



Delaware

2009 Comprehensive Annual Financial Report
For the Year Ended June 30, 2009



STATE OF DELAWARE
OFFICE OF THE GOVERNOR
TATNALL BUILDING, SECOND FLOOR
WILLIAM PENN STREET, DOVER, DE 19901

JACK A. MARKELL
GOVERNOR

PHONE: 302-744-4101
FAX: 302-739-2775

December 30, 2009

To the People of Delaware
and the Honorable Members of the
145th General Assembly:

I am honored to present the Comprehensive Annual Financial Report (CAFR) for the State of Delaware for the fiscal year ended June 30, 2009. In addition to providing sound information for investors, policymakers and legislators, this all-inclusive financial report is designed to encourage taxpayers to understand their state government's financial activities. The CAFR includes the State's basic financial statements, prepared in conformity with U.S. generally accepted accounting principles and audited by the independent firm of KPMG LLP.

I am extremely proud of having maintained a sound financial foundation during the economic duress of the last fiscal year. Delaware continues to operate using the same conservative fiscal strategies and controls that have insured past success. Each of the three major rating agencies, Moody's Investor Service, Fitch Ratings and Standard & Poor's, recently reaffirmed the State's triple-A bond ratings and continue to make Delaware one of only seven states that hold the nation's highest bond rating. These ratings place Delaware among the most creditworthy states in the nation.

Please review the financial statements and disclosures presented here.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jd A Markell".

Jack A. Markell
Governor

State of Delaware

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009

Jack A. Markell
Governor

Thomas J. Cook
Acting Secretary, Department of Finance

Valerie M. Watson
Acting Director, Division of Accounting

Prepared by the Department of Finance, Division of Accounting

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

Acknowledgments

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

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Elijah Wilson, CICA
State Accountant IV

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, 2009
Table of Contents**

INTRODUCTORY SECTION

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

FINANCIAL SECTION

Independent Auditors' Report.....	2
Management's Discussion and Analysis	4

Basic Financial Statements

Government –Wide Financial Statements

Statement of Net Assets	21
Statement of Activities.....	22

Governmental Fund Financial Statements

Combined Balance Sheet	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	25
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) – Governmental Funds	26
Reconciliation of the Net Changes in Fund Balances - Total Governmental Funds to Change in Net Assets of Governmental Activities	27

Proprietary Fund Financial Statements

Statement of Net Assets	28
Statement of Revenues, Expenses, and Changes in Fund Net Assets	29
Statement of Cash Flows	30

Fiduciary Fund Financial Statements

Statement of Fiduciary Net Assets.....	31
Statement of Changes in Fiduciary Net Assets.....	32

Component Unit Financial Statements

Combining Statement of Net Assets	33
Combining Statement of Activities.....	34

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies	36
Note 2 - Cash, Investments and Restricted Assets	48
Note 3 - Receivables	69
Note 4 - Interfund Receivables, Payables and Transfers	71
Note 5 - General Obligation Bonds.....	72
Note 6 - Revenue Bonds	75
Note 7 - Loans and Notes Payable	85
Note 8 - Lease Commitments.....	90
Note 9 - Other Long-Term Obligations	91
Note 10 - Changes In Long-Term Obligations.....	92
Note 11 - No Commitment Debt (Not Included In Financial Statements).....	93
Note 12 - Capital Assets.....	94
Note 13 - Risk Management	97
Note 14 - Other Post-Employment Benefits (OPEB)	98
Note 15 - Pensions	104
Note 16 - Affiliated Organizations.....	116
Note 17 - Commitments	116
Note 18 - Contingencies.....	117
Note 19 - Subsequent Events	118
Note 20 - Prior Period Adjustments	119

Required Supplementary Information

Notes to Required Supplementary Information	122
Budgetary Comparison Schedule – General Fund.....	124
Budgetary Comparison Schedule – Special Fund.....	125
Statutory/Budgetary Reconciliations	126
Information About Infrastructure Assets Reported Using the Modified Approach.....	128
Delaware Public Employees’ Retirement System (DPERS) Schedule of Funding Status and Progress.....	130
Schedule of Annual Pension Cost, Actuarial Methods and Assumptions	131
DelDOT – Delaware Transit Corporation – Pension Data Schedule of Funding Status and Progress.....	132
Schedule of Annual Pension Cost, Actuarial Methods and Assumptions	132
OPEB Trust Schedule of Funding Status and Progress.....	133

Supplementary Information – Combining Statements

Delaware Public Employees Retirement System: Combining Statement of Fiduciary Net Assets.....	136
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Combining Statement of Changes in Fiduciary Net Assets.....	138
Investment Trust Funds:	
Combining Statement of Net Assets	140
Combining Statement of Changes in Net Assets	141
All Agency Funds:	
Combining Statement of Changes in Assets and Liabilities.....	142
Local School District Funds:	
Combining Balance Sheet.....	143
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits).....	145

