DPERS. 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

The Board delegates the operation of the OPEB Trust and the DPERS's investments to the Investment Committee. The committee establishes asset allocations to various investment markets. The current policy was adopted by the Board on September 28, 2018. There were no significant changes to the policy from the prior version. For the fiscal year ended June 30, 2019, management of the OPEB Trust and DPERS have operated in accordance with these policies, in all material respects.

**Securities Lending**

DPERS entered into a security lending agreement with its custodian bank, which acts as a security lending agent for DPERS. 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 DPERS. DPERS 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. As a result of co-mingling the OPEB Trust's pool of assets with the assets of DPERS in December 2018, the OPEB Trust effectively became a participant in the existing security lending agreement with DPERS's custodian bank.

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 OPEB Trust and DPERS have the authority to sell collateral securities only upon a borrower default. As of June 30, 2019, there were no violations of legal or contractual provisions. The OPEB Trust and DPERS have not experienced any losses resulting from the default of a borrower or lending agent during the year ended June 30, 2019.

At year-end, the OPEB Trust and DPERS have no credit risk exposure to borrowers because the amounts the OPEB Trust owes the borrowers exceed the amounts the borrowers owe the OPEB Trust and DPERS. The contract with the OPEB Trust's and DPERS's custodian requires it to indemnify the OPEB Trust and DPERS if the borrowers fail to return the securities or fail to pay the OPEB Trust and DPERS for income distributions by the securities' issuers while the securities are on loan. The OPEB Trust and DPERS manages its market risk by recording investments at fair value daily and maintaining the value of the collateral held by the OPEB Trust and DPERS in excess of the value of the securities loaned. As of June 30, 2019: 1) the OPEB Trust's fair value of securities on loan was \$4.0 million and the associated collateral was \$4.1 million; and 2) DPERS's fair value of securities on loan was \$97.0 million and the associated collateral was \$99.0 million.

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

## Investments

### *OPEB Trust*

The following is a listing of fixed income investments and cash equivalents and related maturity schedule which shows the OPEB Trust's exposure to interest rate risk as of June 30, 2019. The OPEB Trust holds \$67.2 million in domestic fixed income and \$3.6 million in foreign fixed income instruments. The table below also includes \$27.5 million in pooled stable value fund, \$1.3 million in short-term bills and notes collectively reported as cash equivalents, and \$42.8 million in pooled fixed income investments.

### OPEB Trust Investment Maturities (in Years) (Expressed in Thousands)

Investment Type	Fair Value	Less than 1	1-6	6-10	10+
Asset Backed Securities	\$ 4,515	\$ -	\$ 472	\$ 526	\$ 3,517
Bank Loans	15,206	90	10,478	4,638	-
Cash Equivalents	28,798	28,798	-	-	-
Commercial Mortgage-Backed	5,052	-	156	237	4,659
Corporate Bonds	10,843	1,022	4,501	2,178	3,142
Corporate Convertible Bonds	534	84	315	24	111
Government Agencies	10,526	-	-	-	10,526
Government Bonds	8,888	2,974	3,149	1,802	963
Index Linked Government Bonds	15,106	-	5,646	7,105	2,355
Municipal/Provincial Bonds	130	-	-	-	130
Pooled Investments	42,804	-	-	42,804	-
<b>Total</b>	<b>\$ 142,402</b>	<b>\$ 32,968</b>	<b>\$ 24,717</b>	<b>\$ 59,314</b>	<b>\$ 25,403</b>

*DPERS*

The following is a listing of fixed income investments and cash equivalents and related maturity schedule which shows DPERS's exposure to interest rate risk as of June 30, 2019. DPERS holds \$2,001.0 million in domestic fixed income and \$87.0 million in foreign fixed income instruments. Also included is \$669.6 million in pooled stable value fund, \$30.6 million in short term bills and notes collectively reported as cash equivalents, and \$1,048.4 million in pooled fixed income investments.

**DPERS 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	\$ 109,696	\$ -	\$ 11,493	\$ 12,773	\$ 85,430
Bank Loans	369,404	2,194	254,537	112,673	-
Cash Equivalents	700,195	700,195	-	-	-
Commercial Mortgage-Backed	122,727	-	3,794	5,763	113,170
Corporate Bonds	263,408	24,826	109,342	52,910	76,330
Corporate Convertible Bonds	12,973	2,034	7,660	574	2,705
Government Agencies	255,708	-	-	-	255,708
Government Bonds	215,913	72,238	76,511	43,766	23,398
Index Linked Government Bonds	366,967	-	137,164	172,595	57,208
Municipal/Provincial Bonds	3,156	-	-	-	3,156
Pooled Investments	1,048,388	-	-	1,048,388	-
Total	<u>\$ 3,468,535</u>	<u>\$ 801,487</u>	<u>\$ 600,501</u>	<u>\$ 1,449,442</u>	<u>\$ 617,105</u>

**Interest Rate Risk**

The State has delegated investment policy for the OPEB Trust and DPERS to the Board and its Committees. The Investment Committee sets its own guidelines in conjunction with the Board to manage and review DPERS'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 DPERS's website.

**Credit Risk**

The OPEB Trust and DPERS'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 OPEB Trust and DPERS have no investment policy that would further limit its investment choices related to credit risk.

As of June 30, 2019, the OPEB Trust 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-	14.5%	\$ 62,806
BBB to B-	5.1%	22,025
CCC to C	0.4%	1,883
Less than C	0.0%	27
Not Rated	12.9%	55,661
Total:	32.9%	\$ 142,402

As of June 30, 2019, DPERS'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-	14.3%	\$1,526,361
BBB to B-	5.0%	535,021
CCC to C	0.4%	45,781
Less than C	0.0%	666
Not Rated	12.7%	1,360,706
Total:	32.5%	\$3,468,535

### **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.

#### *OPEB Trust*

At June 30, 2019, the \$43.9 million carrying amount of the Trust's cash and cash equivalents was comprised of \$28.8 million of short-term investments and \$15.1 million in deposits. Of the \$15.1 million in deposits, \$3.8 million was subject to custodial credit risk because it was held by outside institutions and uninsured and uncollateralized. The remaining \$11.3 million was held as pooled deposits by the State Treasurer's Office, which includes deposit accounts, short- and long-term investments.

#### *DPERS*

At June 30, 2019, the \$793.2 million carrying amount of DPERS's cash and cash equivalents was comprised of \$700.2 million of short-term investments and \$93.0 million in deposits. Of the \$93.0 million in deposits, \$92.1 million was subject to custodial credit risk because it was uninsured and



uncollateralized. The remaining \$0.9 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 OPEB Trust and DPERS's investments are not exposed to custodial credit risk as they are held by the DPERS's custodian in the name of the OPEB Trust, DPERS, or its nominee.

### **Investment Concentration Risk**

As of June 30, 2019, the OPEB Trust and DPERS held no concentration of investments (except pooled investments) in an individual issuer in excess of 5% of the fair value of the OPEB Trust's or DPERS's net position.

### **Management Fees**

The OPEB Trust and DPERS paid \$0.2 million and \$32.0 million, respectively, in management fees to the alternative investment funds and partnerships for the fiscal year ended June 30, 2019. These fees are netted against investment income.

### **Foreign Investments**

Foreign investments include equity securities, bonds, cash, and cash equivalents.

Foreign assets in the OPEB Trust's Statement of Fiduciary Net Position as of June 30, 2019 includes \$82 thousand of fixed income investments of domestic issuers which have been classified as domestic on the Statement of Fiduciary Net Position but are denominated in a foreign currency.

**OPEB Trust Currency Risk**  
(Expressed in Thousands)

Currency	Fair Value in U.S. Dollars	Equities	Fixed Income	Cash and Cash Equivalents
Australian dollar	\$ 146	\$ 146	\$ -	\$ -
Brazilian real	260	135	125	-
British pound sterling	1,614	1,587	27	-
Canadian dollar	685	633	52	-
Danish krone	94	94	-	-
Euro	4,574	4,528	43	3
HK offshore Chinese Yuan Renminbi	353	353	-	-
Hong Kong dollar	3,031	3,029	-	2
Indonesian rupiah	773	769	-	3
Japanese yen	870	866	-	4
Mexican peso	470	137	333	-
New Zealand dollar	19	-	19	-
Nigerian naira	88	88	-	-
Norwegian krone	59	-	59	-
Philippine peso	1,239	1,236	-	3
South African rand	174	174	-	-
South Korean won	192	192	-	-
Swedish krona	253	253	-	-
Swiss franc	798	798	-	-
Thai baht	160	160	-	-
Turkish lira	155	154	-	1
Vietnamese dong	341	279	-	63
<b>Total Foreign Currencies</b>	<b>16,348</b>	<b>15,611</b>	<b>658</b>	<b>79</b>
Foreign issued investments denominated in U.S. Dollars	10,650	7,645	3,005	-
Pooled international investments denominated in U.S. Dollars	41,417	41,417	-	-
<b>Total:</b>	<b>\$ 68,415</b>	<b>\$ 64,673</b>	<b>\$ 3,663</b>	<b>\$ 79</b>

DPERS's foreign assets as of June 30, 2019 includes \$2.0 million of investments of domestic issuers which have been classified as domestic, but are denominated in a foreign currency.

<b>DPERS Investment Types</b>				
(Expressed in Thousands)				
<b>Currency</b>	<b>Fair Value in U.S. Dollars</b>	<b>Equities</b>	<b>Fixed Income</b>	<b>Cash and Cash Equivalents</b>
Australian Dollar	\$ 3,554	\$ 3,554	\$ -	\$ -
Brazilian Real	6,324	3,278	3,046	-
British Pound Sterling	39,215	38,556	659	-
Canadian Dollar	16,644	15,379	1,265	-
Danish Krone	2,278	2,278	-	-
Euro	111,108	110,005	1,039	64
HK offshore Chinese Yuan	8,563	8,563	-	-
Hong Kong Dollar	73,641	73,585	-	56
Indonesian Rupiah	18,769	18,685	-	84
Japanese Yen	21,132	21,035	-	97
Mexican Peso	11,414	3,320	8,094	-
New Zealand Dollar	473		473	-
Nigerian Naira	2,149	2,149	-	-
Norwegian Krone	1,430		1,430	-
Philippine Peso	30,092	30,021	-	71
South African Rand	4,237	4,237	-	-
South Korean Won	4,669	4,669	-	-
Swedish Krona	6,141	6,141	-	-
Swiss Franc	19,394	19,394	-	-
Thai Baht	3,891	3,891	-	-
Turkish Lira	3,765	3,749	-	16
Vietnamese Dong	8,293	6,786	-	1,507
<b>Total Foreign Currencies</b>	<b>397,176</b>	<b>379,275</b>	<b>16,006</b>	<b>1,895</b>
Foreign Issued Investments				
Denominated in U.S. Dollars	258,717	185,727	72,990	-
Pooled International Investments				
Denominated in U.S. Dollars	1,116,194	1,116,194	-	-
<b>Total</b>	<b>\$ 1,772,087</b>	<b>\$ 1,681,196</b>	<b>\$ 88,996</b>	<b>\$ 1,895</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 OPEB Trust and DPERS, 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 OPEB Trust and DPERS 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 OPEB Trust and DPERS’s derivative holdings on a regular basis to ensure that the derivatives used by managers of the OPEB Trust and DPERS will not have a material adverse impact on its financial condition. Total derivative instruments at June 30, 2019 were not material to the OPEB Trust or DPERS.

### **Risk and Uncertainty**

The OPEB Trust and DPERS invest 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, 2019, DSHA had bank and savings money markets deposits of \$133.9 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	\$ 19,467	\$ 8,646	\$ 10,821	\$ -	\$ -	\$ -
U.S. Treasury Strips	416	-	-	416	-	-
U.S. Treasury Bonds	25	-	-	25	-	-
U.S. Agencies	38,746	15,081	23,665	-	-	-
Commercial Paper	4,033	4,033	-	-	-	-
Corporate Notes	35,095	7,727	27,368	-	-	-
Investment Agreements	-	-	-	-	-	-
Money Market Savings Accounts	25,591	25,591	-	-	-	-
Bank Money Market Accounts	66,078	66,078	-	-	-	-
State of Delaware Investment Pool	227	227	-	-	-	-
Total Investments	189,678	127,383	61,854	441	-	-
Securitized Mortgage Loans	161,144	-	-	-	-	161,144
Total Investments & Securitized Mortgage Loans	\$ 350,822	\$ 127,383	\$ 61,854	\$ 441	\$ -	\$ 161,144

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, 2019, DSHA's investments were rated as follows:

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

Investment Type	Fair Value	Ratings (S & P)							U.S. Government	
		AAA	AA+	AA	AA-	A1+	A1	A+	Guaranteed	
U.S. Treasury Notes	\$ 19,466	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	19,466
U.S. Treasury Strips	416	-	-	-	-	-	-	-	-	416
U.S. Treasury Bonds	25	-	-	-	-	-	-	-	-	25
U.S. Agencies	38,746	-	38,746	-	-	-	-	-	-	-
Corporate Notes	35,093	1,620	10,139	4,722	18,612	-	-	-	-	-
Commercial Paper	4,033	-	-	-	-	695	3,338	-	-	-
Securitized Mortgage Loans	161,144	-	-	-	-	-	-	-	-	161,144
<b>Total</b>	<b>\$ 258,923</b>	<b>\$ 1,620</b>	<b>\$ 48,885</b>	<b>\$ 4,722</b>	<b>\$ 18,612</b>	<b>\$ 695</b>	<b>\$ 3,338</b>	<b>\$ -</b>	<b>\$ -</b>	<b>181,051</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, 2019:

	Investments by Fair Value (expressed in thousands)			
	6/30/2019	Fair Value Measurement		
		Level 1	Level 2	Level 3
<b>Fixed Income Securities:</b>				
U.S. Government Obligations				
U.S. Treasury Notes	\$ 1,143,588	\$ -	\$ 1,143,588	\$ -
U.S. Agency Notes	431,592	-	431,592	-
Municipal Obligations	10,310	-	10,310	-
Corporate Bonds	881,828	-	881,828	-
Commercial Paper	128,438	-	128,438	-
Other Pooled & Obligations	98,566	-	98,018	548
<b>Equity Securities</b>				
Equity Securities	151,922	151,922	-	-
Mutual Funds	93,280	93,280	-	-
<b>Total Investments by Fair Value Level</b>	<b>\$ 2,939,524</b>	<b>\$ 245,202</b>	<b>\$ 2,693,774</b>	<b>\$ 548</b>
Investments not subject to measurement	137,406			
<b>Total Investments</b>	<b>\$ 3,076,930</b>			

### **OPEB Trust Fund (OPEB Trust) and Delaware Public Employee's Retirement System (DPERS)**

In December 2019, assets of the OPEB Trust were cominginted with assets of DPERS.

The OPEB Trust and DPERS have 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.

The OPEB Trust has the following recurring fair value measurements as of June 30, 2019:

**OPEB Trust Investments by Fair Value**  
(Expressed in Thousands)

	<u>June 30, 2019</u>	<u>Fair Value Measurement</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Equity Securities</b>				
Common Stock	\$ 105,157	\$ 105,043	\$ 114	\$ -
Convertible Equity	183	104	79	-
Preferred Stock	286	279	7	-
Total Equity Securities	<u>\$ 105,626</u>	<u>\$ 105,426</u>	<u>\$ 200</u>	<u>\$ -</u>
<b>Fixed Income Securities</b>				
Asset Backed Securities	\$ 4,515	\$ -	\$ 4,515	\$ -
Bank Loans	15,206	-	15,206	-
Commercial Mortgage-Backed	5,052	-	5,052	-
Corporate Bonds	10,843	-	10,800	43
Corporate Convertible Bonds	534	-	534	-
Government Agencies	10,526	-	10,526	-
Government Bonds	8,888	-	8,888	-
Indexed Linked Government Bonds	15,106	-	15,106	-
Municipal/Provincial Bonds	130	-	130	-
Total Fixed Income Securities	<u>\$ 70,800</u>	<u>\$ -</u>	<u>\$ 70,757</u>	<u>\$ 43</u>
<b>Pooled Investments</b>				
Equity Funds	\$ 3,338	\$ 3,338	\$ -	\$ -
Total Pooled Investments	<u>\$ 3,338</u>	<u>\$ 3,338</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Investments by Fair Value Level</b>	<b>\$ 179,764</b>	<b>\$ 108,764</b>	<b>\$ 70,957</b>	<b>\$ 43</b>
<b>Total Investments Measured at NAV</b>	<b>209,552</b>			
<b>Total Investments</b>	<b>\$ 389,316</b>			



DPERS has the following recurring fair value measurements as of June 30, 2019:

**DPERS Investments by Fair Value**  
(Expressed in Thousands)

	6/30/2019	Fair Value Measurement		
		Level 1	Level 2	Level 3
<b>Fixed Income Securities:</b>				
Government Bonds	\$ 215,913	\$ -	\$ 215,913	\$ -
Indexed Linked Government Bonds	366,967	-	366,967	-
Government Agencies	255,708	-	255,708	-
Municipal Obligations	3,156	-	3,156	-
Corporate Bonds	263,408	-	262,356	1,052
Corporate Convertible Bonds	12,973	-	12,973	-
Asset-Backed Securities	109,695	-	109,695	-
Bank Loans	369,405	-	369,405	-
Commerical Mortgage-Backed	122,727	-	122,727	-
<b>Equity securities:</b>				
Common & Preferred Stock	2,561,545	2,558,595	2,950	-
Equity Funds	4,432	2,527	1,905	-
<b>Pooled Investments:</b>				
Equity Funds	93,644	93,644	-	-
Fixed Income Funds	8,556	8,556	-	-
<b>Total Investments by Fair Value Level</b>	<b>\$ 4,388,129</b>	<b>\$ 2,663,322</b>	<b>\$ 1,723,755</b>	<b>\$ 1,052</b>
<b>Total Investments Measured at NAV</b>	<b>5,090,672</b>			
<b>Total Investments</b>	<b>\$ 9,478,801</b>			

The valuation method for pooled and alternative investments that do not have a readily determinable fair value is such that DPERS 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 DPERS'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 DPERS's management and the custodian receive periodic and audited annual financial reports from the management of each investment fund.