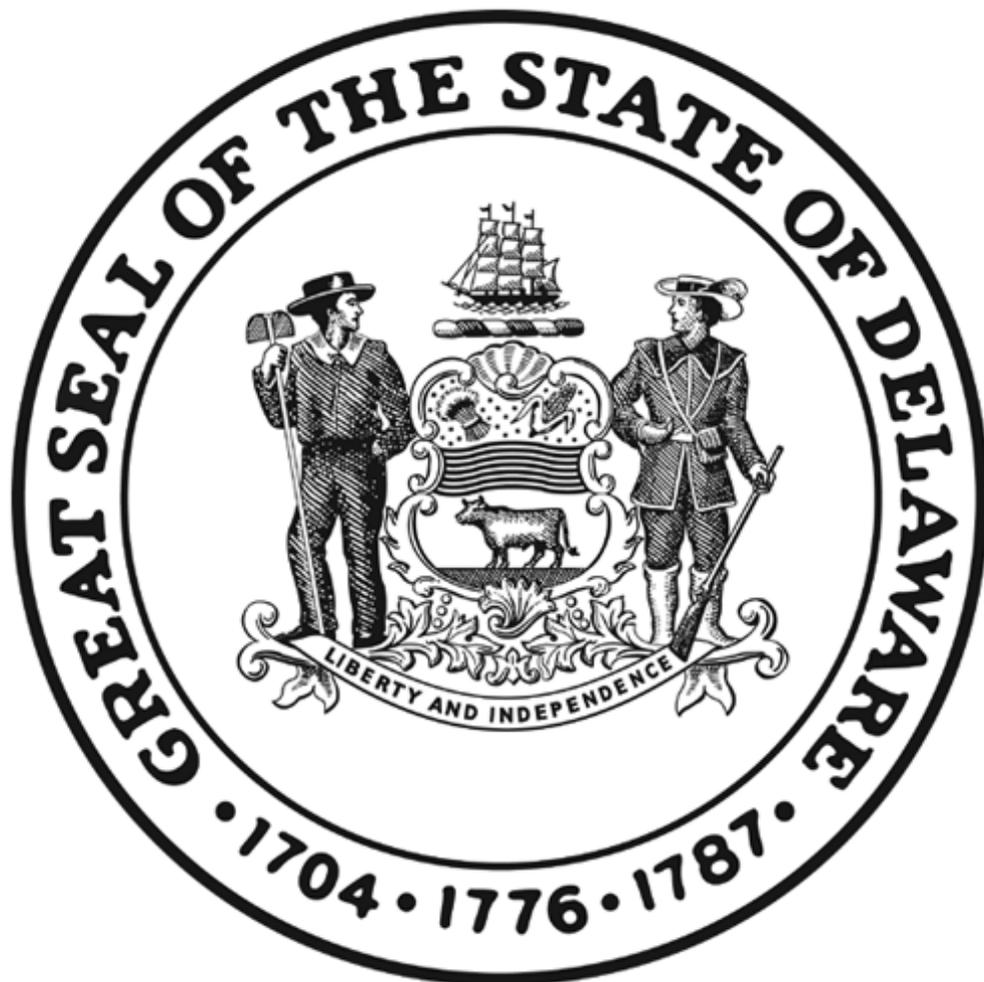
STATISTICAL SECTION

Statistical Section.....	148
Net Assets by Component, Last Eight Fiscal Years	149
Changes in Net Assets, Last Eight Fiscal Years	150
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	152
Fund Balances, Governmental Funds, Last Ten Fiscal Years	154
Personal Income by Industry, Last Ten Calendar Years.....	155
Personal Income Tax Rates, Last Ten Calendar Years.....	156
Personal Income Tax Filers and Liability by Income Level	157
Franchise Taxes, Last Ten Calendar Years.....	158
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	159
Debt Limits, Last Ten Fiscal Years	160
General Obligation Debt Support, Last Eight Fiscal Years.....	161
Pledged Revenue Coverage, Last Ten Fiscal Years	162
Demographic and Economic Statistics, Last Ten Calendar Years	163
Largest Private Employers, Latest Completed Calendar Year and Nine Years Prior	164
Largest Public Employers, Latest Completed Calendar Year and Nine Years Prior	165
State Employees by Function, Last Eight Fiscal Years	166
Operating Indicators by Function, Last Seven Fiscal Years.....	167
Capital Assets Statistics by Function, Last Seven Fiscal Years	168
Capital Asset Balances by Function, Last Ten Fiscal Years	169

Cover Photograph:

The photograph captures the three bridges over the Brandywine Creek in New Castle, Delaware. The smallest bridge is the Swinging Bridge; the large ones are the road and rail bridges at the Augustine Cutoff. The other photographs showcase the natural beauty of the wild life and freshwater wetlands at Trapp Pond, one of the State's parks, located in Laurel, Delaware.

These photographs, as well as the ones on the divider pages of the CAFR, were taken by Reese Robinson and Evelyn Dick, two Division of Accounting employees.



Comprehensive Annual Financial Report
Introductory Section





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

**THOMAS J. COOK
ACTING SECRETARY OF FINANCE**

December 30, 2009

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 for the fiscal year ended June 30, 2009. 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 contents of government financial reports and participates in the GFOA's review 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 report's presentation, rests with the Department of Finance. To the best of our knowledge and belief, the information presented is accurate in all material respects and fairly sets forth the State's financial position and results of operations based upon the internal control structure established by management. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities are included.

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

GASB Statement No. 34, *Basic Financial Statements and - Management's Discussion and Analysis for - State and Local Governments*, requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a 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 of Delaware (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. Over 873,000 people reside here. As the first state to ratify the United States Constitution on December 7, 1787, Delaware is known as "The First State." The structure of Delaware'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. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Further, GASB Statement No. 14 provides that the financial statements should emphasize the primary government and permit financial statement users to distinguish between the primary government and its component units. Consequently, the transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the discretely presented component units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position.

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

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

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

Federal funds, which are credited to budgetary special funds, are not appropriated, but are subject to the review and approval of the State Office of Management and Budget and the Delaware State Clearinghouse Committee for Federal Aid Coordination. The Committee is comprised of 10 members, including the Secretary of Finance, Director of the Office of Management and Budget, Director of the Delaware Economic Development Office, the Controller General, and six legislators.

Budgetary Control and Financial Management Systems

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

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

Budget Process

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

Appropriation Limit

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

Tax Limitations

The State Constitution was amended in May 1980 to limit tax and license fee increases or the imposition of any new taxes or fees to a three-fifths vote of each house of the General Assembly, rather than by a simple majority vote. An exception exists for tax increases to meet debt service on outstanding obligations of the State for which insufficient revenue is available when such debt service is due.

Revenue and Expenditure Forecasting

The Delaware Economic and Financial Advisory Council (DEFAC), an entity created by executive order in 1977, is required to submit revenue forecasts for the budgetary general fund and Transportation Trust Fund to the Governor and the General Assembly. The committee is comprised of 32 members, appointed by the Governor, from the executive and legislative branches of State government and the private sector.

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

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

ECONOMIC CONDITION AND OUTLOOK

Since fiscal year 2002, Delaware's economic performance has largely matched national trends. Over that period, the State's rate of employment and income growth equaled that of the United States, and while Delaware's ties to the national economy are unmistakable, throughout the recent business cycle, Delaware consistently posted lower unemployment rates than the United States. Delaware's mixed recent performance is due, in part, to the changing composition of its economic base. With a heavy concentration in financial services, the State's economy could not avoid the effects of the recent upheaval in the industry. Despite the recent uncertainty, the State's major employers, Bank of America and JP Morgan Chase, for example, continue to maintain a major presence in the State. At the same time, relative newcomers, like ING and Barclays, demonstrate that Delaware should maintain its position as a financial center.

Delaware's long-established manufacturing sectors, automobiles and fibers have also suffered as a result of the worst economic downturn since World War II. With both of the State's automobile assembly plants no longer in operation, the State's blue-collar employment has suffered. The State continues to market these individual sites and, in October, announced that Fisker Automotive has agreed to acquire the former General Motor's plant to support a plug-in hybrid sedan. In addition, the University of Delaware has offered to purchase the site of the former Chrysler plant to expand the university into additional research and technology centers.

Since the adoption of the Financial Center Development Act in 1981, diversifying Delaware's economy has consistently ranked among State policymakers' highest priorities. The State's economic development efforts have followed a two-pronged approach. Broadly speaking, Delaware has continually improved its business climate using a combination of prudent fiscal

management, judicious tax cuts, and strategic investments in public education and infrastructure. When faced with specific challenges, alert and supportive policymakers have teamed with the business community to develop effective policy responses to a changing economic landscape.

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

The State's business friendly legal system continues to attract new corporations. In recent years, more than 70% of new U.S. initial public offerings ("IPO") have chosen Delaware as their legal domicile. Even though IPO activity has suffered from economic and other factors, the State has continued to register a record number of business formations in the form of LLCs and LPs.

Fiscal year 2009 marks the first year of implementation of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which establishes accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The State estimated the liability to be \$19.4 million at June 30, 2009, with potential recoveries from the U.S. Environmental Protection Agency of \$4.5 million.

INDEPENDENT AUDIT

The accounting firm of KPMG LLP has audited the State's basic financial statements for the fiscal year ended June 30, 2009. Based upon that audit, the independent auditor has issued an unqualified opinion that the State of Delaware's basic financial statements are fairly presented in conformity with GAAP. Their report on the basic financial statements has been included in the financial section of this report.

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the State of Delaware for its CAFR for the fiscal year ended June 30, 2008. 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

CERTIFICATE OF ACHIEVEMENT

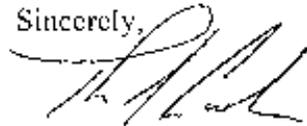
The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the State of Delaware for its CAFR for the fiscal year ended June 30, 2008. The Certificate of Achievement is a prestigious national award 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 14 consecutive years (fiscal years 1995 – 2008). 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 unit, and all other organizations within the reporting entity. This report is also available on the Internet at: <http://accounting.delaware.gov/cafr/default.shtml>.

Sincerely,



Thomas J. Cook
Acting Secretary of Finance

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, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

Executive Director

**State of Delaware
Selected State Officials
As of June 30, 2009**

KEY ELECTED OFFICIALS:

Governor	Jack A. Markell
Lt. Governor	Matthew Denn
Attorney General	Joseph R. Biden III
State Treasurer	Velda Jones-Potter
State Auditor	R. Thomas Wagner, Jr.
Insurance Commissioner	Karen Weldin Stewart