The OPEB Trust has the following recurring NAV measurements as of June 30, 2019. Excluded from pooled investments below is a short-term stable value fund that the Trust classifies as Cash Equivalents in the amount of \$27.5 million. At year end, the NAV, unfunded commitments, and redemption terms are as follows:

**OPEB Trust Investments Measured at NAV**  
(Expressed in Thousands)

	Fair Value	Unfunded Commitments (1)	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
<b>Pooled Investments</b>				
Equity Funds	\$ 71,944	\$ -	Daily, Monthly	1 to 30 days
Fixed Income Funds	42,804	-	Daily	1 day
<b>Total Pooled Investments (2)</b>	<u>\$ 114,748</u>			
<b>Alternative Investments</b>				
<b>Funds Primarily Invested in Public Securities</b>				
Credit/Distressed Debt Focused Multi-Strategy (3)	\$ 6,050	\$ -	Quarterly, Annual	90 days
Equity Focused Strategy (4)	2,572	-	Annual	90 days
Multi Strategy (5)	7,020	-	Monthly	5 days
<b>Funds Primarily Invested in Private Securities (6)</b>				
Buyout	8,369	5,602		
International	15,448	4,133		
Private Debt	1,301	2,319		
Private Equity	43,885	13,010		
Real Assets	10,159	4,383		
Total Alternatives	<u>\$ 94,804</u>			
<b>Total Investments Measured at NAV</b>	<u>\$ 209,552</u>			

The DPERS has the following recurring NAV measurements as of June 30, 2019. Excluded from the pooled investments below is a short term stable value fund that DPERS classifies as Cash Equivalents in the amount of \$669.6 million. At year end, the NAV, unfunded commitments, and redemption terms are as follows:

**DPERS Investments Measured at NAV**  
(Expressed in Thousands)

	Fair Value	Unfunded Commitments (1)	Redemption Frequency	Redemption Notice Period
<b>Pooled Investments:</b>				
Equity Funds	\$ 1,747,744	\$ -	Daily, Monthly	1 to 12 days
Fixed Income Funds	1,039,833	-	Daily	1 day
<b>Total Pooled Investments (2)</b>	<u>\$ 2,787,577</u>			
<b>Alternative Investments:</b>				
<b>Funds Primarily Invested in Private Securities</b>				
Credit/Distressed Debt Focused Strategy (3)	\$ 146,963	\$ -	Quarterly, Annual	90 days
Equity Focused Strategy (4)	62,471	-	Annual	90 days
Multi Focused Strategy (5)	170,575	-	Monthly	5 days
<b>Funds Primarily Invested in Private Securities (6)</b>				
Buyout	203,303	136,087		
International	375,293	100,399		
Private Debt	31,599	56,330		
Private Equity	1,066,105	316,057		
Real Assets	246,786	106,473		
Total Alternatives	<u>\$ 2,303,095</u>			
<b>Total Investments Measured at NAV</b>	<u>\$ 5,090,672</u>			

- (1) *Unfunded Commitments.* The OPEB Trust and DPERS have 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 three index tracking funds and four global value equity funds. The index funds maintain a portfolio constructed to match or track the components of the following market indices: S&P 500, Russell 1000 Value and the Bloomberg 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.
- (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.
- (4) *Equity Focused Strategy.* This type includes two funds that engage in equity investing strategies. The composite portfolio for this type invests both long and short 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 54% 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 15 months at June 30, 2019.
- (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 14 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 52 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, 2019, the Delaware State Housing Authority (DSHA), a component unit of the State of Delaware has \$350.8 million of investments with \$259.1 million classified in Level 2 of the fair value hierarchy and the remaining \$91.7 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, 2019. 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	\$ 178,162	\$ -	\$ 48,642	\$ 226,804
Accounts	384,622	141,076	152	525,850
Loans and Notes	39,020	320,132	-	359,152
Intergovernmental	-	167,419	-	167,419
Total Receivables	601,804	628,627	48,794	1,279,225
Allowance for Doubtful	(392,650)	(97,787)	-	(490,437)
Total Receivables, Net	<u>\$ 209,154</u>	<u>\$ 530,840</u>	<u>\$ 48,794</u>	<u>\$ 788,788</u>
 Amounts not Scheduled for Collection During the Subsequent Year	 <u>\$ 115,352</u>	 <u>\$ 307,728</u>	 <u>\$ 34,700</u>	 <u>\$ 457,780</u>

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

	<b>Unemployment</b>	<b>Lottery</b>	<b>DelDOT</b>	<b>Total Receivables</b>
Receivables:				
Taxes	\$ 64,171	\$ -	\$ -	\$ 64,171
Accounts	9,500	12,370	23,035	44,905
Interest	-	-	788	788
Intergovernmental	-	-	21,171	21,171
Total Receivables	73,671	12,370	44,994	131,035
Allowance for Doubtful Accounts	(45,907)	-	-	(45,907)
Total Receivables, Net	\$ 27,764	\$ 12,370	\$ 44,994	\$ 85,128
Amounts not Scheduled for Collection During the Subsequent Year	\$ -	\$ -	\$ -	\$ -

### Discretely Presented Component Units

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

Total receivables as of June 30, 2019 are as follows:

Receivables:	
Mortgage Loans	\$ 286,808
Accrued Interest	71,419
Other Receivables	1,742
Grants Receivable	244
Total Receivables	360,213
Allowance for Doubtful Accounts	(16,296)
Total Receivables, Net	\$ 343,917
Amounts not Scheduled for Collection During the Subsequent Year	\$ 335,725

Mortgage loans receivable, which total \$286.8 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 1 and 17 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, 2019 is as follows (expressed in thousands):

	<u>Due To</u>			
	<u>General</u>	<u>Lottery</u>	<u>DeIDOT</u>	<u>Total</u>
<b>Due From</b>				
General	\$ -	\$ 12,607	\$ 22,880	\$ 35,487
Federal	24,938	-	-	24,938
Lottery	701	-	-	701
<b>Total</b>	<u>\$ 25,639</u>	<u>\$ 12,607</u>	<u>\$ 22,880</u>	<u>\$ 61,126</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 to DeIDOT represents Transportation Trust Fund deposits to the General Fund due to DeIDOT.

**(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, 2019 is presented below (expressed in thousands):

<b>Transfers In</b>				
	<b>Local School</b>			
	<b>General</b>	<b>District Fund</b>	<b>DelDOT</b>	<b>Total</b>
<b>Transfers Out</b>				
General	\$ -	\$ 26,652	\$ 5,099	\$ 31,751
Federal	66,989	-	-	66,989
Local School District	67,483	-	-	67,483
Capital Projects	2,189	-	-	2,189
Lottery	258,692	-	-	258,692
DelDOT	14,168	-	-	14,168
<b>Total</b>	<b>\$ 409,521</b>	<b>\$ 26,652</b>	<b>\$ 5,099</b>	<b>\$ 441,272</b>

**NOTE 6 CAPITAL ASSETS**

Capital asset activities for the fiscal year ended June 30, 2019 were as follows:

<b>Capital Assets</b> (Expressed in Thousands)				
<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets, Not Being Depreciated				
Land	\$ 494,654	\$ 9,559	\$ (2,553)	\$ 501,660
Easements	83,297	253	-	83,550
Construction-In-Progress	154,516	149,873	(152,050)	152,339
<b>Total Capital Assets, Not Being Depreciated</b>	<b>732,467</b>	<b>159,685</b>	<b>(154,603)</b>	<b>737,549</b>
Capital Assets, Being Depreciated				
Vehicles	106,569	8,193	(3,755)	111,007
Buildings	4,064,427	157,370	(6,140)	4,215,657
Equipment	106,494	5,531	(7,354)	104,671
Land Improvements	310,092	16,658	(2,578)	324,172
Computer Software	413,013	-	-	413,013
<b>Total Capital Assets Being Depreciated</b>	<b>5,000,595</b>	<b>187,752</b>	<b>(19,827)</b>	<b>5,168,520</b>
Less Accumulated Depreciation For:				
Vehicles	(76,252)	(8,153)	3,747	(80,658)
Buildings	(1,573,629)	(93,002)	5,311	(1,661,320)
Equipment	(78,993)	(5,542)	7,231	(77,304)
Land Improvements	(137,327)	(14,250)	2,460	(149,117)
Computer Software	(185,287)	(63,327)	-	(248,614)
<b>Total Accumulated Depreciation</b>	<b>(2,051,488)</b>	<b>(184,274)</b>	<b>18,749</b>	<b>(2,217,013)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>2,949,107</b>	<b>3,478</b>	<b>(1,078)</b>	<b>2,951,507</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 3,681,574</b>	<b>\$ 163,163</b>	<b>\$ (155,681)</b>	<b>\$ 3,689,056</b>



<b>Capital Assets</b>				
(Expressed in Thousands)				
<b>Business-type Activities</b>				
<b>DelDOT</b>	<b>Beginning</b>			<b>Ending</b>
	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
Capital Assets, Not Being Depreciated				
Land	\$ 320,563	\$ 37,216	-	\$ 357,779
Infrastructure	4,185,972	115,395	-	4,301,367
Welcome and Service Center	22,100	-	-	22,100
Construction In Progress	<u>12,257</u>	<u>54,635</u>	<u>(8,272)</u>	<u>58,620</u>
Total Capital Assets, Not Being Depreciated	<u>4,540,892</u>	<u>207,246</u>	<u>(8,272)</u>	<u>4,739,866</u>
Capital Assets, Being Depreciated				
Land Improvements	5,602	1,491	-	7,093
Buildings & Improvements	168,030	18,330	-	186,360
Furniture & Equipment	<u>322,756</u>	<u>30,212</u>	<u>(9,254)</u>	<u>343,714</u>
Total Capital Assets, Being Depreciated	<u>496,388</u>	<u>50,033</u>	<u>(9,254)</u>	<u>537,167</u>
Less Accumulated Depreciation For:				
Land Improvements	(745)	(337)	-	(1,082)
Buildings & Improvements	(58,508)	(5,473)	-	(63,981)
Furniture & Equipment	<u>(184,135)</u>	<u>(26,219)</u>	<u>9,015</u>	<u>(201,339)</u>
Total Accumulated Depreciation	<u>(243,388)</u>	<u>(32,029)</u>	<u>9,015</u>	<u>(266,402)</u>
Total Capital Assets, Being Depreciated, Net	<u>253,000</u>	<u>18,003</u>	<u>(238)</u>	<u>270,765</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,793,892</u>	<u>\$ 225,249</u>	<u>\$ (8,510)</u>	<u>\$ 5,010,631</u>

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

**Depreciation Expense**  
(Expressed in Thousands)

<b>Governmental Activities:</b>	
General Government	\$ 23,765
Health and Children's Services	58,195
Judicial and Public Safety	19,946
Natural Resources and Environmental Control	5,121
Labor	64
Education	<u>77,183</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 184,274</u>
<b>Business-type Activities:</b>	
DelDOT	<u>\$ 32,029</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 32,029</u>

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. DelDOT 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 \$16.4 million as of June 30, 2019. 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, 2019 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	\$ -	\$ 25,390	\$ 25,390
OPEB - See Note 15	217,034	12,544	229,578
Pensions - See Note 16	513,360	30,374	543,734
<b>Total Deferred Outflows of Resources</b>	<b>\$ 730,394</b>	<b>\$ 68,308</b>	<b>\$ 798,702</b>
<b>Deferred Inflows of Resources</b>			
Service Concession Arrangement	\$ -	\$ 16,417	\$ 16,417
Gain on Refundings of Debt	49,811	-	49,811
OPEB - See Note 15	1,016,062	81,414	1,097,476
Pensions - See Note 16	74,922	6,060	80,982
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,140,795</b>	<b>\$ 103,891</b>	<b>\$ 1,244,686</b>

Deferred inflows of resources on the governmental funds balance sheet as of June 30, 2019 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	\$ 74,194	\$ 18,889	\$ 152	\$ 93,235
Taxes Receivable	39,160	-	46,741	85,901
<b>Total Deferred Inflows of Resources</b>	<b>\$ 113,354</b>	<b>\$ 18,889</b>	<b>\$ 46,893</b>	<b>\$ 179,136</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 February 26, 2019, the State issued \$246.0 million of general obligation bonds maturing between February 1, 2020 and February 1, 2039. The \$246.0 million was issued as Series 2019 representing new money, the proceeds of which were used to fund various capital projects as authorized by the General Assembly. The bonds bear coupons between 3.00% and 5.00% and yield between 1.60% and 3.33%.

Bonds issued and outstanding totaled \$2,080.9 million at June 30, 2019. Of this amount, \$502.3 million is supported by property taxes collected by the local school districts. During fiscal year 2019, the local school district funds transferred \$66.5 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 \$209.2 million of general obligation bonds at June 30, 2019. 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, 2019
234	GO 2019A	3.00% - 5.00%	2039	\$ 246,000
233	GO 2018B	2.15% - 2.30%	2020	12,500
232	GO 2018A	5.00%	2038	212,450
231	GO 2017A	5.00%	2029	114,785
230	GO 2017	3.00% - 5.00%	2037	202,500
229	GO 2016D	2.00% - 5.00%	2032	85,280
227	GO 2016C	4.00% - 5.00%	2027	35,455
225	GO 2016A	2.125% - 5.00%	2036	170,510
222	GO 2014B	2.00% - 5.00%	2035	193,480
221	GO 2014A	3.00% - 5.00%	2034	86,500
220	GO 2013B	2.00% - 5.00%	2033	99,890
219	GO 2013A	2.00% - 5.00%	2027	86,375
215	GO 2011A	2.00% - 5.00%	2032	57,028
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	43,700
209	GO 2010A	2.00% - 5.00%	2021	9,900
208	GO 2009D	3.70% - 5.30%	2030	135,850
206	GO 2009C	2.00% - 5.00%	2028	89,545
199	QZAB 2006C	0.00%	2023	1,433
195	GO 2005C	5.00%	2023	22,110
192	QZAB 2004B	0.00%	2021	224
Total, Gross				2,080,870
Plus: Unamortized Bond Premium				259,448
Total General Obligation Bonds				\$ 2,340,318

The following table sets forth the future debt service requirements on outstanding general obligation bonds at June 30, 2019:

(Expressed in Thousands)

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 168,610	\$ 90,339	\$ 258,949
2021	166,454	83,457	249,911
2022	166,144	75,624	241,768
2023	164,515	67,483	231,998
2024	157,689	59,598	217,287
2025-2029	661,857	200,258	862,115
2030-2034	434,971	71,884	506,855
2035-2039	160,630	13,522	174,152
<b>Total</b>	<b>\$ 2,080,870</b>	<b>\$ 662,165</b>	<b>\$ 2,743,035</b>

Changes in general obligation bonded debt during the year ended June 30, 2019 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, 2019, a total of \$264.1 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 2011 SEU Bonds). Of the total amount, \$56.2 million of the 2011 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.

In February 2019, the SEU issued \$18.7 million of its Sustainable Energy Utility, Inc. Energy Efficiency Revenue Bonds, Series 2019 (the 2019 SEU Bonds). The total amount issued is to finance energy conservation measures for multiple State agencies.

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 2011 and 2019 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.

Remaining maturities and interest due relating to SEU's revenue bonds at June 30, 2019 are as follows:

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,145	\$ 2,695	\$ 4,840
2021	2,410	2,590	5,000
2022	2,525	2,476	5,001
2023	2,685	2,351	5,036
2024	2,850	2,217	5,067
2025-2029	16,710	8,979	25,689
2030-2034	20,980	4,466	25,446
2035-2039	9,400	857	10,257
2040	690	13	703
Total	<u>\$ 60,395</u>	<u>\$ 26,644</u>	<u>\$ 87,039</u>
Plus Unamortized Bond Premium	<u>4,409</u>		
Total Revenue Bonds Payable	<u>\$ 64,804</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, 2019, the amount of defeased debt outstanding amounted to \$141.3 million.

The Authority has a total of \$267.0 million in authorized but unissued revenue bonds at June 30, 2019. Bonds outstanding at June 30, 2019 amounted to \$838.2 million and are presented as follows:

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

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Balance Outstanding At June 30, 2019</u>
Transportation System Senior Revenue Bonds - Series			
2008	5.00%	2019	5,480
2009	5.00%	2019	5,195
2010	5.00%	2019	5,485
2010	3.95% - 5.80%	2030	72,120
2012	3.00% - 5.00%	2024	131,800
2014	2.25% - 5.00%	2025	66,710
2015	3.25% - 5.00%	2055	212,535
2016	2.00% - 5.00%	2029	181,475
2017	2.50% - 5.00%	2037	100,720
Transportation System Grant Anticipation Bonds			
2010 Series	3.25% - 5.00%	2025	56,695
Total, Gross			838,215
Less: Current Portion of Debt Outstanding			75,440
Long-term Portion of Debt Outstanding			\$ 762,775

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>
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	66,720	22,528	89,248
2025-2029	198,335	78,382	276,717
2030-2034	55,910	52,786	108,696
2035-2039	34,895	46,622	81,517
2040-2044	27,830	41,319	69,149
2045-2049	49,355	32,868	82,223
2050-2054	79,885	17,708	97,593
2055-2056	19,815	991	20,806
Total	\$ 838,215	\$ 420,081	\$ 1,258,296



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, 2019 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	\$ 289,943
Capital Assets	1,854,853
Other Assets	<u>31,502</u>
Total Assets	2,176,298
Deferred Outflows of Resources	<u>25,390</u>
Total Assets and Deferred Outflows	<u><u>\$ 2,201,688</u></u>
Liabilities:	
Current Liabilities	\$ 160,343
Noncurrent Liabilities	<u>990,396</u>
Total Liabilities	<u>1,150,739</u>
Deferred Inflows of Resources	16,417
Net Position:	
Net Investment in Capital Assets	816,811
Restricted	180,879
Unrestricted	<u>36,842</u>
Total Net Position	<u>1,034,532</u>
Total Liabilities, Deferred Inflows and Net Position	<u><u>\$ 2,201,688</u></u>

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

Operating Revenues (Pledged Against Bonds)	\$ 505,351
Other Operating Revenues	77,344
Depreciation Expense	(189)
Other Operating Expenses	<u>(332,544)</u>
Operating Income	<u>\$ 249,962</u>
Nonoperating Revenues (Expenses):	
Investment Income	\$ 5,524
Federal Grant Revenue	127
Interest Expense	(33,219)
Service Concession Arrangement	631
Transfer to Other Agencies	(14,167)
Transfer from General Fund	5,099
Transfer to DTC	(93,182)
Transfer to DelDOT	<u>(120,139)</u>
Change in Net Position	636
Beginning Net Position	<u>1,033,896</u>
Ending Net Position	<u>\$ 1,034,532</u>

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

Net Cash Provided by (Used In):	
Operating Activities	\$ 264,073
Noncapital Financing Activities	(222,390)
Capital and Related Financing Activities	(139,754)
Investing Activities	<u>108,148</u>
Net Decrease	10,077
Beginning Cash and Cash Equivalents	<u>45,330</u>
Ending Cash and Cash Equivalents	<u>\$ 55,407</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 25% of pledged revenues. The total principal and interest remaining to be paid on the revenue bonds as of June 30, 2019 was \$1,258.3 million. Principal and interest paid on the revenue bonds for the year ended June 30, 2019 was \$115.7 million. Total pledged revenues for the year ended June 30, 2019 were \$510.9 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 5.45% with maturities of such bonds up through July 1, 2048.

On July 11, 2018, the Authority issued \$20.6 million Single Family Mortgage Revenue Bonds 2018 Series A to fully refund the Single Family Mortgage Revenue Bonds 2007 Series C, 2007 Series D, and 2008 Series B resulting in an economic gain of \$3.8 million. The outstanding mortgage loans and mortgage back securities in these refunded issues were transferred to the 2018 Series A and the Authority.

Outstanding bonds at June 30, 2019 amounted to \$152.6 million. Future debt service requirements for DSHA's bonds are shown on the following table:

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,250	\$ 4,722	\$ 7,972
2021	3,185	4,599	7,784
2022	3,385	4,471	7,856
2023	3,575	4,330	7,905
2024	3,755	4,175	7,930
2025-2029	19,720	18,275	37,995
2030-2034	15,970	15,012	30,982
2035-2039	18,475	12,733	31,208
2040-2044	63,024	8,008	71,032
2045-2048	18,291	1,273	19,564
Total	<u>\$ 152,630</u>	<u>\$ 77,598</u>	<u>\$ 230,228</u>

*Delaware State University (DSU)*

Revenue bonds payable at June 30, 2019 are as follows:

<b>Delaware State University Revenue Bonds Payable</b>	
(Expressed in Thousands)	
Energy Efficiency Revenue Bonds	\$ 10,160
Revenue Refunding Bonds Series 2012	25,507
Revenue Refunding Bonds 2014	29,665
Revenue Refunding Bonds 2017	<u>44,178</u>
Total Revenue Bonds Outstanding as of June 30, 2019	<u>\$ 109,510</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, 2019, \$10.2 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, 2037 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, 2019, \$25.5 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, 2045 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, 2019, \$29.7 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 mature through October 1, 2040, 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, 2019, \$44.2 remained outstanding on the 2017 revenue bonds.

Remaining maturities and interest due relating to DSU’s revenue bonds at June 30, 2019 are as follows:

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	4,135	3,799	7,934
2025 - 2029	23,465	16,057	39,522
2030 - 2034	28,040	10,338	38,378
2035 - 2039	22,845	4,204	27,049
2040 - 2044	7,410	895	8,305
2045	1,030	26	1,056
Total	101,625	<u>\$ 52,293</u>	<u>\$ 153,918</u>
Plus Unamortized Bond Premiums and Discount	<u>7,885</u>		
Total Revenue Bonds Payable	<u>\$ 109,510</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>
2020	\$ 556	\$ 505	\$ 1,061
2021	611	488	1,099
2022	669	471	1,140
2023	731	450	1,181
2024	796	429	1,225
2025-2029	5,075	1,747	6,822
2030-2034	7,283	870	8,153
2035	1,773	39	1,812
Total	<u>\$ 17,494</u>	<u>\$ 4,999</u>	<u>\$ 22,493</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 the principal and interest payments on the agreement are as follows:

**Delaware State Police**  
(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,094	74	1,168
2021	1,116	52	1,168
2022	1,139	29	1,168
2023	579	6	585
Total	<u>\$ 3,928</u>	<u>\$ 161</u>	<u>\$ 4,089</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, 2019.

### ***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, 2019, the total outstanding loan payable, including capitalized interest of \$6.4 million, was \$191.9 million. The loan is expected to be fully funded during the Fiscal Year Ended June 30, 2020.

Projected debt service on the loan once fully funded, including capitalized interest, is as follows as June 30, 2019:

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

Years Ending June 30,	Principal Maturity	Interest Maturity	Total*
2024	\$ -	\$ 7,198	\$ 7,198
2025-2029	763	35,930	36,693
2030-2034	11,847	35,254	47,101
2035-2039	24,599	32,996	57,595
2040-2044	41,843	28,272	70,115
2045-2049	67,558	20,704	88,262
2050-2054	97,890	8,803	106,693
Total	<u>\$ 244,500</u>	<u>\$ 169,157</u>	<u>\$ 413,657</u>

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

***Transportation Trust Fund Line of Credit***

The Transportation Trust Fund has a line of credit agreement with PNC Bank for \$50.0 million, which matures in November 2019. There were no borrowings against the line at June 30, 2019. The line bears interest on the amount that has been advanced from time to time pursuant to the bank loan agreements. At June 30, 2019, the interest rate was equal to 2.56%.

**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 \$197.9 million, of which \$174.2 million relates to property leases and \$23.7 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 2019 were approximately \$37.1 million, of which \$29.8 million was for office space and \$7.3 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 \$6.2 million for fleet vehicles and data processing equipment for the Office of Management and Budget. Significant annual real estate rentals include \$7.6 million for leases for the Department of Health and Social Services, \$2.4 million for the Department of Services for Children, Youth and Their Families, \$3.5 million for the Department of Correction, and \$3.5 million for the Department of Labor.



Future minimum lease commitments for operating leases as of June 30, 2019 are shown in the following table:

**Lease Commitments**  
(Expressed in Thousands)

<b>Fiscal Year</b>		
<b>Ending</b>	<b>Operating Leases</b>	
2020	\$	35,837
2021		28,894
2022		24,471
2023		19,566
2024		17,139
2025-2029		46,773
2030-2034		19,943
2035-2038		5,235
Total	\$	<u>197,858</u>

#### 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, 2019. 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. \$180.5 million has been accrued for the Governmental Activities and \$12.7 million in the Business-type Activities for the total compensated absences liability. The current portion of the long-term obligation for compensated absences is \$15.5 million in the Governmental Activities and \$1.8 million in the Business-type Activities. Approximately \$ 156.0 million (86.4%) of the long-term obligation for compensated absences will be liquidated by the General Fund. Of the remainder, approximately \$8.5 million (4.7%) and \$16.0 million (8.9%) will be paid with Federal Funds and Local School District Funds, respectively.

The State has recorded \$550.0 million relating to the accrual of the obligation for escheated (abandoned) property, of which \$110.0 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 \$6.2 million, of which \$0.9 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, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated Absences (Note 12)	\$ 168,879.7	\$ 27,747.5	\$ (16,083.0)	\$ 180,544.2	\$ 15,463.3
Claims and Judgments (Notes 14 and 18)	180,051.0	46,355.8	(41,782.3)	184,624.5	43,265.4
Escheat Payable (Note 12)	525,000.0	25,000.0	-	550,000.0	110,000.0
Loans and Notes Payable (Note 10)	22,998.2	-	(1,575.6)	21,422.6	1,649.9
Pollution Remediation Obligations (Note 18)	20,475.9	-	(2,556.7)	17,919.2	5,773.3
Bonds Payable:					
General Obligation Bonds (Note 8)	2,003,593.2	246,000.0	(168,723.0)	2,080,870.2	168,610.0
Bond Issue Premium, Net of					
Accumulated Amortization (Notes 8 and 9)	257,600.1	28,532.0	(22,274.6)	263,857.5	22,886.6
Revenue Bonds (Note 9)	43,910.1	18,650.0	(2,165.1)	60,395.0	2,145.0
Physician and Scholarship Programs (Note 12)	5,726.7	2,320.8	(1,866.9)	6,180.6	864.9
<b>Governmental Activities Long-term Liabilities</b>	<b>\$ 3,228,234.9</b>	<b>\$ 394,606.1</b>	<b>\$ (257,027.2)</b>	<b>\$ 3,365,813.8</b>	<b>\$ 370,658.4</b>
Business-type Activities:					
Compensated Absences (Note 12)	\$ 11,616.3	\$ 1,041.5	\$ -	\$ 12,657.8	\$ 1,803.7
Pollution Remediation Obligations (Note 18)	84.5	-	(70.7)	13.8	13.8
Liabilities Payable from					
Restricted Assets (Note 22)	2,467.0	378.1	-	2,845.1	-
Claims and Judgments (Notes 14 and 18)	9,179.0	4,457.3	(4,570.3)	9,066.0	1,761.9
Loans and Notes Payable (Note 10)	106,904.8	85,031.9	-	191,936.7	-
Bonds Payable:					
Revenue Bonds (Note 9)	912,985.0	-	(74,770.0)	838,215.0	75,440.0
Bond Issue Premium, Net of					
Accumulated Amortization (Notes 8 and 9)	62,815.6	-	(14,424.5)	48,391.1	12,706.9
<b>Business-type Activities Long-term Liabilities</b>	<b>\$ 1,106,052.2</b>	<b>\$ 90,908.8</b>	<b>\$ (93,835.5)</b>	<b>\$ 1,103,125.5</b>	<b>\$ 91,726.3</b>

**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, 2019, for workers' compensation, automobile accident and health-care claim liabilities is \$249.3 million. The claim liabilities relating to health-care totaling \$65.3 million have been recorded as accrued liabilities in governmental activities. The liability for workers' compensation and automobile accident liabilities totaling \$184.0 million has been recorded in governmental activities as claims and judgments. The current portion of these claims totals \$43.3 million. Other claim liabilities relating to police professional malpractice and property and casualty were not recorded at June 30, 2019 as the total of these liabilities were not material to the financial statements.

Changes in the balances of claim liabilities during fiscal years 2019 and 2018 were as follows:

#### Changes in Claim Liabilities

(Expressed in Thousands)

Fiscal Year	Beginning Balance July 1	Current Year Claims and Changes in Estimates	Actual Claim Payments	Ending Balance June 30
2018	\$ 232,438	\$ 866,862	\$ (856,658)	\$ 242,642
2019	242,642	911,759	(905,097)	249,304

#### 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 \$9.1 million of claim liabilities as Insurance Loss Reserve. Of this amount, \$1.8 million has been recorded as current.

Changes in the balances of total claim liabilities during the fiscal years 2019 and 2018 were as follows:

<b>Changes in Claim Liabilities</b>					
(Expressed in Thousands)					
<b>Fiscal Year</b>	<b>Beginning Balance July 1</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Actual Claim Payments</b>	<b>Ending Balance June 30</b>	
2018	\$ 9,451	\$ 4,966	\$ (5,238)	\$ 9,179	
2019	9,179	4,457	(4,570)	9,066	

#### **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, 2018, the following employees of DTC were covered by the DTC OPEB Trust benefit terms:

Retirees and beneficiaries receiving benefits	
Pre-65	73
Post-65	<u>270</u>
Total retirees and beneficiaries receiving benefits	343
Total active plan members	<u>875</u>
Total	<u><u>1,218</u></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>	<u>2018</u>
Statutorily determined contribution	\$ 202,652
Contributions in relation to the statutorily determined contribution	<u>202,652</u>
Contribution (excess)/deficiency	<u>\$ -</u>
Covered payroll	\$ 1,851,399
Contributions as a percentage of covered payroll	10.9%

### 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 \$2.3 million to the DTC OPEB Trust, which resulted in an average contribution rate of 4.3% of covered payroll.

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

At June 30, 2019, the State reported the following net OPEB liabilities (expressed in thousands):

Plan	Governmental Activities	Business-Type Activities
OPEB Trust	\$ 7,114,767	\$ 292,261
DTC OPEB Trust	-	151,307
	\$ 7,114,767	\$ 443,568

The proportionate share of collective net OPEB liability of the OPEB Trust was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of July 1, 2017 with update procedures used to roll forward the total OPEB liability to June 30, 2018. 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, 2018, the State's proportionate share of the net OPEB liability of the OPEB Trust was 90.2%, which was a decrease of 0.2% from its proportion measured as of June 30, 2017.

The DTC OPEB Trust net OPEB liability and related information, measured as of June 30, 2018, is as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at July 1, 2017	\$ 163,347	\$ 3,736	\$ 159,611
Changes for the year:			
Service cost	11,454	-	11,454
Interest	5,786	-	5,786
Differences between expected and actual experience	(23,812)	-	(23,812)
Changes of assumptions	1,137	-	1,137
Contributions - employer	-	2,280	(2,280)
Net investment income	-	589	(589)
Benefit payments	(2,280)	(2,280)	-
Net changes	(7,715)	589	(8,304)
Balance at June 30, 2018	\$ 155,632	\$ 4,325	\$ 151,307

For the year ended June 30, 2019, the State recognized OPEB expense of \$306.9 million, related to all plans.

At June 30, 2019, 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	\$ -	\$ 31,545	\$ -	\$ 1,370
Difference between expected and actual experience	-	-	-	22,258
Net difference between projected and actual earnings on OPEB plan investments	-	17,876	-	984
Change in assumptions	-	966,641	1,010	56,802
Contributions subsequent to the measurement date	217,034	-	11,534	-
	<u>\$ 217,034</u>	<u>\$ 1,016,062</u>	<u>\$ 12,544</u>	<u>\$ 81,414</u>

The State reported \$228.6 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, 2020. 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	\$ (239,527)	\$ (14,711)
2020	(239,527)	(14,711)
2021	(239,527)	(14,711)
2022	(235,872)	(14,565)
2023	(61,609)	(7,328)
thereafter	-	(14,378)
Total	<u>\$ (1,016,062)</u>	<u>\$ (80,404)</u>

### Actuarial Assumptions

#### OPEB Trust

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, with rollforward procedures performed to June 30, 2018, 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	6.8 percent, decreasing 0.2 percent per year to an ultimate rate of 4.0% for 2032 and later years
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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, 2017 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 2016 actuarial experience study, claim curves, decrements, and healthcare trends were updated in the July 1, 2017 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 as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation Range</u>		<u>Long-Term Expected Real Rate of Return</u>	<u>Percentage of Fiduciary Net Position</u>
	<u>Min</u>	<u>Max</u>		
Equity	20%	80%		
Domestic Equity			5.7%	38.7%
International Equity			5.7%	19.0%
Fixed Income	20%	80%		
Domestic Fixed Income			2.0%	39.3%

#### DTC OPEB Trust

The actuarial funding method used in the June 30, 2018 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 5.7% healthcare cost trend rate based on the Society of Actuaries Long-Run Medical Cost Trend Model. Mortality rates were based on RP 2014 Generational Blue Collar Headcount Weighted Mortality Tables, RP 2014 Generational White Collar Headcount Weight Mortality Tables, and RP 2014 Generational Disabled Annuitant Headcount Weighted Mortality Tables.

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, 2018 are as follows:

<b>Asset Class</b>	<b>Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Growth Assets		
Domestic Equity	42.0%	5.0%
International Equity	16.0%	4.9%
Emerging Equity	7.0%	5.0%
Income Assets		
Core Fixed Income	17.5%	2.6%
Intermediate IG Corp	8.7%	3.6%
High Yield	4.4%	4.1%
Emerging Debt	4.4%	4.2%
	100.0%	

### Discount Rate

#### OPEB Trust

The discount rate used to measure the total OPEB liability was 3.58 percent at the beginning of the current measurement period and 3.87 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 3.62 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, 2018.

### 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 (2.87 percent for OPEB Trust;

2.60 percent for DTC OPEB Trust) or 1-percentage-point higher (4.87 percent for OPEB Trust; 4.60 percent 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	\$ 8,814,196	\$ 7,407,028	\$ 6,300,616
DTC OPEB Trust	182,058	151,307	127,320

### 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 (5.8 percent for the OPEB Trust; 4.7 percent for DTC OPEB Trust) or 1-percentage point higher (7.8 percent for the OPEB Trust; 6.7 percent 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	\$ 6,306,661	\$ 7,407,028	\$ 8,747,052
DTC OPEB Trust	126,107	151,307	184,286

*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
- Closed Diamond State Port Corporation Pension Plan
- Closed State Police Pension Plan

With the exception of the Closed 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 Closed 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 and 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 11.83% of earnings for fiscal year 2019.  
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.

Service Benefits: Defined by special legislation.

Vesting: Defined by special legislation.

Retirement: Defined by special legislation.

Disability Benefits: Defined by special legislation.

Survivor Benefits: Same as State Employees' Plan.

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

Burial Benefit: \$7,000 per member.

### ***New State Police Pension Plan***

#### Plan Description and Eligibility:

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

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

Vesting: 10 years of credited service at age 62.

Retirement: Age plus credited service (but not less than 10 years) equals 75; has 10 years of service and is retired due to age 55; or 20 years of credited service.

Disability Benefits: *Duty - Total Disability:* 75% of final average monthly 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 monthly compensation.

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

Survivor Benefits: If employee is receiving a pension, the eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 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 24.23% of earnings for fiscal year 2019.  
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 20.62% of earnings for fiscal year 2019.  
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.

#### ***Closed Diamond State Port Corporation Pension Plan***

##### Plan Description and Eligibility:

The Closed 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.

<u>Vesting:</u>	5 years of credited service.
<u>Retirement:</u>	Age 65 with 5 years of credited service, or age (not less than 55 years) plus credited service equals 90.
<u>Disability Benefits:</u>	Same as service benefits. Employee must have 15 years of credited service.
<u>Survivor Benefits:</u>	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, the eligible survivor receives 50% of pension the employee would have received at age 65.
<u>Contributions:</u>	Employer: determined by Board of Pension Trustees at the actuarially determined rate. Employer contributions were 9.5% of earnings for fiscal year 2019. Member: 2% of compensation.
<u>Burial Benefit:</u>	Not applicable.

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

#### Plan Description and Eligibility:

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

<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 (excluding overtime and special pay).
<u>Vesting:</u>	5 years of credited service.
<u>Retirement:</u>	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.
<u>Disability Benefits:</u>	<i>Duty – Total Disability:</i> 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents. <i>Partial Disability:</i> calculated the same as service benefits, subject to minimum 50% of final average compensation.  <i>Non-Duty:</i> same as service benefits. <i>Total Disability:</i> 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, the 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 16.68% of earnings for fiscal year 2019.  
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, the 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 7.3% of earnings for fiscal year 2019.  
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 \$445.19 per member for fiscal year 2019.  
Member: \$60 per member per calendar year.

Burial Benefit: Not applicable.

*Employees covered by benefit terms.* At June 30, 2018, the following employees were covered by the benefit terms for each plan:

	<u>State Employees</u>	<u>Special</u>	<u>New State Police</u>	<u>Judiciary</u>	<u>Closed State Police</u>
Inactive plan members or beneficiaries currently receiving benefits	26,879	7	262	51	494
Inactive plan members entitled to but not yet receiving benefits	4,043	-	9	1	-
Active plan members	37,119	-	705	57	-
Total plan members	<u>68,041</u>	<u>7</u>	<u>976</u>	<u>109</u>	<u>494</u>

The June 30, 2018 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 and 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 and Municipal Police and Firefighters' Pension Plan and manage a non-DPERS "closed" pension plan for former employees.

Closed pension groups pertain to employees, for whom the employer elected not to become a part of DPERS when their employers joined the DPERS. 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 DPERS 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 and 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, 2019, \$11.3 million was transferred to the appropriate plans in DPERS.

As of June 30, 2019, recently granted post-retirement increases have outstanding liabilities totaling \$5.8 million, which will be funded by the State and transferred to the appropriate plans over the next fiscal year as follows (expressed in thousands):

<b>Fiscal Year</b>	
<b>Ended June 30</b>	
2020	\$ 5,834
Total	<u>\$ 5,834</u>

The Board adopts actuarially determined funding for the Post-Retirement Increase Fund. Funding for fiscal year 2019 was 0.53% of covered payroll. Funding for fiscal year 2020 will be 0.27%.

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

In June 1996, the State established DELRIP 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 DELRIP 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 three participating entities in DELRIP as of June 30, 2019, which comprise the pool in its entirety: Sussex County, Town of Elsmere, and Town of Newport.

DELRIP 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 7.6% of earnings for fiscal year 2018. 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; \$72.50 per month after January 1, 2019) 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 2018.

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, 2018)	<u>Contributory</u> (at December 31, 2018)
Inactive members or beneficiaries		
currently receiving benefits	84	197
Terminated, vested members	96	103
Active plan members	314	668
Total plan members	<u>494</u>	<u>968</u>

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

At June 30, 2019, 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'	\$ -	\$ 1,111,863	\$ -	\$ 47,169
Special Fund	74	-	-	-
New State Police	-	56,934	-	-
Judiciary	4,011	-	-	-
Closed State Police	-	372,902	-	-
DTC	-	-	-	2,095
Contributory	-	-	-	11,116
	<u>\$ 4,085</u>	<u>\$ 1,541,699</u>	<u>\$ -</u>	<u>\$ 60,380</u>

The net pension asset and liability were measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of June 30, 2017 with update procedures used to roll forward the total pension liability to June 30, 2018. 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, 2018, the State's proportion of the net pension liability of the State Employees' Plan was 89.7%, which was a decrease of 0.5% from its proportion measured as of June 30, 2017.

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

<b>State of Delaware - DPERS</b>				
<b>Changes in Single Employer Plans' Net Pension Liability and Related Ratios</b>				
(Expressed in thousands)				
	2018			
	Special	New State Police	Judiciary	Closed State Police
Total Pension Liability				
Service Cost	\$ -	\$ 14,833	\$ 2,909	\$ -
Interest	9	35,226	5,410	14,023
Changes in Benefit Terms		105	21	
Differences between expected and actual experience	11	2,054	(2,253)	6,599
Changes of Assumptions	-	-	-	(16,687)
Benefit payments, including refunds of member contributions	(33)	(18,595)	(4,795)	(22,640)
Net change in total pension liability	(13)	33,623	1,292	(18,705)
Total pension liability - beginning	134	495,481	78,993	396,333
Total pension liability - ending (a)	<u>\$ 121</u>	<u>\$ 529,104</u>	<u>\$ 80,285</u>	<u>\$ 377,628</u>
Plan fiduciary net position				
Contributions - employer	\$ -	\$ 13,202	\$ 2,112	\$ 22,750
Contributions - nonemployer	-	316	64	-
Contributions - member	-	4,329	354	-
Net investment income	21	44,454	8,052	1,292
Benefit payment, including refunds of member contributions	(33)	(18,595)	(4,795)	(22,641)
Administrative expense	(1)	(100)	(13)	(40)
Net change in fiduciary net position	(13)	43,606	5,774	1,361
Plan fiduciary net position - beginning	208	428,564	78,522	3,365
Plan fiduciary net position - ending (b)	<u>\$ 195</u>	<u>\$ 472,170</u>	<u>\$ 84,296</u>	<u>\$ 4,726</u>
State's net pension liability (asset) - ending (a) - (b)	<u>\$ (74)</u>	<u>\$ 56,934</u>	<u>\$ (4,011)</u>	<u>\$ 372,902</u>
Plan fiduciary net position as a percentage of total liability	161%	89%	105%	1%
Covered payroll	\$ -	\$ 62,360	\$ 10,629	\$ -
State's net pension liability (asset) as a percentage of covered payroll	N/A	91%	-38%	N/A

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

**DeIDOT- Delaware Transit Corporation**  
**Changes in DTC's Net Pension Liability and Related Ratios**  
(Expressed in thousands)

	2018	
	DTC Plan	Contributory Plan
Total Pension Liability		
Service Cost	\$ 1,137	\$ 2,194
Interest	1,920	3,680
Change in Benefit Terms	-	1,238
Differences between expected and actual experience	(294)	(647)
Changes of Assumptions	489	3,340
Benefit payments, including refunds of member contributions	(899)	(2,674)
Net change in total pension liability	2,353	7,131
Total pension liability - beginning	27,876	51,703
Total pension liability - ending (a)	<u>\$ 30,229</u>	<u>\$ 58,834</u>
Plan fiduciary net position		
Contributions - employer	\$ 1,255	\$ 1,213
Contributions - member	145	1,499
Net investment income	2,261	(2,786)
Benefit payments, including refunds of member contributions	(899)	(2,674)
Administrative expense	(134)	(91)
Other	3	-
Net change in plan fiduciary net position	2,631	(2,839)
Plan fiduciary net position - beginning	25,503	50,557
Plan fiduciary net position - ending (b)	<u>\$ 28,134</u>	<u>\$ 47,718</u>
Corporation's net pension liability (asset) - ending (a)-(b)	<u>\$ 2,095</u>	<u>\$ 11,116</u>
Plan fiduciary net position as a percentage of total pension liability	93%	81%
Covered payroll	\$ 14,985	\$ 31,684
State's net pension liability (asset) as a percentage of covered payroll	14%	35%

For the year ended June 30, 2018, the State recognized pension expense of \$268.8 million, related to all plans.



At June 30, 2019, 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	\$ 533	\$ 6,717	\$ 94	\$ 1,314
Difference between expected and actual experience	58,108	16,047	2,465	2,524
Net difference between projected and actual earnings on pension plan investments	344	52,158	3,748	2,222
Change in assumptions	204,850	-	12,650	-
Contributions subsequent to the measurement date	249,525	-	11,417	-
	<u>\$ 513,360</u>	<u>\$ 74,922</u>	<u>\$ 30,374</u>	<u>\$ 6,060</u>

The State reported \$260.9 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, 2020. 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
2020	\$ 137,298	\$ 6,848
2021	85,674	4,073
2022	(42,094)	(687)
2023	(8,119)	1,350
2024	11,038	775
thereafter	5,116	538
Total	<u>\$ 188,913</u>	<u>\$ 12,897</u>

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

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

<b>Contributions</b>	2018
Contractually required contribution	\$ 185,669
Contributions in relation to the contractually required contribution	185,669
Contribution excess	<u>\$ -</u>
Covered payroll	\$ 1,781,847
Contributions as a percentage of covered payroll	10.4%

*Actuarial assumptions.* The total pension liability in the June 30, 2018 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%	3.87%
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%	2.5%

(1) - Inflation is included at 2.0% for DTC Plan and 2.5% for Contributory Plan

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-2014 Mortality with generational projection using scale MP-2017 and the rates for the Contributory Plan were based on the sex distinct RP-2014 Blue Collar Table, fully generational with scale MP-2018.