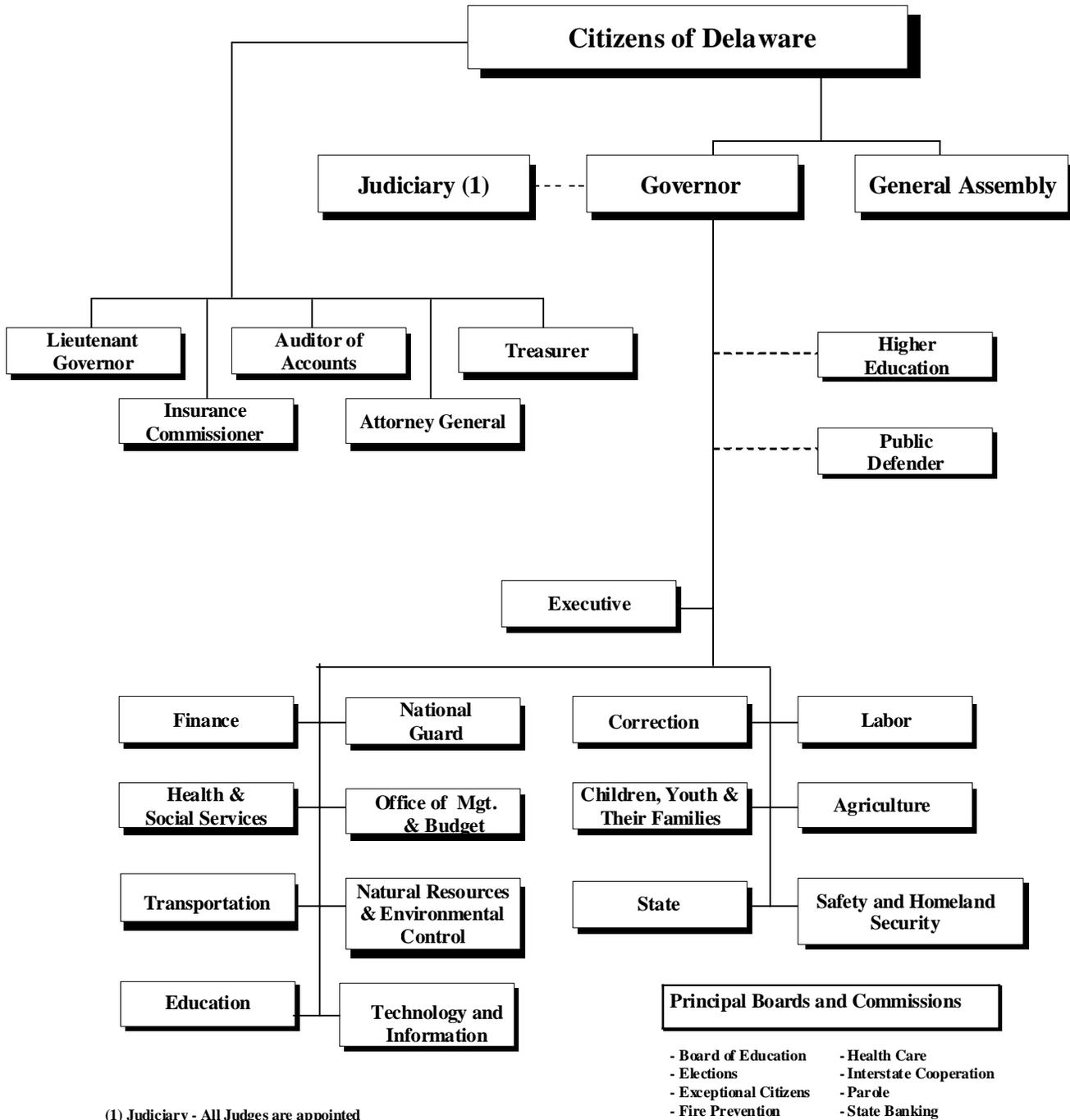
KEY LEGISLATIVE OFFICIALS:

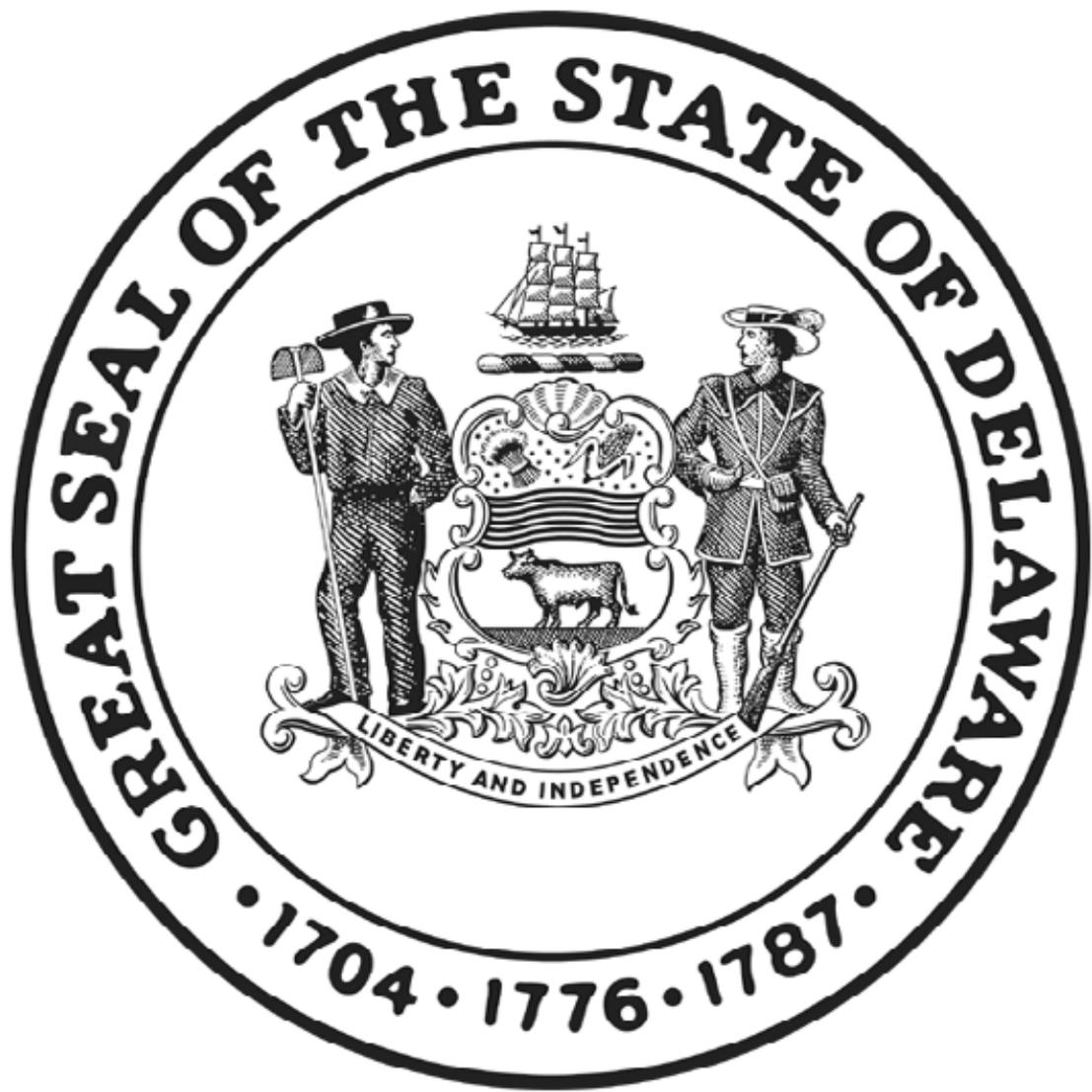
President Pro Tem of the Senate	Anthony J. DeLuca
Senate Majority Leader	Patricia M. Blevins
Senate Minority Leader	F. Gary Simpson
Speaker of the House of Representatives	Robert F. Gilligan
House of Representatives Majority Leader	Peter C. Schwartzkopf
House of Representatives Minority Leader	Richard C. Cathcart