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, 2018, DTC's current and expected asset allocation as of July 1, 2018, and Contributory's current and expected asset allocation as of January 1, 2019 are summarized in the following table:

Asset Class	Asset Allocation %	Long-Term Expected Real Rate of Return %
DPERS		
Domestic Equity	30.7	5.7
International Equity	13.9	5.7
Fixed Income	23.3	2.0
Alternative Investments	24.4	7.8
Cash & Equivalents	7.7	-
	100.0	
DTC		
Domestic Equity	42.0	5.0
International Equity	16.0	4.9
Emerging Equity	7.0	5.0
Core Fixed Income	17.5	2.6
Intermediate IG Corp	8.7	3.6
High Yield	4.4	4.1
Emerging Debt	4.4	4.2
	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 3.87%, 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% (3.87% 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):

	<u>1 % Decrease</u>	Current <u>Discount Rate</u>	<u>1 % Increase</u>
State Employees'	\$ 2,249,226	\$ 1,159,032	\$ 243,647
Special Fund	(68)	(74)	(79)
New State Police	128,830	56,934	(2,513)
Judiciary	3,459	(4,011)	(10,477)
Closed State Police	417,317	372,902	337,898
DTC	5,850	2,095	(1,053)
Contributory	<u>18,472</u>	<u>11,116</u>	<u>4,939</u>
Total	<u>\$ 2,823,086</u>	<u>\$ 1,597,994</u>	<u>\$ 572,362</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 of 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 all of 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 \$539.6 million for DelDOT.

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 2019 are as follows: general fund \$207.4 million, federal funds \$102.5 million, local school funds \$24.0 million, and capital project funds \$174.5 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 \$202.5 million. The State recognized \$633 thousand in governmental activities as claims and judgments liabilities for pending litigation settlements estimated to be probable as of June 30, 2019. \$140 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, 2019 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, 2019, the State had a total pollution remediation liability of \$17.9 million. Of this amount, \$13.8 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 \$1.5 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, 2019, is as follows:

	<u>General</u>	<u>Federal</u>	<u>Local School District</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Nonspendable</b>					
Receivables	\$ 32,279	\$ -	\$ -	\$ -	\$ 32,279
Inventory	5,541	-	-	-	5,541
Total Nonspendable	<u>37,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,820</u>
<b>Restricted:</b>					
Health and Children's Services	32,575	100,350	-	168	133,093
Judicial and Public Safety	8,399	-	-	260	8,659
Natural Resources and Environmental Control	184,065	219,469	-	10,900	414,434
Agriculture	604	-	-	-	604
Labor	5,587	-	-	-	5,587
Education	4,245	-	323,080	78,285	405,610
Economic Development	5,688	-	-	-	5,688
General Government	9,531	-	-	94,637	104,168
Total Restricted	<u>250,694</u>	<u>319,819</u>	<u>323,080</u>	<u>184,250</u>	<u>1,077,843</u>
<b>Committed</b>					
Health and Children's Services	12,155	-	-	-	12,155
Judicial and Public Safety	5,699	-	-	-	5,699
Natural Resources and Environmental Control	29,052	-	-	-	29,052
Agriculture	9,278	-	-	-	9,278
Labor	12,086	-	-	-	12,086
Education	24,937	-	-	-	24,937
Economic Development	2,473	-	-	-	2,473
Budget Stabilization Fund	126,300	-	-	-	126,300
General Government	78,266	-	-	-	78,266
Total Committed	<u>300,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,246</u>
<b>Assigned</b>					
Health and Children's Services	2,475	-	-	-	2,475
Judicial and Public Safety	19,486	-	-	-	19,486
Natural Resources and Environmental Control	3,633	-	-	-	3,633
Agriculture	5,397	-	-	-	5,397
Education	66,398	-	-	-	66,398
General Government	12,313	-	-	-	12,313
Total Assigned	<u>109,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,702</u>
<b>Unassigned</b>					
	<u>602,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>602,462</u>
Total Fund Balance	<u>\$ 1,300,924</u>	<u>\$ 319,819</u>	<u>\$ 323,080</u>	<u>\$ 184,250</u>	<u>\$ 2,128,073</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, 2019, 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 Division of Small Business 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	\$ 4,523
Historic Preservation Credit	4,414



**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, 2019 for this entity amounted to \$745.4 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, 2019 was \$2.8 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 COMPONENT UNIT CONCESSION AGREEMENT**

As discussed in Note 1, the State is currently evaluating the future impact of GASB Statement No. 87 Leases which it will adopt in the required reporting period beginning July 1, 2020. One of the State's discretely presented component units, the Diamond State Port Corporation (Corporation), early adopted GASB Statement No. 87 to account for an agreement the Corporation executed during fiscal year 2019, as described below.

Effective October 3, 2018, the Corporation and GT USA Wilmington, LLC (GT) entered into a Concession Agreement to transfer to GT the right to commercially operate the Port of Wilmington

with the Corporation becoming a landlord with certain oversight and consent rights. The term of the Concession Agreement is for a noncancelable term of fifty years. Although the Concession Agreement is referred to as a “concession,” it does not meet the requirements of a service concession arrangement under GASB Statement No. 60 - Accounting and Financial Reporting for Service Concession Arrangements. Based on the criteria under GASB Statement No. 60, it is required to be accounted for as lease. Accordingly, the Corporation is recognizing the lease in accordance with GASB Statement No. 87 – Leases.

In return for the right to commercially operate the Port, the Concession Agreement requires GT to invest \$580.0 million to redevelop the existing port facilities and establish new port facilities at Edgemoor and to pay the Corporation a Concession Fee. In return for the Concession Fee, the Corporation sold to GT its cranes, tools, vehicles, cargo handling equipment, furniture, furnishings, computers, telephones, telephone numbers, office supplies, software and other intellectual property and all other equipment and parts used in operation at the Port to GT. Also, the Corporation will lease to GT all of the land located at the existing Port and Edgemoor that is owned by the Corporation, together with all improvements, including all buildings, structures, piers, wharves, and utility infrastructure owned by the Corporation and all of Corporation's easement rights.

The Concession Agreement requires GT to pay a minimum concession fee of \$3.0 million per year for the first ten years of the term and up to \$12.0 million per year during the remaining forty years. The minimum concession fee is based on volume of services provided by GT. The minimum concession fee is adjusted every third year based on the change in consumer price index. In accordance with GASB Statement No. 87, the initially recognized lease and note receivable balances exclude any concession fees due for services that exceed the minimums embodied in the Concession Agreement or the change in the consumer price index. On October 3, 2018, the Corporation received an advance payment of \$11.5 million from GT, of which \$8.4 million is still remaining to be repaid as of June 30, 2019.

Upon the inception of the Concession Agreement, for the assets leased, the Corporation recognized a lease receivable and deferred inflow of resources of \$119.8 million, which is equal to the present value of the fixed payment stream. The present value was calculated using a discount rate of 4.2% in accordance with requirements of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance. During fiscal year 2019, the Corporation recognized lease revenue and interest income on the lease receivable from the Concession Agreement of \$4.9 million and \$4.3 million, respectively. The Agreement requires GT to return these assets to the Corporation in a condition necessary for ongoing operations during the five years prior to the termination date.

Similarly, for the assets sold, the Corporation recognized a note receivable of \$54.8 million which is equal to the present value using the same discount rate of 4.2%. During fiscal year 2019, the Corporation recognized interest income on the note receivable of \$2.0 million.

Future minimum concession fees under the terms of the agreement are as follows as of June 30:

	Lease Receivable			Note Receivable			Total
	Principal Receivable	Interest	Minimum Concession Fee	Principal Receivable	Interest	Minimum Concession Fee	Minimum Concession Fee
2020	\$ -	\$ 2,057,776	\$ 2,057,776	\$ -	\$ 942,224	\$ 942,224	\$ 3,000,000
2021	-	2,057,776	2,057,776	-	942,224	942,224	3,000,000
2022	-	2,057,776	2,057,776	-	942,224	942,224	3,000,000
2023	-	2,057,776	2,057,776	-	942,224	942,224	3,000,000
2024	-	2,057,776	2,057,776	-	942,224	942,224	3,000,000
2025 - 2029	-	13,381,569	13,381,569	-	6,127,211	6,127,211	19,508,780
2030 - 2034	-	41,215,751	41,215,751	-	18,872,049	18,872,049	60,087,800
2035 - 2039	-	41,215,751	41,215,751	-	18,872,049	18,872,049	60,087,800
2040 - 2044	1,703,250	39,512,501	41,215,751	779,892	18,092,157	18,872,049	60,087,800
2045 - 2049	14,634,360	26,581,391	41,215,751	6,700,845	12,171,204	18,872,049	60,087,800
2050 - 2054	18,552,052	22,663,699	41,215,751	8,494,695	10,377,354	18,872,049	60,087,800
2055 - 2059	23,518,529	17,697,222	41,215,751	10,768,767	8,103,282	18,872,049	60,087,800
2060 - 2064	29,814,557	11,401,194	41,215,751	13,651,620	5,220,429	18,872,049	60,087,800
2065 - 2069	31,539,648	3,493,743	35,033,391	14,441,511	1,599,730	16,041,241	51,074,632
	<u>\$ 119,762,396</u>	<u>\$ 227,451,701</u>	<u>\$ 347,214,097</u>	<u>\$ 54,837,330</u>	<u>\$ 104,146,585</u>	<u>\$ 158,983,915</u>	<u>\$ 506,198,012</u>

The Corporation incurred legal and consulting costs of \$12.1 million in connection with the Agreement. In accordance with GASB Statement No. 87, those costs are recognized as expenses in fiscal year 2019 under Materials, supplies and contractual services in the Corporation's Statement of Revenues, Expenses and Changes in Net Position.

#### NOTE 24 SUBSEQUENT EVENTS

On August 14, 2019, the State issued \$104.4 million of general obligation bonds maturing between October 1, 2020 and October 1, 2029. The bonds bear coupons of 5.0% and yield between 0.92% and 1.23%. Proceeds will be applied to fund to maturity or refund a portion of the State's outstanding Series 2009D bonds.

In August 2019, the Department of Transportation issued \$137.1 million in Transportation System Senior Revenue Bonds, Series 2019, maturing between July 1, 2020 and July 1, 2039. The bonds bear coupon rates between 3.00% and 5.00%. The issuance of the bonds will fund capital projects in the State.

**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, 2019, 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 2019, 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 \$948.7 million budgetary general fund balance at June 30, 2019, \$252.4 million is reserved for the budget reserve account, \$274.9 is reserved for the budget stabilization fund, \$329.6 million is designated as continuing and encumbered appropriations, and \$91.8 million is classified as undesignated fund balance. The undesignated fund balance is subject 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, 2019**  
(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	\$ 1,486.3	\$ 1,522.7	\$ 1,527.5	\$ 4.8	\$ -	\$ -	\$ -	\$ -
Business Taxes	1,800.4	1,956.5	1,948.9	(7.6)	-	-	-	-
Other Taxes	339.7	350.3	347.2	(3.1)	-	-	-	-
License, Permits, Fines and Fees	476.6	464.7	461.6	(3.1)	-	-	-	-
Lottery Sales	209.8	214.6	215.8	1.2	-	-	-	-
Interest Earnings	19.7	24.9	24.9	-	-	-	-	-
Other	50.9	50.4	65.9	15.5	1,096.6	1,096.6	1,246.4	149.8
<b>Total Revenues</b>	<u>4,383.4</u>	<u>4,584.1</u>	<u>4,591.8</u>	<u>7.7</u>	<u>1,096.6</u>	<u>1,096.6</u>	<u>1,246.4</u>	<u>149.8</u>
<b>Expenditures</b>								
General Government	497.9	590.4	565.4	25.0	760.1	760.1	704.2	55.9
Health & Children's Services	1,371.3	1,423.6	1,339.5	84.1	161.3	161.3	120.5	40.8
Judicial & Public Safety	635.1	684.2	669.1	15.1	53.3	53.3	53.3	-
Natural Resources and Environmental Control	37.6	48.1	46.5	1.6	102.0	102.0	69.4	32.6
Labor	9.5	10.4	9.0	1.4	14.5	14.5	12.7	1.8
Education	1,719.4	1,819.7	1,764.8	54.9	5.4	5.4	4.3	1.1
<b>Total Expenditures</b>	<u>4,270.8</u>	<u>4,576.4</u>	<u>4,394.3</u>	<u>182.1</u>	<u>1,096.6</u>	<u>1,096.6</u>	<u>964.4</u>	<u>132.2</u>
Excess (Deficiency) of Revenues over (under) Expenditures	112.6	7.7	197.5	189.8	-	-	282.0	282.0
<b>Budgetary Fund Balance, Beginning of Year</b>	<u>751.2</u>	<u>751.2</u>	<u>751.2</u>	<u>-</u>	<u>1,627.9</u>	<u>1,627.9</u>	<u>1,627.9</u>	<u>-</u>
<b>Budgetary Fund Balance, End of Year</b>	<u>\$ 863.8</u>	<u>\$ 758.9</u>	<u>\$ 948.7</u>	<u>\$ 189.8</u>	<u>\$ 1,627.9</u>	<u>\$ 1,627.9</u>	<u>\$ 1,909.9</u>	<u>\$ 282.0</u>
<b>Budgetary Fund Balance</b>								
Designated:								
Budget Reserve Account			\$ 252.4					
Budget Stabilization Fund			274.9					
Continuing and Encumbered Appropriations			329.6					
Undesignated			91.8					
<b>Total</b>			<u>\$ 948.7</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, 2019**  
(Expressed in Millions)

<b>Budgetary Basis Revenues</b>		
General	\$ 4,591.8	
Special	<u>1,246.4</u>	
Total Budgetary Basis General and Special Fund Revenues for Fiscal Year 2019		\$ 5,838.2
Adjustments:		
The financial reporting revenues do not include amounts that are part of the budgetary revenues (appropriated special funds)	(726.7)	
Non-budgetary revenues reclassified to the general and special funds	808.7	
Basis of accounting differences in revenues, other financing sources, and related receivables and deferred inflows of resources	<u>(804.6)</u>	
Total GAAP Basis Adjustments to General and Special Funds Revenues for Fiscal Year 2019 Included in the General Fund		(722.6)
Federal Fund Revenues	2,298.0	
Local School Districts Fund Revenues	<u>711.2</u>	
		<u>3,009.2</u>
<b>Total GAAP Basis Governmental Funds Revenue for Fiscal Year 2019</b>		<b><u>\$ 8,124.8</u></b>
<b>Budgetary Basis Expenditures</b>		
General	\$ 4,394.3	
Special	<u>964.4</u>	
Total Budgetary Basis General and Special Fund Expenditures for Fiscal Year 2019		\$ 5,358.7
Adjustments:		
The financial reporting expenditures do not include amounts that are part of the budgetary expenditures (appropriated special funds)	(384.8)	
Non-budgetary expenditures reclassified to the general and special funds	756.8	
Basis of accounting differences in expenditures, other financing uses, and related accounts payables and accrued liabilities	<u>(573.6)</u>	
Total GAAP Basis Adjustments to General and Special Funds Expenditures for Fiscal Year 2019 Included in the General Fund		(201.6)
Federal Fund Expenditures	2,229.4	
Local School Districts Fund Expenditures	653.6	
Capital Projects Fund Expenditures	<u>273.8</u>	
		<u>3,156.8</u>
<b>Total GAAP Basis Governmental Funds Expenditures for Fiscal Year 2019</b>		<b><u>\$ 8,313.9</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 847 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

		2019		2018		2017	
BCR Condition							
	Rating	Number	Percent	Number	Percent	Number	Percent
Good	6-9	645	76.2	575	69.7	582	69.0
Fair	5	179	21.1	221	26.8	228	27.0
Poor	0-4	23	2.7	29	3.5	33	4.0
Totals		847	100.0	825	100.0	843	100.0

Deck Rating Numbers and Percentages for Bridges  
Calendar Year Ended December 31

		2019		2018		2017	
OPC Condition							
	Rating	Square Feet	Percent	Square Feet	Percent	Square Feet	Percent
Good	6-9	5,332,466	64.1	4,518,306	57.3	4,788,784	61.0
Fair	5	2,624,005	31.6	2,977,442	37.8	2,669,285	34.0
Poor	0-4	358,949	4.3	390,210	4.9	395,124	5.0
Totals		8,315,420	100.0	7,885,958	100.0	7,853,193	100.0

Center-Line Mile Numbers and Percentages for Road Pavement  
Calendar Year Ended December 31

		2017		2015		2013	
OPC Condition							
	Rating	Center-Line Miles	Percent	Center-Line Miles	Percent	Center-Line 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	2.7	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

	2019	2018	2017	2016	2015
Estimated	\$ 402,508	\$ 317,177	\$ 246,928	\$ 242,299	\$ 241,900
Actual	\$ 356,793	\$ 308,681	\$ 297,364	\$ 281,554	\$ 291,630

\* 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>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the net pension liability	89.7%	90.2%	90.5%	90.4%	90.9%	91.2%
Proportion of the net pension liability - dollar value	\$ 1,159,032	\$ 1,321,870	\$ 1,363,377	\$ 601,705	\$ 334,720	\$ 988,024
Covered payroll	\$ 1,781,668	\$ 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	65.1%	75.3%	79.0%	35.7%	20.0%	57.7%
Plan fiduciary net position as a percentage of the total pension liability	87.5%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>						
Interest	\$ 8	\$ 9	\$ 10	\$ 14	\$ 14	\$ 15
Change in Benefit Terms	-	-	-	-	-	-
experience	9	11	(31)	24	18	-
Changes of Assumptions	-	-	1	4	-	-
contributions	<u>(34)</u>	<u>(33)</u>	<u>(27)</u>	<u>(47)</u>	<u>(46)</u>	<u>(42)</u>
Net change in total pension liability	(17)	(13)	(47)	(5)	(14)	(27)
Total pension liability - beginning	<u>121</u>	<u>134</u>	<u>181</u>	<u>186</u>	<u>200</u>	<u>227</u>
Total pension liability - ending (a)	<u>\$ 104</u>	<u>\$ 121</u>	<u>\$ 134</u>	<u>\$ 181</u>	<u>\$ 186</u>	<u>\$ 200</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ -
Net investment income	9	21	22	(5)	10	48
Benefit payments, including refunds of member						
contributions	(35)	(33)	(27)	(47)	(46)	(42)
Administrative expense	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>
Net change in plan fiduciary net position	(24)	(13)	(6)	(53)	(37)	5
Plan fiduciary net position - beginning	<u>195</u>	<u>208</u>	<u>214</u>	<u>267</u>	<u>304</u>	<u>299</u>
Plan fiduciary net position - ending (b)	<u>\$ 171</u>	<u>\$ 195</u>	<u>\$ 208</u>	<u>\$ 214</u>	<u>\$ 267</u>	<u>\$ 304</u>
State's net pension asset - ending (a)-(b)	<u>\$ (67)</u>	<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	164%	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	N/A