CABINET POSITIONS AND OTHER APPOINTED OFFICIALS:

Agriculture	W. Edwin Kee, Jr.
Correction	Carl C. Danberg
Delaware Economic and Development Office	Alan B. Levin
Delaware State Housing Authority	Anas Ben-Addi
Education	Lillian M. Lowery, Ed. D
Finance	Thomas J. Cook
Health and Social Services	Rita M. Landgraf
Labor	John McMahon
Delaware National Guard	(Major General) Francis D. Vavala
Natural Resources and Environmental Control	Collin P. O'Mara
Office of Management and Budget	Ann S. Visalli
Safety and Homeland Security	Lewis D. Schiliro
Services for Children, Youth and Their Families	Vivian L. Rapposelli
State	Jeffrey W. Bullock
Technology and Information	James M. Sills III
Transportation	Carolann Wicks

State of Delaware Organizational Chart





Comprehensive Annual Financial Report
Financial Section





KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditor's Report

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

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, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. The financial statements of these entities were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Delaware as of June 30, 2009, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 (b) to the financial statements, the State adopted Governmental Accounting Standards Board Statement (GASB) No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* as of July 1, 2008.



The management's discussion and analysis and required supplementary information listed in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, supplementary information – combining statements section, and the statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information – combining statements section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, in conjunction with other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

December 30, 2009

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, 2009. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages i-vi of this report, and the State's financial statements, which follow this section.

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

Financial Highlights

- The assets of the State exceeded its liabilities at the close of the most recent fiscal year by \$5,204.7 million (net assets). Component units reported net assets of \$768.9 million, an increase of \$17.2 million from the previous year.
- As a result of its operations, the primary government's total net assets decreased by \$486.3 million (8.5%) in fiscal year 2009 when compared to the previous year's restated ending net assets. Net assets of governmental activities decreased by \$367.5 million (14.2%) from the previous year, while net assets of the business-type activities decreased \$118.7 million (3.8%) from the previous year.
- The State's governmental funds reported combined ending fund balances of \$1,311.1 million, a decrease of \$177.4 million (11.9%) in comparison with the prior year.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$744.4 million, which was 18.9% of total general fund expenditures. Some of the unreserved fund balance is not available for new spending as such funds have been committed based on State statutes that can only be amended by legislation.
- The State's total general obligation debt increased \$93.3 million (6.8%) during fiscal year 2009 to \$1,469.3 million. Of the State's outstanding debt, \$514.9 million (35.0%) has been issued on behalf of local school districts, which are supported by the property tax revenues of those districts.

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 assets presents information on all of the State's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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. These entities include the Delaware State Housing Authority, the Diamond State Port Corporation, the Riverfront Development Corporation, the Delaware State University, the Delaware Technical and Community College Educational Foundation and 18 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 21-23 of this report.

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

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

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

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

The basic governmental funds financial statements can be found on pages 24 - 27 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. A budgetary comparison statement has been provided for the budgetary general fund to demonstrate compliance with the budget. The schedule can be found on page 124 of this report.

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

The State uses proprietary funds to account for operations of the Unemployment Insurance Trust Fund, Delaware State Lottery (Lottery), and DelDOT as business-type activities in the government-wide financial statements. The State does not maintain any internal service funds.

The basic proprietary fund financial statements can be found on pages 28 - 30 of this report.

Fiduciary funds Fiduciary funds are used 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's own programs. The pension, other post-employment benefit, and investment trust funds are the primary fiduciary funds for the State. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 31 - 32 of this report. Combining fiduciary fund statements can be found on pages 136 - 142.

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 36 - 119 of this report.