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>New State Police</b>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability						
Service Cost	\$ 15,203	\$ 14,833	\$ 13,671	\$ 13,493	\$ 12,686	\$ 12,378
Interest	37,362	35,226	33,038	30,376	28,395	26,137
Change in Benefit Terms	-	105	-	-	1,154	-
Differences between expected and actual experience	(305)	2,054	8,657	(3,098)	(3,520)	-
Changes of Assumptions	-	-	12,092	2,199	-	-
Benefit payments, including refunds of member contributions	<u>(20,865)</u>	<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	31,395	33,623	50,744	28,166	26,527	27,896
Total pension liability - beginning	529,104	495,481	444,737	416,571	390,044	362,148
Total pension liability - ending (a)	<u>\$ 560,499</u>	<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	\$ 15,870	\$ 13,202	\$ 11,096	\$ 11,001	\$ 10,730	\$ 10,500
Contributions - nonemployer	290	316	649	797	639	525
Contributions - member	4,565	4,329	4,233	4,146	4,121	3,862
Net investment income	22,578	44,454	42,584	(5,965)	13,741	54,635
Benefit payments, including refunds of member contributions	(20,866)	(18,595)	(16,714)	(14,803)	(12,188)	(10,619)
Administrative expense	<u>(106)</u>	<u>(100)</u>	<u>(88)</u>	<u>(91)</u>	<u>(113)</u>	<u>(82)</u>
Net change in plan fiduciary net position	22,331	43,606	41,760	(4,915)	16,930	58,821
Plan fiduciary net position - beginning	472,170	428,564	386,804	391,719	374,789	315,968
Plan fiduciary net position - ending (b)	<u>\$ 494,501</u>	<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>\$ 65,998</u>	<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	88%	89%	86%	87%	94%	96%
Covered payroll	\$ 65,214	\$ 62,360	\$ 61,002	\$ 59,144	\$ 57,973	\$ 55,067
State's net pension liability as a percentage of covered payroll	101%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>						
Service Cost	\$ 2,866	\$ 2,909	\$ 2,802	\$ 2,759	\$ 2,568	\$ 2,542
Interest	5,465	5,410	5,378	5,266	5,147	4,869
Change in Benefit Terms	-	21	-	-	263	-
Differences between expected and actual experience	(2,624)	(2,254)	(2,018)	(156)	(1,361)	-
Changes of Assumptions	-	-	1,344	(1,953)	-	-
Benefit payments, including refunds of member contributions	(4,989)	(4,795)	(4,752)	(4,277)	(3,985)	(3,588)
Net change in total pension liability	718	1,291	2,754	1,639	2,632	3,823
Total pension liability - beginning	80,284	78,993	76,239	74,600	71,968	68,145
Total pension liability - ending (a)	<u>\$ 81,002</u>	<u>\$ 80,284</u>	<u>\$ 78,993</u>	<u>\$ 76,239</u>	<u>\$ 74,600</u>	<u>\$ 71,968</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 2,222	\$ 2,112	\$ 2,347	\$ 2,237	\$ 2,640	\$ 2,839
Contributions - nonemployer	66	64	186	236	200	165
Contributions - member	354	354	355	339	327	317
Net investment income	3,950	8,052	7,898	(1,173)	2,659	10,783
Benefit payments, including refunds of member contributions	(4,989)	(4,795)	(4,752)	(4,277)	(3,985)	(3,588)
Administrative expense	(19)	(13)	(11)	(14)	(15)	(13)
Net change in plan fiduciary net position	1,584	5,774	6,023	(2,652)	1,826	10,503
Plan fiduciary net position - beginning	84,296	78,522	72,499	75,151	73,325	62,822
Plan fiduciary net position - ending (b)	<u>\$ 85,880</u>	<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>\$ (4,878)</u>	<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)	106%	105%	99%	95%	101%	102%
Covered payroll	\$ 10,725	\$ 10,629	\$ 10,604	\$ 10,400	\$ 9,988	\$ 10,244
State's net pension liability (asset) as a percentage of covered payroll	-45%	-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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability						
Interest	\$ 13,519	\$ 14,023	\$ 12,238	\$ 12,512	\$ 16,173	\$ 16,319
Change in Benefit Terms	-	-	-	-	-	-
Differences between expected and actual experience	(17,126)	6,599	860	717	18,518	-
Changes of Assumptions	13,648	(16,687)	(33,784)	45,205	23,078	12,942
Benefit payments, including refunds of member contributions	<u>(22,555)</u>	<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	(12,514)	(18,706)	(43,581)	35,336	34,644	5,960
Total pension liability - beginning	<u>377,627</u>	<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>\$ 365,113</u>	<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	\$ 20,235	\$ 22,750	\$ 23,067	\$ 23,300	\$ 23,473	\$ 23,064
Net investment income	305	1,292	1,268	(840)	364	(3)
Benefit payments, including refunds of member contributions	(22,555)	(22,641)	(22,896)	(23,098)	(23,125)	(23,301)
Administrative expense	(44)	(40)	(42)	(48)	(60)	(46)
Net change in plan fiduciary net position	<u>(2,059)</u>	<u>1,361</u>	<u>1,397</u>	<u>(686)</u>	<u>652</u>	<u>(286)</u>
Plan fiduciary net position - beginning	<u>4,726</u>	<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>\$ 2,667</u>	<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>\$ 362,446</u>	<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	1%	1%	1%	0%	1%	1%
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's net pension liability as a percentage of covered	N/A	N/A	N/A	N/A	N/A	N/A

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.



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

<b>Contributions</b>	** 2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 220,248	\$ 185,669	\$ 168,276	\$ 165,301	\$ 161,259	\$ 158,956	\$ 146,620
Contributions in relation to the contractually required contribution	220,248	185,669	168,276	165,301	161,259	158,956	146,620
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,863,145	\$ 1,781,847	\$ 1,756,537	\$ 1,725,473	\$ 1,686,806	\$ 1,673,099	\$ 1,712,613
Contributions as a percentage of covered payroll	11.8%	10.4%	9.6%	9.6%	9.6%	9.5%	8.6%

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\*\* The total FY19 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.

**New State Police**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contributions	\$ 15,801	\$ 13,202	\$ 11,096	\$ 11,001	\$ 10,730	\$ 10,500	\$ 9,292	\$ 8,309	\$ 7,810	\$ 6,562
Contributions in relation to the actuarially determined contribution	15,801	13,202	11,096	11,001	10,730	10,500	9,292	8,309	7,810	6,562
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 65,214	\$ 62,360	\$ 61,002	\$ 59,144	\$ 57,973	\$ 55,067	\$ 56,289	\$ 54,412	\$ 50,556	\$ 49,896
Contribution as a percentage of covered-employee payroll	24%	21%	18%	19%	19%	19%	17%	15%	15%	13%

**Judiciary**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contributions	\$ 2,211	\$ 2,112	\$ 2,347	\$ 2,237	\$ 2,640	\$ 2,839	\$ 2,762	\$ 2,674	\$ 2,557	\$ 2,473
Contributions in relation to the actuarially determined contribution	2,211	2,112	2,347	2,237	2,640	2,839	2,762	2,674	2,557	2,473
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 10,725	\$ 10,629	\$ 10,604	\$ 10,400	\$ 9,988	\$ 10,244	\$ 10,416	\$ 10,387	\$ 9,624	\$ 9,798
Contribution as a percentage of covered-employee payroll	21%	20%	22%	22%	26%	28%	27%	26%	27%	25%

**Closed State Police**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contributions	\$ 25,066	\$ 25,552	\$ 25,978	\$ 23,300	\$ 26,310	\$ 25,696	\$ 25,696	\$ 24,678	\$ 26,638	\$ 27,214
Contributions in relation to the actuarially determined contribution	20,235	22,750	23,067	23,300	23,473	23,064	23,064	23,064	23,367	23,367
Contribution deficiency (excess)	\$ 4,831	\$ 2,802	\$ 2,911	\$ -	\$ 2,837	\$ 2,632	\$ 2,632	\$ 1,614	\$ 3,271	\$ 3,847
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 124	\$ 114	\$ 339
Contribution as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	18600%	20497%	6893%

## 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.

	Special	New State Police	Judiciary	Closed State Police
Valuation Date:	June 30, 2018	June 30, 2017	June 30, 2017	June 30, 2018
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 18-Year Level Dollar Amortization
Remaining Amortization Period	N/A	20 years	15 years	18 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%	7.0%	7.0%	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 actuarial 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)

	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service Cost	\$ 1,137	\$ 1,060	\$ 873	\$ 843	\$ 840
Interest	1,920	1,691	1,724	1,612	1,483
Differences between expected and actual experience	(294)	(192)	(693)	(297)	-
Changes of Assumptions	489	1,530	-	-	-
Benefit payments, including refunds of member contributions	(899)	(753)	(705)	(629)	(569)
Net change in total pension liability	2,353	3,336	1,199	1,529	1,754
Total pension liability - beginning	27,876	24,540	23,341	21,812	20,058
Total pension liability - ending (a)	<u>\$ 30,229</u>	<u>\$ 27,876</u>	<u>\$ 24,540</u>	<u>\$ 23,341</u>	<u>\$ 21,812</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 1,255	\$ 1,104	\$ 1,104	\$ 1,176	\$ 1,158
Contributions - member	145	116	81	57	30
Net investment income	2,261	2,529	405	555	2,443
Benefit payments, including refunds of member contributions	(899)	(753)	(705)	(629)	(569)
Administrative expense	(134)	(161)	(166)	(94)	(116)
Other	3	-	-	-	-
Net change in plan fiduciary net position	2,631	2,835	719	1,065	2,946
Plan fiduciary net position - beginning	25,503	22,668	21,949	20,884	17,938
Plan fiduciary net position - ending (b)	<u>\$ 28,134</u>	<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>\$ 2,095</u>	<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	93%	91%	92%	94%	96%
Covered payroll	\$ 14,985	\$ 14,161	\$ 13,142	\$ 12,261	\$ 12,371
State's net pension liability as a percentage of covered payroll	14%	17%	14%	11%	8%

Notes to Schedule

*Benefit Changes:* None

*Changes of assumptions:* Expected rates of future mortality changed to RP-2014 table with generational projection using scale MP-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.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>					
Service Cost	\$ 2,194	\$ 2,098	\$ 2,048	\$ 1,976	\$ 1,766
Interest	3,680	3,406	3,209	2,925	2,675
Change in Benefit Terms	1,238	1,042	197	1,473	1,030
Differences between expected and actual experience	(647)	(121)	(217)	(112)	4
Changes of Assumptions	3,340	-	-	-	-
Benefit payments, including refunds of member contributions	<u>(2,674)</u>	<u>(2,531)</u>	<u>(2,411)</u>	<u>(2,134)</u>	<u>(2,103)</u>
Net change in total pension liability	7,131	3,894	2,826	4,128	3,372
Total pension liability - beginning	<u>51,703</u>	<u>47,809</u>	<u>44,983</u>	<u>40,855</u>	<u>37,483</u>
Total pension liability - ending (a)	<u>\$ 58,834</u>	<u>\$ 51,703</u>	<u>\$ 47,809</u>	<u>\$ 44,983</u>	<u>\$ 40,855</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 1,213	\$ 1,048	\$ 1,080	\$ 1,253	\$ 909
Contributions - member	1,499	1,344	1,360	1,387	1,263
Net investment income	(2,786)	6,743	2,550	(869)	2,606
Benefit payments, including refunds of member contributions	(2,674)	(2,531)	(2,411)	(2,134)	(2,103)
Administrative expense	<u>(91)</u>	<u>(106)</u>	<u>(94)</u>	<u>(99)</u>	<u>(134)</u>
Net change in plan fiduciary net position	(2,839)	6,498	2,485	(462)	2,541
Plan fiduciary net position - beginning	<u>50,557</u>	<u>44,059</u>	<u>41,574</u>	<u>42,036</u>	<u>39,495</u>
Plan fiduciary net position - ending (b)	<u>\$ 47,718</u>	<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>\$ 11,116</u>	<u>\$ 1,146</u>	<u>\$ 3,750</u>	<u>\$ 3,409</u>	<u>\$ (1,181)</u>
Plan fiduciary net position as a percentage of total pension liability	81%	98%	92%	92%	103%
Covered payroll	\$ 31,684	\$ 27,383	\$ 27,472	\$ 28,203	\$ 27,627
State's net pension liability (asset) as a percentage of covered payroll	35%	4%	14%	12%	-4%

**Notes to Schedule**

*Benefit Changes:* Effective January 1, 2018, the multiplier for employees who retire after December 31, 2017, was increased to a monthly benefit per year of service of \$70.50

*Changes of assumptions:* Expected rates of future mortality changed to sex distinct RP-2014 blue collar mortality, fully generational, using scale MP-2018; salary increases changed from 4.0% to 2.5% and inflation changed from 2.0% to 2.5%

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

<b>DTC Plan (as of June 30)</b>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 1,343	\$ 1,255	\$ 980	\$ 1,104	\$ 1,176	\$ 1,156	\$ 963	\$ 997	\$ 1,112	\$ 1,034
Contributions in relation to the actuarially determined contribution	<u>1,457</u>	<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>\$ 114</u>	<u>\$ (124)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>
Covered payroll	\$ 15,099	\$ 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	10%	8%	8%	8%	10%	9%	9%	9%	10%	9%
<b>Contributory Plan (as of December 31)</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>	<u>2009</u>
Actuarially determined contributions	\$ 1,063	\$ 1,027	\$ 1,012	\$ 857	\$ 635	\$ 773	\$ 715	\$ 598	\$ 611	\$ 859
Contributions in relation to the actuarially determined contribution	<u>1,213</u>	<u>1,048</u>	<u>1,080</u>	<u>1,253</u>	<u>909</u>	<u>1,250</u>	<u>1,080</u>	<u>1,074</u>	<u>1,082</u>	<u>1,063</u>
Contribution deficiency (excess)	<u>\$ (150)</u>	<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>
Covered payroll	\$ 31,684	\$ 27,383	\$ 27,472	\$ 28,203	\$ 25,748	\$ 25,579	\$ 22,985	\$ 22,847	\$ 22,675	\$ 22,072
Contribution as a percentage of covered payroll	4%	4%	4%	4%	4%	4%	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 12 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-2014 Mortality with generational projection using scale MP-2017

### *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	2.5 percent
Salary increases	2.5percent
Investment rate of return	7.0 percent
Retirement age	Rates vary by participant age and service
Mortality	Sex distinct RP-2014 Blue Collar Mortality, Fully Generational, using Scale MP-2017

**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>2018</b>	<b>2017</b>	<b>2016</b>
Proportion of the net OPEB liability	90.2%	90.4%	90.7%
Proportion of the net OPEB liability - dollar value	\$ 7,407,028	\$ 7,463,708	\$ 8,240,222
Covered payroll	\$ 1,851,399	\$ 1,855,280	\$ 1,846,178
Proportionate share of the net OPEB liability as a percentage of its covered payroll	380.6%	400.1%	405.6%
Plan fiduciary net position as a percentage of the total OPEB liability	4.9%	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)**

	**			
	2019	2018	2017	2016
Statutorily determined contributions (a)	\$ 226,053	\$ 202,652	\$ 214,465	\$ 197,438
Contributions in relation to the statutorily determined contribution	<u>226,053</u>	<u>202,652</u>	<u>214,465</u>	<u>197,438</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,883,250	\$ 1,851,399	\$ 1,855,280	\$ 1,846,178
Contributions as a percentage of covered payroll	12.0%	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 FY19 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)

	<u>2018</u>	<u>2017</u>
Total DTC OPEB Liability		
Service Cost	\$ 11,454	\$ 13,166
Interest	5,786	4,801
Differences between expected and actual experience	(23,812)	(1,365)
Changes of Assumptions	1,137	(21,367)
Benefit payments, including refunds of member contributions	<u>(2,280)</u>	<u>(2,072)</u>
Net change in total pension liability	(7,715)	(6,837)
Total DTC OPEB liability - beginning	<u>163,347</u>	<u>170,184</u>
Total DTC OPEB liability - ending (a)	<u>\$ 155,632</u>	<u>\$ 163,347</u>
Plan fiduciary net position		
Contributions - employer	\$ 2,280	\$ 3,572
Net investment income	589	(20)
Benefit payments, including refunds of member contributions	<u>(2,280)</u>	<u>(2,072)</u>
Net change in plan fiduciary net position	589	1,480
Plan fiduciary net position - beginning	<u>3,736</u>	<u>2,256</u>
Plan fiduciary net position - ending (b)	<u>\$ 4,325</u>	<u>\$ 3,736</u>
DTC OPEB Trust's net OPEB liability - ending (a)-(b)	<u>\$ 151,307</u>	<u>\$ 159,611</u>
Plan fiduciary net position as a percentage of total DTC OPEB liability	3%	2%
Covered-employee payroll	\$ 52,732	\$ 50,228
DTC's net OPEB liability as a percentage of covered-employee payroll	287%	318%

Notes to Schedule

*Benefit Changes:* None

*Changes of assumptions:* The discount rate was changed from 3.85% as of June 30, 2017 to 3.62% as of June 30, 2018.

\* 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, 2019  
(Expressed in Thousands)

	Pension Trust													Total Pension and OPEB Trusts
	State Employees' Pension Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	County and Municipal Police and Firefighters' Plans	County and Municipal Other Employees' Plan	Delaware Volunteer Firemen's Fund	Closed Diamond State Port Corporation Plan	County and Municipal Police and Firefighters' COLA Fund	DPERS Post Retirement Increase Fund	Closed State Police Plan	Pension Trust Totals	OPEB Trust	
<b>Assets</b>														
Cash, Cash Equivalents and Pooled Investments	\$ 704,330	\$ 13	\$ 38,134	\$ 6,635	\$ 30,654	\$ 4,501	\$ 592	\$ 2,543	\$ 1,132	\$ 654	\$ 210	\$ 789,398	\$ 42,450	\$ 831,848
Receivables:														
Accrued Investment Income	11,332	-	614	107	494	73	22	41	18	10	3	12,714	502	13,216
Pending Trade Sales	26,369	1	1,430	248	1,149	169	-	95	43	24	8	29,536	1,168	30,704
Employer Contributions	15,004	-	951	124	223	187	-	-	-	351	-	16,840	12,225	29,065
Member Contributions	4,697	-	276	18	94	75	-	-	-	-	-	5,160	-	5,160
Total Receivables	57,402	1	3,271	497	1,960	504	22	136	61	385	11	64,250	13,895	78,145
Investments at Fair Value:														
Domestic Fixed Income	1,450,956	28	78,675	13,675	63,245	9,296	-	5,243	2,336	1,312	428	1,625,194	64,295	1,689,489
Domestic Equities	1,777,940	33	96,405	16,757	77,498	11,391	-	6,424	2,862	1,608	525	1,991,443	78,784	2,070,227
Pooled Equity and Fixed Income	2,548,922	48	138,209	24,023	111,104	16,331	21,104	9,210	4,104	2,306	753	2,876,114	112,948	2,989,062
Alternative Investments	2,046,386	38	110,960	19,287	89,199	13,111	-	7,394	3,295	1,851	604	2,292,125	90,680	2,382,805
Foreign Fixed Income	77,287	1	4,191	728	3,369	495	-	279	124	70	23	86,567	3,425	89,992
Foreign Equities	502,026	10	27,221	4,731	21,883	3,216	-	1,814	808	454	149	562,312	22,246	584,558
Total Investments	8,403,517	158	455,661	79,201	366,298	53,840	21,104	30,364	13,529	7,601	2,482	9,433,755	372,378	9,806,133
<b>Total Assets</b>	<b>9,165,249</b>	<b>172</b>	<b>497,066</b>	<b>86,333</b>	<b>398,912</b>	<b>58,845</b>	<b>21,718</b>	<b>33,043</b>	<b>14,722</b>	<b>8,640</b>	<b>2,703</b>	<b>10,287,403</b>	<b>428,723</b>	<b>10,716,126</b>
<b>Liabilities</b>														
Pending Purchases Payable	43,542	1	2,361	410	1,898	279	21	157	70	39	13	48,791	1,929	50,720
Benefits Payable	1,174	-	-	7	19	2	17	1	-	-	19	1,239	16,526	17,765
Accrued Investment Expenses	3,743	-	200	35	160	24	3	14	6	3	2	4,190	167	4,357
Accrued Administrative Expenses	273	-	4	1	6	4	-	1	-	-	2	291	-	291
<b>Total Liabilities</b>	<b>48,732</b>	<b>1</b>	<b>2,565</b>	<b>453</b>	<b>2,083</b>	<b>309</b>	<b>41</b>	<b>173</b>	<b>76</b>	<b>42</b>	<b>36</b>	<b>54,511</b>	<b>18,622</b>	<b>73,133</b>
<b>Net Position Restricted for Pension/OPEB</b>	<b>\$ 9,116,517</b>	<b>\$ 171</b>	<b>\$ 494,501</b>	<b>\$ 85,880</b>	<b>\$ 396,829</b>	<b>\$ 58,536</b>	<b>\$ 21,677</b>	<b>\$ 32,870</b>	<b>\$ 14,646</b>	<b>\$ 8,598</b>	<b>\$ 2,667</b>	<b>\$ 10,232,892</b>	<b>\$ 410,101</b>	<b>\$ 10,642,993</b>

STATE OF DELAWARE  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
 (Expressed in Thousands)