Required supplementary information In addition to the basic financial statements and accompanying notes, this report presents certain Required Supplementary Information (RSI) concerning the status of the State's legally adopted budget, the maintenance of the State's infrastructure and additional schedules related to funding status and progress, annual pension costs and actuarial methods and assumptions for the State's pension trusts. The RSI can be found on pages 122 - 134 of this report.

Other supplementary information Other supplementary information includes the introductory section, the combining financial statements for fiduciary and local school funds, and the statistical section.

Statewide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's assets exceeded its liabilities by \$5,204.7 million at the close of the most recent fiscal year.

The largest portion of the State's net assets (84.4%) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment) less any related outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net assets, comprising 7.5% of total net assets, represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The remaining portion, unrestricted net assets (8.1%), may be used at the State's discretion; however, some of these funds have been appropriated based on State statutes.

Condensed Financial Information - Primary Government

As of June 30, 2009

(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008 *	2009	2008 *	2009	2008 *
Current and other non-current assets	\$ 2,400,728	\$ 2,405,647	\$ 580,087	\$ 560,350	\$ 2,980,815	\$ 2,965,997
Capital assets	3,157,814	2,908,209	3,824,481	3,738,986	6,982,295	6,647,195
Total assets	<u>5,558,542</u>	<u>5,313,856</u>	<u>4,404,568</u>	<u>4,299,336</u>	<u>9,963,110</u>	<u>9,613,192</u>
Long-term liabilities outstanding	2,376,206	1,909,847	1,170,735	986,287	3,546,941	2,896,134
Other liabilities	964,110	801,745	247,356	204,968	1,211,466	1,006,713
Total liabilities	<u>3,340,316</u>	<u>2,711,592</u>	<u>1,418,091</u>	<u>1,191,255</u>	<u>4,758,407</u>	<u>3,902,847</u>
Net assets:						
Invested in capital assets, net of related debt	1,665,199	1,515,272	2,727,661	2,731,901	4,392,860	4,247,173
Restricted	186,430	186,430	202,220	308,738	388,650	495,168
Unrestricted	366,597	884,060	56,596	64,577	423,193	948,637
Total net assets	<u>\$ 2,218,226</u>	<u>\$ 2,585,762</u>	<u>\$ 2,986,477</u>	<u>\$ 3,105,216</u>	<u>\$ 5,204,703</u>	<u>\$ 5,690,978</u>

* The State implemented GASB Statement No.49 during fiscal year 2009. The provisions of GASB Statement No.49 require the measurement of pollution remediation liabilities at July 1, 2008; therefore, the State's ending net assets for fiscal year 2008 have been restated.

The taxes receivable for the State decreased from fiscal year 2008 to fiscal year 2009 by \$20.2 million (18.7%). This decrease was attributable to an increase in the allowance for doubtful account percentage. Since fiscal year 2001, the State has been using an allowance of 63.83% of the gross accounts receivable. For fiscal year 2009, it was determined that \$43.2 million of the \$213.8 million total gross receivable balance would be collected in fiscal year 2010, therefore creating an allowance for doubtful account for fiscal year 2009 of \$170.6 million (or 79.79% of the total gross receivables). The increase in the allowance percentage was the result of an analysis conducted based upon the State's collection history.

The securities lending activities of the State increased both assets and liabilities by \$95.2 million from fiscal year 2008 to fiscal year 2009. Collateral is required for borrowed securities equal to 102% of the borrowed securities. The State invests collateral to earn interest. Investments held for securities lending transactions and the corresponding collateral held for securities lending transactions were \$211.2 million at June 30, 2009. The leading factor for this increase was a larger portfolio of lendable assets, larger treasury portfolios, and a higher demand for the corporate fixed income securities held in the portfolios during fiscal year 2009.

The general obligation debt also increased by \$93.3 million (6.8%). The State's debt as a percentage of the State's personal income was 6.66% in fiscal year 2008 and 7.38% in fiscal year

2009. The State's relatively high debt burden reflects its role in financing facilities, such as schools and prisons, which in other states receive capital through local entities.

The increase in long-term obligations of \$650.8 million (22.5%) is primarily due to GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). At June 30, 2009, the long-term obligation for OPEB was \$662.4 million, an increase of \$370.9 million (127.2%) from fiscal year 2008. The OPEB obligation will increase each year as the State continues to offer and retain the pay-as-you-go funding strategy. Additional information for the OPEB obligation can be found in Note 14 of the financial statements.

The State adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, in fiscal year 2009. Organizations included in the financial reporting structure of the State were required to comply with the accounting provisions of GASB Statement No. 49 beginning with the fiscal year ended June 30, 2009. In addition, these organizations were required to measure pollution remediation liabilities as of July 1, 2008 so that the beginning net assets could be restated. At June 30, 2009, the long-term obligation for pollution remediation was \$15.7 million. Additional information for the pollution remediation obligations can be found in Notes 1 and 18 of the financial statements.

The capital assets of the governmental activities increased \$249.6 million (8.6%) since June 30, 2008. Primary increases are a result of significant renovations to, and expansions of, existing school buildings across all counties to accommodate the rise in student population. Construction costs continue to increase consistent with national trends for higher costs for construction supplies due to an increase in fuel charges.

The increase of business-type current assets is due to the issuance of two new money bonds during the fiscal year, which resulted in larger investment balances with DelDOT. Liabilities were also increased as a result of increased revenue bonds payable and post-employment benefits payable, as well as the recording of pollution remediation obligations. This information can be found on page 2 of the DelDOT's financial statements as of and for the year ended June 30, 2009.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects the changes in net assets during the fiscal year.