	Pension Trust												OPEB Trust	Total Pension & OPEB Trusts
	State Employees' Pension Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	County and Municipal Police and Firefighters' Plans	County and Municipal Other Employees' Plan	Delaware Volunteer Firemen's Fund	Closed Diamond State Port Corporation Plan	County and Municipal Police and Firefighters' COLA Fund	DPERS Post Retirement Increase Fund	Closed State Police Plan	Pension Trust Totals		
<b>Additions</b>														
Contributions:														
Employer Contributions	\$ 256,367	\$ 3	\$ 15,870	\$ 2,222	\$ 14,868	\$ 3,305	\$ 1,942	\$ 305	\$ -	\$ 11,058	\$ 20,235	\$ 326,175	\$ 251,326	\$ 577,501
Transfer of Contributions from Post-Retirement Increase Fund	10,945	-	290	66	-	-	-	-	-	-	-	11,301	-	11,301
Transfer of Assets from Outside the System	-	-	-	-	-	-	-	-	3,727	-	-	3,727	-	3,727
Member Contributions	69,624	-	4,565	354	6,437	1,165	141	64	-	-	-	82,350	-	82,350
Miscellaneous Receipts	-	-	-	-	-	-	-	-	-	-	-	-	145	145
<b>Total Contributions</b>	<b>336,936</b>	<b>3</b>	<b>20,725</b>	<b>2,642</b>	<b>21,305</b>	<b>4,470</b>	<b>2,083</b>	<b>369</b>	<b>3,727</b>	<b>11,058</b>	<b>20,235</b>	<b>423,553</b>	<b>251,471</b>	<b>675,024</b>
Investments:														
Investment Income	138,315	3	7,370	1,297	5,825	850	507	511	199	129	196	155,202	6,845	162,047
Net Change in Fair Value	301,326	6	16,273	2,839	12,990	1,908	934	1,083	524	298	143	338,324	11,846	350,170
<b>Total Investment Income</b>	<b>439,641</b>	<b>9</b>	<b>23,643</b>	<b>4,136</b>	<b>18,815</b>	<b>2,758</b>	<b>1,441</b>	<b>1,594</b>	<b>723</b>	<b>427</b>	<b>339</b>	<b>493,526</b>	<b>18,691</b>	<b>512,217</b>
Less Investment Manager/Advisor/Custody Fees	(20,464)	-	(1,094)	(192)	(868)	(127)	(23)	(75)	(31)	(19)	(29)	(22,922)	(679)	(23,601)
Less Investment Administrative Expenses	(747)	-	(11)	(1)	(16)	(10)	-	(4)	-	-	(6)	(795)	-	(795)
<b>Net Investment Income</b>	<b>418,430</b>	<b>9</b>	<b>22,538</b>	<b>3,943</b>	<b>17,931</b>	<b>2,621</b>	<b>1,418</b>	<b>1,515</b>	<b>692</b>	<b>408</b>	<b>304</b>	<b>469,809</b>	<b>18,012</b>	<b>487,821</b>
Securities Lending Income	882	-	47	8	37	5	-	3	1	1	1	985	25	1,010
Less Bank Fees	(132)	-	(7)	(1)	(6)	(1)	-	-	-	-	-	(147)	(4)	(151)
<b>Net Securities Lending Income</b>	<b>750</b>	<b>-</b>	<b>40</b>	<b>7</b>	<b>31</b>	<b>4</b>	<b>-</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>838</b>	<b>21</b>	<b>859</b>
<b>Deductions:</b>														
Transfer of Assets from Post-Retirement Increase Fund	-	-	-	-	-	-	-	-	-	11,300	-	11,300	-	11,300
Transfer of Assets Outside the System	-	-	-	-	-	-	-	-	1,658	-	-	1,658	-	1,658
Pension & OPEB Benefit Payments	650,196	28	20,547	4,865	9,525	1,472	2,240	2,078	-	-	22,441	713,392	240,860	954,252
Refunds of Contributions to Members	5,665	-	319	124	237	113	60	484	-	-	-	7,002	-	7,002
Burial Benefit Payments	6,218	7	-	-	-	-	-	-	-	-	114	6,339	-	6,339
Administrative Expenses	5,967	1	106	19	146	96	55	56	-	1	44	6,491	180	6,671
<b>Total Deductions</b>	<b>668,046</b>	<b>36</b>	<b>20,972</b>	<b>5,008</b>	<b>9,908</b>	<b>1,681</b>	<b>2,355</b>	<b>2,618</b>	<b>1,658</b>	<b>11,301</b>	<b>22,599</b>	<b>746,182</b>	<b>241,040</b>	<b>987,222</b>
<b>Change in Net Position</b>	<b>88,070</b>	<b>(24)</b>	<b>22,331</b>	<b>1,584</b>	<b>29,359</b>	<b>5,414</b>	<b>1,146</b>	<b>(731)</b>	<b>2,762</b>	<b>166</b>	<b>(2,059)</b>	<b>148,018</b>	<b>28,464</b>	<b>176,482</b>
<b>Net Position Restricted for Pension/OPEB :</b>														
<b>Net Position - Beginning</b>	<b>9,028,447</b>	<b>195</b>	<b>472,170</b>	<b>84,296</b>	<b>367,470</b>	<b>53,122</b>	<b>20,531</b>	<b>33,601</b>	<b>11,884</b>	<b>8,432</b>	<b>4,726</b>	<b>10,084,874</b>	<b>381,637</b>	<b>10,466,511</b>
<b>Net Position - Ending</b>	<b>\$ 9,116,517</b>	<b>\$ 171</b>	<b>\$ 494,501</b>	<b>\$ 85,880</b>	<b>\$ 396,829</b>	<b>\$ 58,536</b>	<b>\$ 21,677</b>	<b>\$ 32,870</b>	<b>\$ 14,646</b>	<b>\$ 8,598</b>	<b>\$ 2,667</b>	<b>\$ 10,232,892</b>	<b>\$ 410,101</b>	<b>\$ 10,642,993</b>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF NET POSITION**  
**INVESTMENT TRUST FUNDS**  
**JUNE 30, 2019**  
(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>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 3,771	\$ 1,418	\$ 5,189
Receivables:			
Accrued Investment Income	61	23	84
Pending Trade Sales	141	53	194
Investments, at Fair Value:			
Domestic Fixed Income	7,777	2,924	10,701
Domestic Equities	9,531	3,584	13,115
Pooled Equity and Fixed Income	13,662	5,138	18,800
Alternative Investments	10,970	4,124	15,094
Foreign Fixed Income	415	156	571
Foreign Equities	2,691	1,012	3,703
<b>Total Assets</b>	<b>49,019</b>	<b>18,432</b>	<b>67,451</b>
<b>Liabilities:</b>			
Pending Purchases Payable	234	88	322
Accrued Investment Expense	20	7	27
<b>Total Liabilities</b>	<b>254</b>	<b>95</b>	<b>349</b>
<b>Net Position:</b>			
Net Position Held in Trust for Pool Participants	<u>\$ 48,765</u>	<u>\$ 18,337</u>	<u>\$ 67,102</u>

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION**  
**INVESTMENT TRUST FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
(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	\$ 6,511	\$ 1,366	\$ 7,877
Total Contributions	6,511	1,366	7,877
Investments:			
Investment Income	719	308	1,027
Net Change in Fair Value of Investments	1,555	540	2,095
Total Investment Earnings (Loss)	2,274	848	3,122
Less Investment Manager/Advisor/Custody Fees	(108)	(30)	(138)
Net Investment Earnings	2,166	818	2,984
Net Securities Lending Income	3	1	4
Total Additions	8,680	2,185	10,865
<b>Deductions:</b>			
Transfer of Assets Outside the Trust	379	1,181	1,560
Administrative Expenses	1	2	3
Total Deductions	380	1,183	1,563
<b>Change in Net Position</b>	8,300	1,002	9,302
<b>Net Position - Beginning</b>	40,465	17,335	57,800
<b>Net Position - Ending</b>	\$ 48,765	\$ 18,337	\$ 67,102

**STATE OF DELAWARE**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

<b>Child Support Collection</b>	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2019</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 3,781	\$ 269,890	\$ 269,849	\$ 3,822
Receivables, Net	352	4,133	4,104	381
<b>Total Assets</b>	<b>\$ 4,133</b>	<b>\$ 274,023</b>	<b>\$ 273,953</b>	<b>\$ 4,203</b>
<b>Liabilities</b>				
Funds Held In Escrow	\$ 4,133	\$ 274,023	\$ 273,953	\$ 4,203
<b>Total Liabilities</b>	<b>\$ 4,133</b>	<b>\$ 274,023</b>	<b>\$ 273,953</b>	<b>\$ 4,203</b>
<b>Court Fines and Restitution</b>	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2019</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 11,585	\$ 12,144	\$ 11,911	\$ 11,818
Pooled Cash and Investments	28,340	7,404	14,834	20,910
Other Investments	237	259	-	496
Receivables, Net	5,286	3,356	3,070	5,572
<b>Total Assets</b>	<b>\$ 45,448</b>	<b>\$ 23,163</b>	<b>\$ 29,815</b>	<b>\$ 38,796</b>
<b>Liabilities</b>				
Funds Held In Escrow	\$ 45,448	\$ 23,163	\$ 29,815	\$ 38,796
<b>Total Liabilities</b>	<b>\$ 45,448</b>	<b>\$ 23,163</b>	<b>\$ 29,815</b>	<b>\$ 38,796</b>
<b>All Other Agency Funds</b>	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2019</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 10,875	\$ 23,663	\$ 23,977	\$ 10,561
Pooled Cash and Investments	55,496	20,594	20,080	56,010
Other Investments	865	29	41	853
<b>Total Assets</b>	<b>\$ 67,236</b>	<b>\$ 44,286</b>	<b>\$ 44,098</b>	<b>\$ 67,424</b>
<b>Liabilities</b>				
Funds Held In Escrow	\$ 67,236	\$ 44,286	\$ 44,098	\$ 67,424
<b>Total Liabilities</b>	<b>\$ 67,236</b>	<b>\$ 44,286</b>	<b>\$ 44,098</b>	<b>\$ 67,424</b>
<b>Totals - All Agency Funds</b>	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2019</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 26,241	\$ 305,697	\$ 305,737	\$ 26,201
Pooled Cash and Investments	83,836	27,998	34,914	76,920
Other Investments	1,102	288	41	1,349
Receivables, Net	5,638	7,489	7,174	5,953
<b>Total Assets</b>	<b>\$ 116,817</b>	<b>\$ 341,472</b>	<b>\$ 347,866</b>	<b>\$ 110,423</b>
<b>Liabilities</b>				
Funds Held In Escrow	\$ 116,817	\$ 341,472	\$ 347,866	\$ 110,423
<b>Total Liabilities</b>	<b>\$ 116,817</b>	<b>\$ 341,472</b>	<b>\$ 347,866</b>	<b>\$ 110,423</b>



STATE OF DELAWARE  
 COMBINING BALANCE SHEET  
 LOCAL SCHOOL DISTRICT FUNDS  
 June 30, 2019  
 (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	\$ 10	\$ 1,034	\$ 732	\$ -	\$ 330	\$ 34	\$ 1,194	\$ 261	\$ 47	\$ 67
Pooled Cash and Investments	10,017	25,427	22,952	32,259	17,051	33,042	49,235	1,723	23,622	7,831
Investments	-	-	-	-	-	-	-	-	-	-
Accounts Receivable, Net	-	-	-	-	-	-	-	-	-	-
Taxes Receivable, Net	1,938	4,314	1,655	2,014	2,479	7,838	5,195	570	3,768	1,315
<b>Total Assets</b>	<b>\$ 11,965</b>	<b>\$ 30,775</b>	<b>\$ 25,339</b>	<b>\$ 34,273</b>	<b>\$ 19,860</b>	<b>\$ 40,914</b>	<b>\$ 55,624</b>	<b>\$ 2,554</b>	<b>\$ 27,437</b>	<b>\$ 9,213</b>
<b>Liabilities</b>										
Accounts Payable	\$ 2,763	\$ 2,846	\$ 1,280	\$ 6,378	\$ 1,867	\$ 5,260	\$ 2,349	71	2,496	642
<b>Total Liabilities</b>	<b>2,763</b>	<b>2,846</b>	<b>1,280</b>	<b>6,378</b>	<b>1,867</b>	<b>5,260</b>	<b>2,349</b>	<b>71</b>	<b>2,496</b>	<b>642</b>
<b>Deferred Inflows of Resources</b>	<b>1,878</b>	<b>4,141</b>	<b>1,633</b>	<b>1,928</b>	<b>2,393</b>	<b>7,401</b>	<b>5,066</b>	<b>552</b>	<b>3,581</b>	<b>1,281</b>
<b>Fund Balances</b>										
Restricted Fund Balance	7,324	23,788	22,426	25,967	15,600	28,253	48,209	1,931	21,360	7,290
<b>Total Fund Balances</b>	<b>7,324</b>	<b>23,788</b>	<b>22,426</b>	<b>25,967</b>	<b>15,600</b>	<b>28,253</b>	<b>48,209</b>	<b>1,931</b>	<b>21,360</b>	<b>7,290</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 11,965</b>	<b>\$ 30,775</b>	<b>\$ 25,339</b>	<b>\$ 34,273</b>	<b>\$ 19,860</b>	<b>\$ 40,914</b>	<b>\$ 55,624</b>	<b>\$ 2,554</b>	<b>\$ 27,437</b>	<b>\$ 9,213</b>

STATE OF DELAWARE  
 COMBINING BALANCE SHEET - CONTINUED  
 LOCAL SCHOOL DISTRICT FUNDS  
 June 30, 2019  
 (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	\$ 164	\$ 44	\$ 90	\$ 2	\$ 2,526	\$ 66	\$ 4	\$ 9	\$ 40	\$ -	\$ 6,654
Pooled Cash and Investments	7,930	18,590	15,228	8,986	43,060	6,088	11,002	10,845	3,660	87	348,635
Investments	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable, Net	-	-	-	-	-	-	-	152	-	-	152
Taxes Receivable, Net	1,334	1,340	2,180	649	6,817	1,740	1,012	1,040	1,444	-	48,642
<b>Total Assets</b>	<b>\$ 9,428</b>	<b>\$ 19,974</b>	<b>\$ 17,498</b>	<b>\$ 9,637</b>	<b>\$ 52,403</b>	<b>\$ 7,894</b>	<b>\$ 12,018</b>	<b>\$ 12,046</b>	<b>\$ 5,144</b>	<b>\$ 87</b>	<b>\$ 404,083</b>
<b>Liabilities</b>											
Accounts Payable	229	239	497	397	5,472	354	500	153	317	-	34,110
<b>Total Liabilities</b>	<b>229</b>	<b>239</b>	<b>497</b>	<b>397</b>	<b>5,472</b>	<b>354</b>	<b>500</b>	<b>153</b>	<b>317</b>	<b>-</b>	<b>34,110</b>
<b>Deferred Inflows of Resources</b>	<b>1,272</b>	<b>1,279</b>	<b>2,177</b>	<b>407</b>	<b>6,725</b>	<b>1,648</b>	<b>992</b>	<b>1,137</b>	<b>1,402</b>	<b>-</b>	<b>46,893</b>
<b>Fund Balances</b>											
Restricted Fund Balance	7,927	18,456	14,824	8,833	40,206	5,892	10,526	10,756	3,425	87	323,080
<b>Total Fund Balances</b>	<b>7,927</b>	<b>18,456</b>	<b>14,824</b>	<b>8,833</b>	<b>40,206</b>	<b>5,892</b>	<b>10,526</b>	<b>10,756</b>	<b>3,425</b>	<b>87</b>	<b>323,080</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 9,428</b>	<b>\$ 19,974</b>	<b>\$ 17,498</b>	<b>\$ 9,637</b>	<b>\$ 52,403</b>	<b>\$ 7,894</b>	<b>\$ 12,018</b>	<b>\$ 12,046</b>	<b>\$ 5,144</b>	<b>\$ 87</b>	<b>\$ 404,083</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, 2019  
 (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>Revenues</b>										
Real Estate Taxes	\$ 49,353	\$ 84,125	\$ 14,266	\$ 46,316	\$ 23,488	\$ 135,447	\$ 64,864	\$ 2,293	\$ 50,554	\$ 8,191
Licenses, Fees, Permits and Fines	22	1,250	99	-	-	1	40	-	-	-
Rentals and Sales	385	537	97	522	287	1,649	2,015	50	900	761
Federal Government	667	-	66	160	4	502	6	49	53	36
Interest & Other Investment Income	761	900	616	789	350	934	860	40	515	164
Other	1,175	(1,696)	3,964	727	778	(1,175)	2,270	174	(175)	1,170
<b>Total Revenues</b>	<u>52,363</u>	<u>85,116</u>	<u>19,108</u>	<u>48,514</u>	<u>24,907</u>	<u>137,358</u>	<u>70,055</u>	<u>2,606</u>	<u>51,847</u>	<u>10,322</u>
<b>Expenditures</b>										
Education	42,723	75,251	17,359	44,649	19,761	117,194	50,073	2,161	47,850	8,699
Unrestricted Payments to Component Unit - Education	4,271	4,556	(1,656)	(2,907)	2,126	29,435	7,803	(16)	2,376	1,034
<b>Total Expenditures</b>	<u>46,994</u>	<u>79,807</u>	<u>15,703</u>	<u>41,742</u>	<u>21,887</u>	<u>146,629</u>	<u>57,876</u>	<u>2,145</u>	<u>50,226</u>	<u>9,733</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>5,369</u>	<u>5,309</u>	<u>3,405</u>	<u>6,772</u>	<u>3,020</u>	<u>(9,271)</u>	<u>12,179</u>	<u>461</u>	<u>1,621</u>	<u>589</u>
<b>Other Sources (Uses) of Financial Resources</b>										
Transfers In	1,114	2,556	908	2,035	782	2,978	1,517	91	2,577	513
Transfers Out	(7,261)	(7,017)	(2,583)	(5,234)	(6,337)	(4,476)	(4,614)	(303)	(3,454)	(715)
<b>Total Other Sources (Uses) of Financial Resources</b>	<u>(6,147)</u>	<u>(4,461)</u>	<u>(1,675)</u>	<u>(3,199)</u>	<u>(5,555)</u>	<u>(1,498)</u>	<u>(3,097)</u>	<u>(212)</u>	<u>(877)</u>	<u>(202)</u>
<b>Net Change in Fund Balances</b>	<u>(778)</u>	<u>848</u>	<u>1,730</u>	<u>3,573</u>	<u>(2,535)</u>	<u>(10,769)</u>	<u>9,082</u>	<u>249</u>	<u>744</u>	<u>387</u>
<b>Fund Balances - Beginning</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>Fund Balances - Ending</b>	<u>\$ 7,324</u>	<u>\$ 23,788</u>	<u>\$ 22,426</u>	<u>\$ 25,967</u>	<u>\$ 15,600</u>	<u>\$ 28,253</u>	<u>\$ 48,209</u>	<u>\$ 1,931</u>	<u>\$ 21,360</u>	<u>\$ 7,290</u>

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, 2019  
 (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	\$ 6,185	\$ 12,397	\$ 31,823	\$ 5,875	\$ 117,248	\$ 8,039	\$ 13,089	\$ 9,692	\$ 5,641	\$ -	\$ 688,886
Licenses, Fees, Permits and Fines	-	-	-	-	-	-	570	-	177	-	2,159
Rentals and Sales	24	9	1,194	1,319	387	49	1,080	399	43	-	11,707
Federal Government	3	4	2	81	13	83	146	73	89	-	2,037
Interest & Other Investment Income	153	318	452	160	1,226	137	228	193	152	-	8,948
Other	(56)	(262)	1,355	55	2,812	(54)	(256)	581	220	(14,178)	(2,571)
<b>Total Revenues</b>	<b>6,309</b>	<b>12,466</b>	<b>34,826</b>	<b>7,490</b>	<b>121,686</b>	<b>8,254</b>	<b>14,857</b>	<b>10,938</b>	<b>6,322</b>	<b>(14,178)</b>	<b>711,166</b>
<b>Expenditures</b>											
Education	2,959	5,950	31,609	7,239	98,163	6,833	10,126	8,989	5,687	(9,668)	593,607
Unrestricted Payments to Component Unit - Education	1,019	1,758	(1,185)	-	9,526	1,107	1,532	116	(897)	-	59,998
<b>Total Expenditures</b>	<b>3,978</b>	<b>7,708</b>	<b>30,424</b>	<b>7,239</b>	<b>107,689</b>	<b>7,940</b>	<b>11,658</b>	<b>9,105</b>	<b>4,790</b>	<b>(9,668)</b>	<b>653,605</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>2,331</b>	<b>4,758</b>	<b>4,402</b>	<b>251</b>	<b>13,997</b>	<b>314</b>	<b>3,199</b>	<b>1,833</b>	<b>1,532</b>	<b>(4,510)</b>	<b>57,561</b>
<b>Other Sources (Uses) of Financial Resources</b>											
Transfers In	206	705	140	712	2,830	416	608	179	276	5,509	26,652
Transfers Out	(2,028)	(1,465)	(4,432)	(1,018)	(9,475)	(1,111)	(2,575)	(1,040)	(1,346)	(999)	(67,483)
<b>Total Other Sources (Uses) of Financial Resources</b>	<b>(1,822)</b>	<b>(760)</b>	<b>(4,292)</b>	<b>(306)</b>	<b>(6,645)</b>	<b>(695)</b>	<b>(1,967)</b>	<b>(861)</b>	<b>(1,070)</b>	<b>4,510</b>	<b>(40,831)</b>
<b>Net Change in Fund Balances</b>	<b>509</b>	<b>3,998</b>	<b>110</b>	<b>(55)</b>	<b>7,352</b>	<b>(381)</b>	<b>1,232</b>	<b>972</b>	<b>462</b>	<b>-</b>	<b>16,730</b>
<b>Fund Balances - Beginning</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>Fund Balances - Ending</b>	<b>\$ 7,927</b>	<b>\$ 18,456</b>	<b>\$ 14,824</b>	<b>\$ 8,833</b>	<b>\$ 40,206</b>	<b>\$ 5,892</b>	<b>\$ 10,526</b>	<b>\$ 10,756</b>	<b>\$ 3,425</b>	<b>\$ 87</b>	<b>\$ 323,080</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.