Changes in Net Assets - Primary Government
For Year End June 30, 2009
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 344,153	\$ 400,943	\$ 1,206,962	\$ 1,245,890	\$ 1,551,115	\$ 1,646,833
Operating grants and contributions	1,199,961	1,094,610	-	-	1,199,961	1,094,610
Capital grants and contributions	9,936	16,142	193,219	156,740	203,155	172,882
General revenues:						
Taxes:						
Personal income taxes	914,460	1,010,325	-	-	914,460	1,010,325
Business taxes	1,655,938	1,659,565	-	-	1,655,938	1,659,565
Real estate taxes	428,878	398,881	-	-	428,878	398,881
Other taxes	238,786	297,971	-	-	238,786	297,971
Investment earnings	41,140	84,449	11,686	21,322	52,826	105,771
Gain (loss) on sale of assets	-	-	235	299	235	299
Miscellaneous	29,197	30,629	(1,000)	(1,000)	28,197	29,629
Total revenues	<u>4,862,449</u>	<u>4,993,515</u>	<u>1,411,102</u>	<u>1,423,251</u>	<u>6,273,551</u>	<u>6,416,766</u>
Expenses:						
General Government	551,390	549,263	-	-	551,390	549,263
Health and Children's						
Services	1,980,118	1,869,754	-	-	1,980,118	1,869,754
Judicial and Public Safety	641,296	640,380	-	-	641,296	640,380
Natural Resources and						
Environmental Control	154,871	164,446	-	-	154,871	164,446
Labor	77,911	68,172	-	-	77,911	68,172
Education	2,002,158	2,031,009	-	-	2,002,158	2,031,009
Payment to Component Unit -						
Education	100,139	99,969	-	-	100,139	99,969
Interest Expense	57,570	52,224	-	-	57,570	52,224
Lottery	-	-	388,260	419,223	388,260	419,223
Transportation	-	-	602,296	535,150	602,296	535,150
Unemployment	-	-	203,817	113,955	203,817	113,955
Total expenses	<u>5,565,453</u>	<u>5,475,217</u>	<u>1,194,373</u>	<u>1,068,328</u>	<u>6,759,826</u>	<u>6,543,545</u>
Increase (decrease) in net assets before transfers	(703,004)	(481,702)	216,729	354,923	(486,275)	(126,779)
Transfers	335,468	332,132	(335,468)	(332,132)	-	-
Increase (decrease) in net assets	(367,536)	(149,570)	(118,739)	22,791	(486,275)	(126,779)
Net assets - beginning of year (as restated)	2,585,762	2,751,834	3,105,216	3,085,290	5,690,978	5,837,124
Net assets - end of year	<u>\$ 2,218,226</u>	<u>\$ 2,602,264</u>	<u>\$ 2,986,477</u>	<u>\$ 3,108,081</u>	<u>\$ 5,204,703</u>	<u>\$ 5,710,345</u>

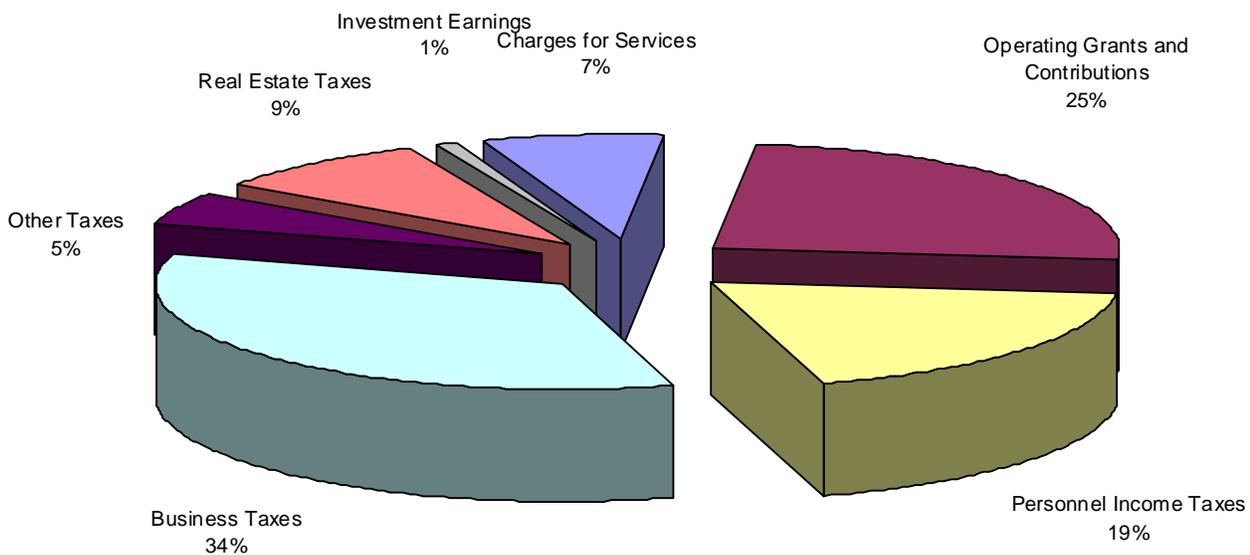
Governmental activities Since fiscal year 2008, the net assets for governmental activities decreased by \$367.5 million, while the net assets for business-type activities decreased by \$118.7 million. A comparison of the cost of services by function for the State's governmental activities is shown in the following chart, along with the revenues used to cover the net expenses of the

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

Total general revenues decreased overall by \$173.4 million (5.0%) relating to decreases in net personal income taxes of \$95.9 million, business and other taxes of \$62.8 million, and investment earnings of \$43.3 million. Real estate taxes increased by \$30.0 million. These factors are a result of the national financial crisis and its impact on the State’s banking and real estate sectors.