<u>Contents</u>	<u>Page</u>
<b>Financial Trends Information</b>	
These schedules contain trend information to assist the reader in understanding and assessing how the State's financial position has changed over time.	
<b>Government-wide Perspective</b>	
Net Position by Component .....	162
Changes in Net Position .....	163
<b>Fund Perspective</b>	
Changes in Fund Balances, Governmental Funds .....	165
Fund Balances, Governmental Funds .....	167
 <b>Revenue Capacity Information</b>	
These schedules contain information to assist the reader in understanding and assessing the factors affecting the State's ability to generate its own-source revenues.	
Personal Income by Industry .....	168
Personal Income Tax Rates .....	169
Personal Income Tax Filers and Liability by Income Level.....	170
Franchise Taxes .....	171
 <b>Debt Capacity Information</b>	
These schedules present information to assist the reader in understanding and assessing the State's debt burden and its ability to issue additional debt in the future.	
Ratios of Outstanding Debt by Type .....	172
Debt Limits .....	173
General Obligation Debt Support .....	174
Pledged Revenue Coverage.....	175
 <b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to assist the reader in understanding the environment in which the State's financial activities take place.	
Demographic and Economic Statistics.....	176
Principal Employers by Industry .....	177
State Employees by Function .....	178
 <b>Operating Information</b>	
These schedules contain information to assist the reader in understanding how the financial information relates to the services the State provides and the activities it performs.	
Operating Indicators by Function .....	179
Capital Asset Statistics by Function .....	180
Capital Asset Balances by Function .....	181

**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>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>	<u>2019</u>
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 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	\$ 1,212,698
Restricted	186,430	186,430	186,400	408,964	728,406	745,852	937,764	970,545	1,044,556	1,077,843
Unrestricted (Deficit)**	269,978	314,021	(56,000)	(416,439)	(1,212,955)	(2,360,730)	(2,834,000)	(3,622,572)	(8,475,290)	(8,203,266)
<b>Total Governmental Activities Net Position</b>	<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>	<u>\$ (5,912,725)</u>
<b>Business-type Activities</b>										
Net Investment in Capital Assets	\$ 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	\$ 3,972,588
Restricted	137,831	109,613	169,954	163,539	161,483	212,681	306,057	320,957	380,463	359,207
Unrestricted (Deficit)	5,069	61,721	(85,800)	(122,830)	(65,049)	(157,324)	(157,917)	(137,578)	(404,490)	(461,583)
<b>Total Business-type Activities Net Position</b>	<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>	<u>\$ 3,870,212</u>
<b>Primary Government</b>										
Net Investment in Capital Assets	\$ 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	\$ 5,185,286
Restricted	324,261	296,043	356,354	572,503	889,889	958,533	1,243,821	1,291,502	1,425,019	1,437,050
Unrestricted (Deficit)**	275,047	375,742	(141,800)	(539,269)	(1,278,004)	(2,518,054)	(2,991,917)	(3,760,150)	(8,879,780)	(8,664,849)
<b>Total Primary Government Net Position</b>	<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>	<u>\$ (2,042,513)</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 was 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 was 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 was restated.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General Government	\$ 436,025	\$ 662,291	\$ 654,311	\$ 543,931	\$ 683,643	\$ 572,708	\$ 906,593	\$ 1,167,143	\$ 725,609	\$ 859,261
Health and Children's Services	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	3,355,780
Judicial and Public Safety	624,565	596,764	660,053	711,361	705,218	718,645	714,932	753,778	723,807	772,871
Natural Resources and Environmental Control	148,776	189,301	161,354	147,733	134,294	172,886	160,059	164,879	147,578	182,155
Labor	74,163	74,063	79,706	69,226	68,997	73,155	74,766	93,510	65,780	62,624
Education	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	2,784,951
Payment to Component Unit:										
Education	105,819	-	-	-	-	-	-	-	-	-
Interest	55,782	75,522	61,111	54,969	59,747	60,557	91,894	62,815	87,693	57,736
<b>Total Governmental Activities Expenses</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>8,075,378</b>
<b>Business-type Activities:</b>										
Lottery	353,449	384,611	386,241	358,467	344,389	358,907	382,424	383,270	390,901	524,025
DelDOT	626,012	587,604	641,850	580,392	606,738	624,452	682,364	671,765	712,290	739,732
Unemployment	379,065	300,262	247,932	169,508	110,063	68,699	64,629	62,249	61,137	59,181
<b>Total Business-type Activities Expenses</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>1,322,938</b>
<b>Total Primary Government Expenses</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>9,398,316</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
General Government	149,299	214,997	166,979	287,709	334,285	273,905	301,172	366,922	319,829	359,528
Health and Children's Services	121,855	67,485	98,430	73,522	67,698	70,532	70,435	91,413	71,010	49,114
Judicial and Public Safety	60,024	54,681	75,713	126,052	72,664	59,551	75,887	77,344	71,777	80,579
Natural Resources and Environmental Control	58,925	95,460	50,587	59,262	52,692	56,364	58,790	63,920	69,363	81,587
Labor	-	6,370	7,089	7,103	7,135	7,228	7,319	28,010	8,382	7,805
Education	63,099	89,125	22,796	5,565	3,029	66,666	33,372	28,982	34,961	42,205
Operating Grants and Contributions	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	2,343,756
Capital Grants and Contributions	30,861	-	-	-	-	-	-	-	-	-
<b>Total Governmental Activities Program Revenues</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>	<b>2,964,574</b>

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Business-type Activities:</b>										
Charges for Services:										
Lottery	\$ 689,652	\$ 728,506	\$ 714,303	\$ 635,264	\$ 600,825	\$ 601,869	\$ 635,289	\$ 627,984	\$ 645,722	\$ 782,717
DelDOT	426,924	445,084	449,270	462,609	488,178	512,471	574,057	581,222	592,285	642,904
Unemployment	119,473	117,060	122,334	107,646	112,746	131,195	112,053	93,129	76,907	70,400
Operating Grants and Contributions	196,889	170,681	109,037	72,517	43,760	234,092	202,900	207,338	236,688	212,604
Capital Grants and Contributions	238,276	195,030	199,214	211,245	210,985	-	-	-	-	-
<b>Total Business-type Activities Program Revenues</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>1,708,625</b>
<b>Total Primary Government Program Revenues</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>4,673,199</b>
<b>Net (Expenses) Revenue</b>										
<b>Governmental Activities</b>	(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)	(5,110,804)
<b>Business-type Activities</b>	312,688	383,884	318,135	380,914	395,304	427,569	394,882	392,389	387,274	385,687
<b>Total Primary Government Net Expense</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>(4,725,117)</b>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental Activities:</b>										
Taxes:										
Personal Income	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	1,349,476
Business	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	2,595,385
Real Estate	434,718	464,713	473,351	504,620	537,395	552,215	573,968	625,903	661,856	687,858
Other	250,630	246,268	241,525	344,106	232,017	224,842	244,526	256,998	309,194	355,350
Investment Earnings	20,185	28,356	32,849	11,636	14,192	10,511	12,584	18,237	23,255	47,355
Miscellaneous	15,546	29,201	24,103	25,244	28,878	13,654	16,694	20,109	30,033	27,539
Transfers	335,880	320,891	287,903	238,244	215,006	249,896	248,822	245,922	250,778	267,761
<b>Total Governmental Activities</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>5,330,724</b>
<b>Business-type Activities:</b>										
Investment Earnings	(15,336)	2,815	4,029	(608)	2,375	2,213	6,726	2,858	9,908	9,753
Gain (Loss) on Sale of Assets	(415)	587	308	1,018	-	-	-	-	-	-
Miscellaneous	(1,000)	(1,000)	-	-	-	-	-	-	-	-
Transfers	(335,880)	(320,891)	(287,903)	(238,244)	(215,006)	(249,896)	(248,822)	(245,922)	(250,778)	(267,761)
<b>Total Business-type Activities</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>(258,008)</b>
<b>Change in Net Position</b>										
<b>Governmental Activities</b>	37,781	75,934	(391,136)	(74,133)	(364,943)	(124,988)	(511,565)	(813,260)	195,374	219,920
<b>Business-type Activities</b>	(39,943)	65,395	34,569	143,080	182,673	179,886	152,786	149,325	146,404	127,679
<b>Total Primary Government</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>	<b>\$ 347,599</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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Taxes (1)	\$ 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	\$ 4,988,069
Licenses, Fees, Permits and Fines	392,388	326,249	340,351	336,068	351,789	374,554	374,952	415,013	419,344	456,106
Rentals and Sales	38,615	123,781	118,839	135,530	86,428	119,743	127,771	124,877	117,382	117,602
Federal Government	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	2,354,876
Interest and Other Investment Income	20,185	28,356	32,850	11,637	14,170	10,462	12,556	18,164	23,238	47,352
Other Revenues	215,951	106,925	206,356	218,176	195,346	165,800	169,569	261,794	163,980	160,842
<b>Total Revenues</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>8,124,847</b>
<b>Expenditures</b>										
General Government (2)	471,515	551,988	624,616	459,465	610,073	617,220	873,234	980,662	524,999	754,886
Health and Children's Services (3)	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	3,318,956
Judicial and Public Safety (4)	578,777	600,911	602,635	663,861	663,072	674,179	670,640	682,774	713,839	757,040
Natural Resources and Environmental Control	156,268	177,823	154,486	172,521	175,545	164,662	157,184	162,794	146,908	187,851
Labor	73,922	69,912	72,444	68,554	67,952	72,057	72,032	89,480	65,856	63,951
Education (5)	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	2,465,524
Payment to Component Unit: Education	105,819	117,381	131,268	141,700	150,034	164,108	186,000	202,447	216,014	228,032
Capital Outlay	241,050	195,415	187,704	226,123	285,705	200,087	231,863	264,475	250,874	273,828
Debt Service:										
Principal	155,789	140,750	139,325	155,096	157,372	170,068	172,771	176,559	181,417	172,536
Interest	66,222	65,725	72,293	77,136	77,693	80,318	86,905	82,291	83,267	90,126
Costs of Issuance of Debt	3,797	628	548	1,118	975	598	881	973	764	1,202
<b>Total Expenditures</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>8,313,932</b>
<b>Revenues Over (Under) Expenditures</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>	<b>(189,085)</b>

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Other Financing Sources (Uses)</b>										
Transfer In	\$ 970,215	\$ 549,639	\$ 540,713	\$ 589,269	\$ 446,493	\$ 600,793	\$ 603,138	\$ 512,256	\$ 626,689	\$ 436,173
Transfer Out	(634,335)	(228,749)	(252,810)	(351,025)	(231,487)	(350,897)	(354,316)	(266,334)	(375,911)	(168,412)
Other Financing Sources	-	-	-	29,134	1,867	-	-	-	-	-
Issuance of General Obligation Bonds	645,130	310,665	275,425	336,330	225,000	306,870	321,530	225,000	352,235	246,000
Issuance of Revenue Bonds	-	-	56,170	-	-	-	-	-	-	18,650
Premium on Bond Sales	66,054	10,910	37,347	44,635	24,413	53,159	51,957	24,108	65,988	28,532
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>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>	<u>560,943</u>
<b>Net Change in Fund Balance</b>	<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>	<u>\$ 371,858</u>
<b>Debt Service as a Percentage of Non-Capital Expenditures</b>	4.13%	3.50%	3.42%	3.68%	3.42%	3.44%	3.37%	3.22%	3.40%	3.25%

**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,
- (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, Correction, 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>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>	<u>2019</u>
<b>General Fund</b>										
Reserved	\$ 352,732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	843,635	-	-	-	-	-	-	-	-	-
Nonspendable Fund Balance	-	9,807	8,121	7,681	6,630	5,306	32,115	27,729	28,666	37,820
Restricted Fund Balance	-	209,513	87,507	114,418	157,502	184,079	209,535	229,797	233,054	250,694
Committed Fund Balance	-	142,198	236,896	209,557	184,091	192,970	183,294	152,451	158,677	300,246
Assigned Fund Balance	-	229,241	100,483	91,597	80,289	83,002	83,559	113,197	99,917	109,702
Unassigned (Deficit)	-	786,663	963,986	1,025,284	788,727	763,249	390,386	11,403	424,399	602,462
<b>Total General Fund</b>	<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>	<u>\$ 1,300,924</u>
<b>All Other Governmental Funds:</b>										
Reserved	\$ 12,202	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported In:										
Federal Fund	(48,405)	-	-	(914)	-	-	-	-	-	-
Local School District Fund	296,171	-	-	-	-	-	-	-	-	-
Capital Projects Fund	(33,638)	-	-	-	-	-	-	-	-	-
Restricted Fund Balance										
Federal Fund	-	56,030	15,630	-	281,260	277,348	281,689	292,842	318,110	319,819
Local School District Fund	-	338,271	306,397	294,276	289,644	284,425	268,772	286,508	306,350	323,080
Capital Projects Fund	-	40,068	110,302	160,982	123,902	184,626	177,768	161,398	187,042	184,250
<b>Total All Other Governmental Funds</b>	<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>	<u>\$ 827,149</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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Earnings by Industry</b>										
<u>Farm Earnings</u>										
Farm	\$ 162.0	\$ 147.0	\$ 178.0	\$ 213.0	\$ 246.0	\$ 262.0	\$ 608.0	\$ 325.0	\$ 413.0	\$ 544.0
<u>Non-farm Earnings</u>										
Private Earnings:										
Accommodation and Food Services	\$ 746.0	\$ 777.0	\$ 800.0	\$ 838.0	\$ 847.0	\$ 888.0	\$ 1,002.0	\$ 1,078.0	\$ 1,109.0	\$ 1,224.0
Administrative and Waste Services	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	1,586.0
Arts, Entertainment, and Recreation	301.0	336.0	368.0	359.0	343.0	368.0	387.0	340.0	349.0	312.0
Construction	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	2,324.0
Educational Services	316.0	314.0	320.0	340.0	334.0	396.0	367.0	364.0	379.0	381.0
Finance and Insurance	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	5,397.0
Forestry, Fishing, and Related Activities	15.0	19.0	23.0	28.0	26.0	-	-	-	-	- *
Health Care and Social Assistance	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	5,075.0
Information	962.0	947.0	943.0	1,046.0	1,061.0	1,054.0	1,264.0	438.0	410.0	388.0
Management of Companies and Enterprises	1,086.0	1,174.0	1,183.0	1,107.0	950.0	901.0	538.0	1,215.0	1,416.0	1,335.0
Manufacturing, Durable and Non-durable	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	2,272.0
Mining	25.0	-	30.0	26.0	27.0	-	-	-	-	- *
Professional, Scientific, and Technical Services	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	3,911.0
Real Estate and Rental and Leasing	840.0	844.0	816.0	852.0	949.0	957.0	864.0	1,144.0	741.0	850.0
Trade, Retail	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	2,097.0
Trade, Wholesale	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	1,009.0
Transportation and Warehousing	636.0	632.0	681.0	727.0	779.0	862.0	917.0	968.0	960.0	964.0
Utilities	277.0	275.0	274.0	265.0	281.0	288.0	319.0	340.0	348.0	354.0
Other Services, Except Public Administration	860.0	873.0	895.0	938.0	968.0	1,012.0	997.0	1,058.0	1,099.0	1,128.0
<b>Total Private Earnings</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>	<b>\$ 30,607.0</b>
Government and Government Enterprises:										
Federal, Civilian	\$ 487.0	\$ 515.0	\$ 525.0	\$ 537.0	\$ 523.0	\$ 527.0	\$ 576.0	\$ 561.0	\$ 597.0	\$ 614.0
Military	447.0	468.0	465.0	470.0	469.0	457.0	438.0	448.0	450.0	475.0
State and Local Government	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	4,527.0
<b>Total Government Enterprises</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>\$ 5,616.0</b>
<b>Total Non-farm Earnings</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>\$ 36,223.0</b>
<b>Total Earnings by Industry</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>	<b>\$ 36,767.0</b>
Less: Contributions for Government Social Insurance (1)	\$ (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)	\$ (4,180.0)
Plus: Adjustment for Residence (2)	(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)	(2,097.0)
Plus: Dividends, Interest and Rent (3)	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	9,782.0
Plus: Personal Current Transfer Receipts	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	10,464.0
<b>Total Personal Income</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>	<b>\$ 50,736.0</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.  
The adjustment for residence is the net inflow of the earnings of interarea commuters. For the United States, it consists of adjustments for border workers: wage and salary disbursements to U.S. residents employed by international organizations and foreign embassies.
- (2) organizations 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)

	<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>
Personal Income Tax Revenue (1)	\$ 914.5	\$ 743.8	\$ 986.0	\$ 1,095.5	\$ 1,130.5	\$ 1,040.3	\$ 1,140.2	\$ 1,112.4	\$ 1,181.0	\$ 1,309.2
Personal Income (2)	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	50,736.0
Average Effective Rate (3)	2.51%	2.02%	2.54%	2.71%	2.72%	2.42%	2.53%	2.45%	2.48%	2.58%

**Personal Income Tax Rates (4)**

<u>Tax Year</u>	<u>Taxable</u>		<u>Plus</u>	<u>On Taxable</u>
	<u>Income</u>	<u>Tax Liability</u>		
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

<u>Tax Year</u>	<u>Taxable</u>		<u>Plus</u>	<u>On Taxable</u>
	<u>Income</u>	<u>Tax Liability</u>		
2014-2018	\$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	741.00	5.20%	20,000
	\$10,000 - \$19,999	261.00	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 2019.

**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 2017 and Ten Years Prior**

Tax Year 2007						Tax Year 2017					
Delaware AGI Taxpayer Percentile		Delaware AGI			Liability Net of Credits		Delaware AGI			Liability Net of Credits	
		Number of Filers	Average DE AGI	Percentage of Total (1)	Total Liability	Percentage of Total (1)	Number of Filers	Average DE AGI	Percentage of Total (1)	Total Liability	Percentage of Total (1)
From:	To:										
0	10	50,259	3,885	0.7%	86,028	0.1%	55,425	4,235	0.7%	159,845	0.0%
10	20	50,260	10,414	1.9%	1,990,134	0.2%	55,426	11,465	1.9%	2,903,663	0.2%
20	30	50,259	17,041	3.2%	5,673,233	0.9%	55,425	18,487	3.0%	11,802,666	0.9%
30	40	50,260	23,695	4.4%	18,970,023	2.1%	55,426	25,791	4.2%	24,573,151	1.9%
40	50	50,259	30,432	5.7%	33,594,641	3.6%	55,425	33,420	5.5%	43,867,327	3.4%
50	60	50,260	37,902	7.1%	50,668,807	5.5%	55,426	42,326	7.0%	68,535,642	5.3%
60	70	50,260	46,877	8.7%	69,484,145	7.5%	55,426	53,399	8.8%	96,513,441	7.5%
70	80	50,259	58,934	11.0%	93,866,832	10.2%	55,425	68,105	11.2%	133,603,675	10.4%
80	90	50,260	78,590	14.7%	134,417,487	14.6%	55,426	92,308	15.2%	198,145,773	15.5%
90	95	25,130	111,561	10.4%	105,325,308	11.4%	27,712	131,956	10.9%	156,054,574	12.2%
95	99	20,104	191,351	14.3%	165,359,271	17.9%	22,171	226,595	14.9%	243,390,431	19.0%
99	100	5,027	957,811	17.9%	239,832,869	26.0%	5,543	1,008,825	16.6%	302,898,732	23.6%

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Franchise Tax (In Millions)	\$ 633.6	\$ 615.8	\$ 612.6	\$ 606.4	\$ 623.4	\$ 677.0	\$ 703.3	\$ 717.2	\$ 837.0	\$ 890.9
Number of Filers	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	251,879.0
Average Amount per Filer	\$ 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	\$ 3,537.0

Corporations - Authorized Share Method	Tax Year 2009-2014	Tax Year 2015-2016
5,000 shares or less, Minimum Tax	\$ 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 2018-2019
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 Partnership:	Tax Year 2009-2014	Tax Year 2015-2019
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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental Activities</b>										
General Obligation Bonds	\$ 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	\$ 2,340,318
Revenue Bonds	-	-	56,170	56,170	54,535	56,837	53,596	50,486	47,235	64,804
Notes Payable	212	77	-	28,500	28,123	27,277	25,939	24,503	22,999	21,422
<b>Total Governmental Activities</b>	<b>1,496,116</b>	<b>1,748,531</b>	<b>1,909,457</b>	<b>2,025,780</b>	<b>2,082,550</b>	<b>2,151,437</b>	<b>2,198,083</b>	<b>2,251,994</b>	<b>2,328,102</b>	<b>2,426,544</b>
<b>Business-type Activities</b>										
General Obligation Bonds	1,451	787	441	246	103	-	-	-	-	-
Loans Payable	-	-	-	-	-	-	-	-	106,905	191,937
Revenue Bonds	1,219,530	1,244,208	1,087,669	1,007,131	939,055	906,878	1,073,365	1,062,055	975,800	886,606
<b>Total Business-type Activities</b>	<b>1,220,981</b>	<b>1,244,995</b>	<b>1,088,110</b>	<b>1,007,377</b>	<b>939,158</b>	<b>906,878</b>	<b>1,073,365</b>	<b>1,062,055</b>	<b>1,082,705</b>	<b>1,078,543</b>
<b>Total Primary Government</b>	<b>\$ 2,717,097</b>	<b>\$ 2,993,526</b>	<b>\$ 2,997,567</b>	<b>\$ 3,033,157</b>	<b>\$ 3,021,708</b>	<b>\$ 3,058,315</b>	<b>\$ 3,271,448</b>	<b>\$ 3,314,049</b>	<b>\$ 3,410,807</b>	<b>\$ 3,505,087</b>
<b>Personal Income</b>	\$ 36,860,326	\$ 38,767,723	\$ 40,378,899	\$ 41,487,286	\$ 42,984,325	\$ 45,031,693	\$ 45,466,783	\$ 47,696,849	\$ 50,732,300	\$ 52,084,370 *
<b>Debt as a Percentage of Personal Income</b>	7.37%	7.72%	7.42%	7.31%	7.03%	6.79%	7.20%	6.95%	6.72%	6.73%
<b>Population</b>	900	908	917	926	936	946	953	958	969	975 *
<b>Amount of Debt per Capita (Expressed in Thousands)</b>	\$ 3,019	\$ 3,297	\$ 3,269	\$ 3,276	\$ 3,228	\$ 3,233	\$ 3,433	\$ 3,459	\$ 3,520	\$ 3,595

**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 2019.

**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 2019



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

	<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>	<u>2019</u>
Estimated General Fund Revenue	\$ 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	\$ 4,363.9
Projected New Tax-Supported Debt Authorizations (5%)	\$ 160.0	\$ 167.0	\$ 171.1	\$ 184.5	\$ 187.0	\$ 193.9	\$ 196.9	\$ 202.4	\$ 207.2	\$ 218.2

**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>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>	<u>2019</u>
<b>General Obligation Debt Supported by</b>										
<b>Budgetary General Fund Revenue</b>										
State Facilities	\$ 437.6	\$ 471.1	\$ 485.2	\$ 567.6	\$ 592.7	\$ 663.9	\$ 747.4	\$ 777.8	\$ 847.0	\$ 840.9
School Facilities (State Share)	542.0	604.7	665.6	641.5	694.2	677.9	638.1	681.3	655.3	737.7
Bond Issue Premium	127.9	136.7	156.8	186.1	174.6	191.9	215.7	221.2	254.2	259.4
<b>Subtotal</b>	<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>	<u>1,838.0</u>
<b>General Obligation Debt Supported by</b>										
<b>Budgetary Special Fund Revenue</b>										
Highway and Other Transportation										
Improvements	1.5	0.8	0.4	0.2	0.1	-	-	-	-	-
School Facilities (Local Share)	516.0	536.0	545.3	545.7	538.3	533.5	517.4	496.6	501.2	502.3
Housing Authority Loans	0.3	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<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>	<u>502.3</u>
<b>Total General Obligation Debt</b>										
<b>Outstanding</b>	<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>	<u>\$ 2,340.3</u>
<b>Population (In Thousands)</b>	900	908	917	926	936	946	953	962	969	975 *
<b>Debt Per Capita (In Thousands)</b>	<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>	<u>2.40</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.

\* - Average for first two quarters of calendar year 2019

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

	<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>	<u>2019</u>
<b>Revenue Bonds - DelDOT</b>										
Revenue - Turnpike and Motor Vehicles	\$ 363,948	\$ 376,186	\$ 378,960	\$ 387,918	\$ 401,923	\$ 412,850	\$ 457,169	\$ 479,285	\$ 477,725	\$ 505,350
Debt Service:										
Principal	\$ 74,380	\$ 71,760	\$ 76,320	\$ 83,230	\$ 75,205	\$ 77,655	\$ 72,580	\$ 70,595	\$ 69,880	\$ 74,770
Interest	50,885	52,585	56,411	48,097	47,162	41,467	39,768	44,581	42,885	40,917
Debt Service Requirements	\$ 125,265	\$ 124,345	\$ 132,731	\$ 131,327	\$ 122,367	\$ 119,122	\$ 112,348	\$ 115,176	\$ 112,765	\$ 115,687
Coverage	2.91	3.03	2.86	2.95	3.28	3.47	4.07	4.16	4.24	4.37
<b>Revenue Bonds - DSU</b>										
Revenue - Student Tuition and Fees	\$ 59,197	\$ 66,712	\$ 75,769	\$ 82,393	\$ 71,439	\$ 70,500	\$ 81,622	\$ 76,255	\$ 85,128	\$ 88,463
Less: Operating Expenses	(44,105)	(47,454)	(58,230)	(61,156)	(60,972)	(57,281)	(59,212)	(66,367)	(70,922)	(73,900)
Net Available Revenue	\$ 15,092	\$ 19,258	\$ 17,539	\$ 21,237	\$ 10,467	\$ 13,219	\$ 22,410	\$ 9,888	\$ 14,206	\$ 14,563
Debt Service:										
Principal	\$ 1,710	\$ 1,845	\$ 2,030	\$ 1,700	\$ 2,793	\$ 2,942	\$ 2,895	\$ 3,156	\$ 3,413	\$ 3,591
Interest *	3,542	3,510	3,310	4,923	5,233	5,457	5,379	5,265	4,768	4,478
Debt Service Requirements	\$ 5,252	\$ 5,355	\$ 5,340	\$ 6,623	\$ 8,026	\$ 8,399	\$ 8,274	\$ 8,421	\$ 8,181	\$ 8,069
Coverage	2.87	3.60	3.28	3.21	1.30	1.57	2.71	1.17	1.74	1.80
<b>Revenue Bonds - DSHA</b>										
Gross Revenues	\$ 294,656	\$ 259,106	\$ 360,467	\$ 314,633	\$ 175,961	\$ 112,651	\$ 93,643	\$ 75,769	\$ 60,893	\$ 60,404
Less: Operating Expenses	(893)	(2,944)	(504)	(321)	(267)	(264)	(295)	(214)	(150)	(89)
Net Available Revenue	\$ 293,763	\$ 256,162	\$ 359,963	\$ 314,312	\$ 175,694	\$ 112,387	\$ 93,348	\$ 75,555	\$ 60,743	\$ 60,315
Debt Service:										
Principal	\$ 217,757	\$ 219,278	\$ 232,105	\$ 275,434	\$ 151,501	\$ 94,073	\$ 79,036	\$ 63,388	\$ 48,548	\$ 53,584
Interest	49,496	39,646	39,076	32,161	22,557	17,099	13,138	10,219	7,471	5,679
Debt Service Requirements	\$ 267,253	\$ 258,924	\$ 271,181	\$ 307,595	\$ 174,058	\$ 111,172	\$ 92,174	\$ 73,607	\$ 56,019	\$ 59,263
Coverage	1.10	0.99	1.33	1.02	1.01	1.01	1.01	1.03	1.08	1.02

**Sources:**

Delaware Department of Transportation  
Delaware State University  
Delaware State Housing Authority

**Notes:**

Gross revenues represent mortgage principal repayment, mortgage insurance claims received, unused bond proceeds and excess reserves. Expenses do not include interest or amortization.

Abbreviations: Delaware Department of Transportation (DelDOT), Delaware State University (DSU), Delaware State Housing Authority (DSHA)

Debt service for Delaware State University includes Delaware State University Student Housing Foundation for years 2010-2014.

\*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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Population</b>										
State	892	900	908	917	926	936	946	952	962	967
Percentage Change	0.9%	0.9%	0.9%	1.0%	1.0%	1.1%	1.1%	0.6%	1.1%	0.5%
National	306,772	309,326	311,583	313,874	316,129	318,857	321,467	323,127	325,719	327,167
Percentage Change	0.9%	0.8%	0.7%	0.7%	0.7%	0.9%	0.8%	0.5%	0.8%	0.4%
<b>Total Personal Income</b>										
State (In Millions)	\$ 36,422	\$ 36,860	\$ 38,767	\$ 40,379	\$ 41,487	\$ 42,984	\$ 45,032	\$ 45,467	\$ 47,729	\$ 50,736
Percentage Change	-0.5%	1.2%	5.2%	4.2%	2.7%	3.6%	4.9%	1.0%	5.0%	6.3%
National (In Billions)	\$ 12,080	\$ 12,417	\$ 13,190	\$ 13,873	\$ 14,151	\$ 14,709	\$ 15,324	\$ 15,913	\$ 16,820	\$ 17,813
Percentage Change	-2.8%	2.8%	6.2%	5.2%	2.0%	3.9%	4.2%	3.8%	5.7%	5.9%
<b>Per Capita Personal Income</b>										
State	\$ 40,846	\$ 40,969	\$ 42,696	\$ 44,031	\$ 44,815	\$ 45,942	\$ 47,662	\$ 47,869	\$ 49,673	\$ 52,507
Percentage Change	-1.3%	0.3%	4.2%	3.1%	1.8%	2.5%	3.7%	0.4%	3.8%	5.7%
National	\$ 39,379	\$ 40,144	\$ 42,332	\$ 44,200	\$ 44,765	\$ 46,129	\$ 47,669	\$ 49,246	\$ 51,640	\$ 54,446
Percentage Change	-3.7%	1.9%	5.5%	4.4%	1.3%	3.0%	3.3%	3.3%	4.9%	5.4%
<b>Resident Civilian Labor Force and Employment (in units)</b>										
Civilian Labor Force	437,500	434,400	443,200	445,500	442,500	451,800	482,629	477,300	483,000	488,400
Employed	401,300	397,900	410,000	413,300	412,800	425,900	462,455	454,900	463,500	472,700
Unemployed	36,200	36,500	33,200	32,200	29,700	25,900	20,174	22,400	19,500	15,700
Unemployment Rate	8.3%	8.4%	7.5%	7.2%	6.7%	5.7%	4.2%	4.7%	4.0%	3.2%

**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 2019. 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**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Number of Employees by Industry</b>										
<b>Farm Employment</b>										
Farm	2,983	3,113	3,113	3,457	3,343	3,801	3,758	4,121	4,042	3,408
<b>Non-farm Employment</b>										
Private Employment:										
Accommodation and Food Services	35,117	35,742	36,617	37,299	38,371	39,265	41,079	42,122	42,678	45,614
Administrative and Waste Services	27,810	27,747	28,329	28,164	29,678	31,934	33,383	33,088	34,215	36,044
Arts, Entertainment, and Recreation	12,909	13,724	14,160	14,096	14,171	15,347	15,498	15,098	15,447	15,013
Construction	29,750	28,416	27,993	27,363	28,594	29,601	29,958	30,078	31,670	32,383
Educational Services	9,211	9,214	9,020	9,064	9,089	9,891	10,214	9,955	9,806	9,896
Finance and Insurance	52,332	50,562	52,905	53,293	55,118	56,411	55,823	57,356	60,949	60,177
Forestry, Fishing, and Related Activities	- *	- *	- *	- *	- *	- *	- *	- *	- *	- *
Health Care and Social Assistance	62,126	62,919	64,392	65,828	67,927	69,962	72,587	74,672	75,596	77,376
Information	7,591	7,147	6,978	6,813	6,630	6,367	6,395	6,062	6,120	5,899
Management of Companies and Enterprises	11,075	10,548	9,196	8,751	7,216	6,850	6,368	10,323	10,742	9,726
Manufacturing, Durable and Nondurable	29,046	27,168	26,814	26,970	26,627	27,100	28,537	27,287	27,422	28,714
Mining	- *	- *	- *	- *	- *	- *	- *	- *	- *	- *
Professional, Scientific, and Technical Services	34,369	34,003	36,017	37,523	38,798	39,476	39,243	36,992	36,927	38,866
Real Estate and Rental and Leasing	22,529	22,749	23,851	23,008	23,312	22,964	27,739	28,592	28,932	29,988
Trade, Retail	59,098	58,437	59,576	59,442	60,404	61,346	62,014	62,903	62,452	62,791
Trade, Wholesale	14,478	13,623	13,815	13,804	13,544	13,386	13,904	14,360	12,185	12,147
Transportation and Warehousing	12,874	12,421	12,783	13,169	14,464	15,915	17,409	18,487	19,232	22,712
Utilities	2,185	2,150	2,004	2,065	2,137	2,204	2,228	2,271	2,443	2,210
Other Services, Except Public Administration	27,470	27,066	27,467	27,967	28,390	26,253	26,682	27,370	27,234	27,198
<b>Total Private Employment</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>	<b>516,754</b>
Governmental and Governmental Enterprises:										
Federal, Civilian	5,797	6,156	5,842	5,629	5,551	5,538	5,668	5,678	5,754	5,694
Military	8,464	8,674	8,765	8,974	9,141	8,922	8,566	8,603	8,566	8,548
State Governmental	32,581	32,804	32,491	33,273	33,459	33,855	33,683	32,493	32,750	32,230
Local Governmental	24,810	25,303	25,693	25,913	26,111	26,321	26,650	26,910	27,132	27,303
<b>Total Governmental Employment</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>73,775</b>
<b>Total Non-farm Employment</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>590,529</b>
<b>Total Employment</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>	<b>593,937</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 2019.

**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>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>	<u>2019</u>
<b>Full-Time Employees</b>										
General Government	1,971	1,974	1,956	2,024	2,043	2,014	2,039	2,004	1,975	2,127
Health and Children's Services	5,031	5,053	5,024	4,978	4,916	4,826	4,718	4,738	4,626	4,499
Judicial and Public Safety	5,401	5,363	5,411	5,463	5,476	5,561	5,556	5,465	5,481	5,555
Natural Resources and Environmental Control	713	716	720	706	693	683	683	671	634	648
Transportation	1,716	1,732	1,743	1,699	1,684	1,662	1,666	1,653	1,642	1,640
Labor	445	441	435	434	436	422	412	415	411	381
Education	16,753	17,039	17,366	17,571	17,786	17,697	17,780	18,181	18,319	18,981
State Total	<u>32,030</u>	<u>32,318</u>	<u>32,655</u>	<u>32,875</u>	<u>33,034</u>	<u>32,865</u>	<u>32,854</u>	<u>33,127</u>	<u>33,088</u>	<u>33,831</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**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Children, Youth and Their Families</b>										
Number of Youths in Care	22,539	23,442	25,068	22,987	21,591	23,155	21,875	23,443	23,337	23,324
<b>Corrections</b>										
Average Daily Inmate Population	6,727	6,577	6,652	6,884	6,951	6,824	6,559	6,386	6,221	5,614
<b>Natural Resources and Environmental Control</b>										
Number of Visitors to State Parks	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	6,026,697
<b>Education</b>										
Public School Enrollment, Grades K-12	126,801	129,395	130,610	131,514	133,369	134,932	136,027	137,217	137,873	139,144
Delaware State University - Students Enrolled	3,819	4,178	4,425	4,877	4,857	5,015	4,600	4,600	4,648	5,506
Delaware Technical & Community College - Enrolled	21,352	21,654	21,062	20,366	19,421	19,165	19,065	19,516	19,538	19,602
<b>Health and Social Services</b>										
Medicaid Eligibles	173,769	193,633	207,067	212,693	217,658	224,198	228,045	227,209	234,936	236,113
Prescription Assistance Program	5,995	6,178	6,243	6,075	5,867	5,640	5,373	5,463	- *	1,801
Childcare Caseloads	13,696	14,461	14,609	14,765	14,063	14,303	15,120	15,890	16,416	739,732
Client Visits to Service Centers	686,606	687,976	708,000	653,243	643,299	636,473	633,932	616,407	664,890	647,765
<b>Judicial</b>										
Court of Common Pleas - Filings	140,139	126,843	119,753	188,082	139,209	134,713	135,733	248,608	243,376	230,546
Superior Court - Filings	15,060	23,265	20,676	20,367	19,497	18,520	18,292	43,092	18,132	16,211
<b>Labor</b>										
Workers' Compensations Petitions Filed	7,641	7,205	6,755	6,841	6,645	7,035	7,472	7,759	7,087	7,579
<b>Safety and Homeland Security</b>										
Number of Criminal Histories Requested	39,627	43,571	45,995	48,821	50,823	53,964	60,240	57,499	63,650	79,641
Calls to 911 Centers	263,424	325,803	296,796	555,060	369,867	333,282	576,629	602,247	549,990	565,068
<b>Transportation</b>										
Licensed Drivers	644,014	651,799	657,978	663,524	717,875	737,952	750,601	721,561	786,504	801,086
Registered Motor Vehicles	832,661	839,733	825,327	833,786	855,239	879,071	901,256	921,850	928,927	934,615
Bus ridership - Fixed Routes	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	7,162,659
Train Ridership	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	1,196,630

**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 not authorized by Legislature in 2018.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Government</b>										
Acres of Farmland Permanently Preserved	4,487	5,927	6,355	5,859	4,360	1,066	2,245	3,039	3,526	9,275
<b>Health and Children's Services</b>										
Hospitals	6	6	6	5	5	5	4	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	8,500	8,700	8,700	8,400	8,400	8,200	8,200	7,464	8,500	8,500
<b>Transportation</b>										
Centerline Miles	4,378	4,378	4,378	4,378	4,448	4,448	4,452	4,452	4,455	4,455
Centerline Miles Rated Good	3,796	3,796	3,796	3,796	4,032	4,032	3,960	3,960	3,623	3,623
Number of Bridges	1,562	1,566	1,591	1,601	1,592	1,626	1,674	843 *	825	847
Structural Rating of Good	1,137	1,140	1,149	1,151	1,198	1,211	1,238	582 *	575	645
Square Feet of Bridge Deck	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	8,315,420
Square Feet of Bridge Deck Rated Good	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	5,332,466
<b>National Guard</b>										
Number of Armory Facilities	12	12	10	11	10	11	11	11	11	10
<b>Education</b>										
Local School Districts										
Number of Elementary Schools	100	101	104	106	106	107	106	105	109	109
Number of Middle Schools	40	40	37	38	37	36	35	36	42	42
Number of High Schools	31	31	32	30	30	32	32	32	36	36
Number of Special Schools	13	15	14	14	14	12	12	17	19	19
Number of Administration Buildings	22	23	24	23	25	25	25	20	20	21

**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>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>2019</b>
<b>Buildings</b>										
General Government	\$ 468,958	\$ 525,042	\$ 521,673	\$ 523,219	\$ 527,752	\$ 554,355	\$ 567,467	\$ 568,714	\$ 570,625	\$ 577,974
Health and Children's Services	188,454	193,410	191,778	190,865	194,224	190,798	189,738	189,738	176,660	175,573
Judicial and Public Safety	371,690	373,648	375,424	375,869	387,579	430,857	436,495	436,617	437,649	448,928
Natural Resources and Environmental Control	38,750	42,143	43,130	43,130	43,484	45,100	47,612	48,841	49,125	50,183
Transportation	91,065	98,057	104,837	109,638	140,730	159,631	167,691	185,138	190,130	208,460
Education	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	2,962,998
<b>Total Buildings</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>\$ 4,424,116</b>
<b>Land and Land Improvements</b>										
General Government	\$ 289,265	\$ 317,066	\$ 337,587	\$ 127,166	\$ 128,036	\$ 133,499	\$ 136,150	\$ 137,973	\$ 142,635	\$ 146,684
Health and Children's Services	13,518	13,518	13,518	13,518	13,518	13,518	13,518	13,650	13,202	10,624
Judicial and Public Safety	25,987	79,567	80,820	80,820	84,458	84,133	84,363	84,363	86,061	86,166
Natural Resources and Environmental Control	371,079	369,834	375,847	383,945	397,552	402,858	418,464	423,116	429,239	449,821
Transportation	276,761	276,761	276,761	283,876	288,612	298,948	306,704	310,298	326,165	364,872
Education	110,825	138,874	148,668	160,218	165,246	194,740	205,161	206,990	216,907	216,086
<b>Total Land and Land Improvements</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>\$ 1,274,253</b>
<b>Equipment and Vehicles</b>										
General Government	\$ 25,826	\$ 25,255	\$ 21,192	\$ 21,472	\$ 21,610	\$ 31,829	\$ 32,256	\$ 30,095	\$ 29,646	\$ 26,296
Health and Children's Services	17,486	18,203	18,377	17,453	17,490	15,980	9,930	9,883	9,269	10,355
Judicial and Public Safety	31,573	30,960	35,509	36,290	40,310	41,804	44,519	47,222	51,428	52,170
Natural Resources and Environmental Control	22,021	22,731	23,077	24,409	25,290	26,693	27,366	26,107	26,997	27,930
Transportation	237,416	239,415	254,506	268,900	296,476	294,328	308,635	309,593	322,756	343,714
Labor	862	862	662	946	1,023	1,023	1,023	1,023	1,023	1,023
Education	62,990	68,287	77,130	80,657	81,807	86,079	88,766	90,609	94,700	97,905
<b>Total Equipment and Vehicles</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>\$ 559,393</b>
<b>Infrastructure</b>										
Transportation	\$ 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	\$ 4,301,367

**Source:**  
Delaware Department of Finance

**Notes:**  
Information regarding Infrastructure can be found in the Required Supplementary Information contained on page 131. 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.