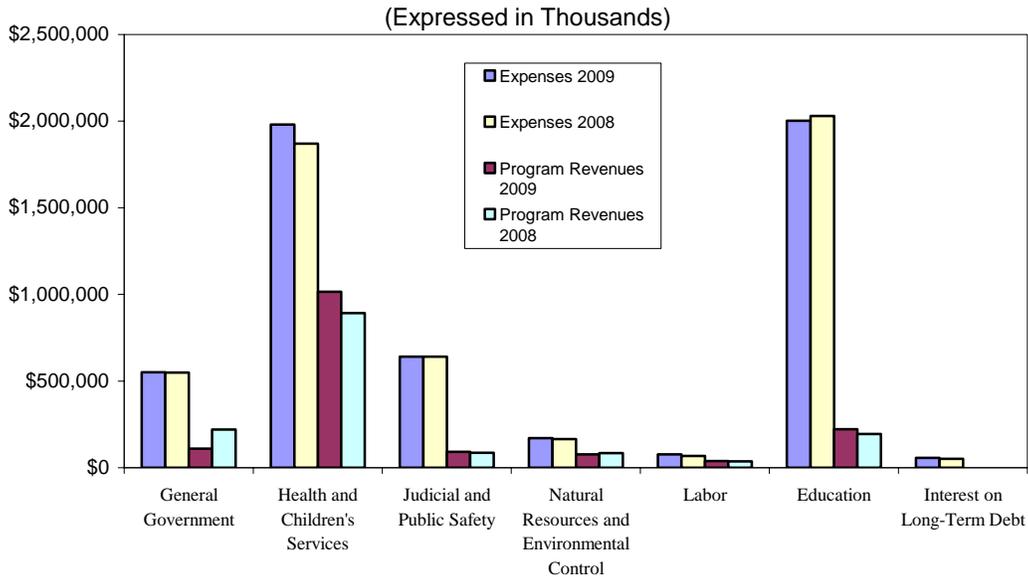
Program revenues increased by \$42.4 million (2.8%) from the prior year. Charges for services decreased by \$56.8 million. Operating grants increased by \$105.4 million. Of this amount, \$135.8 million primarily relates to increased federal revenues at Health and Children’s Services as a result of increased spending for Medicaid (the State’s largest public assistance program). Offsetting the increase in operating grants at Health and Children’s Services was a decrease of \$33.6 million for the General Government. The State also received capital property with a value of \$9.9 million, which is properly reflected as income from capital grants and contributions.

Revenues by Source – Governmental Activities



Expenses for governmental activities increased during fiscal year 2009 by \$90.2 million (1.6%). Total Health and Children’s Services spending increased \$110.4 million due to increased health care costs and services for existing programs. Educational expenses decreased by \$28.9 million due to the continued increase in student population resulting in additional education personnel costs and operation costs. Natural Resources and Environmental Control expenditures decreased by \$9.6 million due to reduced spending on preservation programs.

Expenses and Program Revenues- Governmental Activities



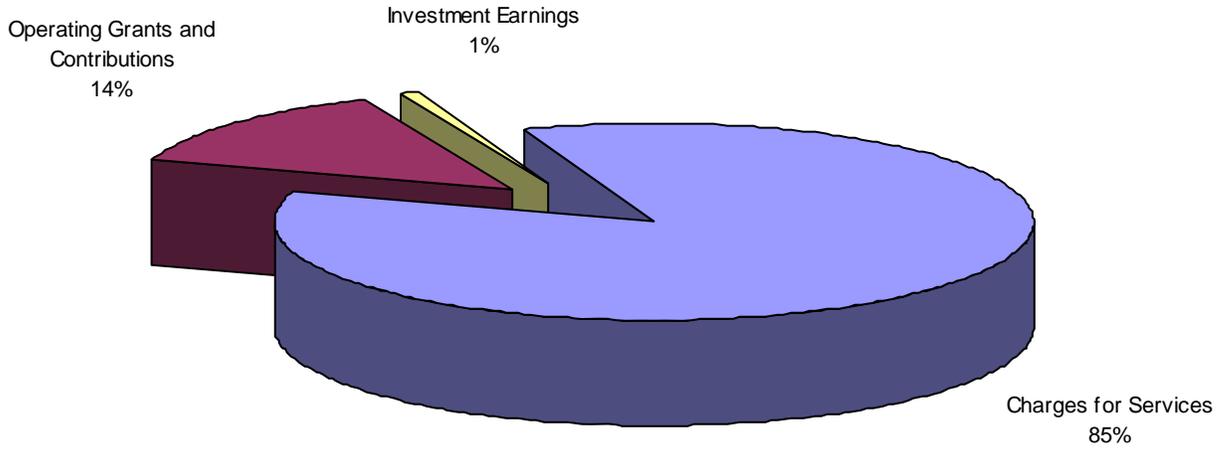
Business-type activities The net assets for business-type activities decreased by \$118.7 million since fiscal year 2008. This decrease is comprised of a \$2.4 million increase in net assets for DeIDOT, a \$121.4 million decrease in the Unemployment Insurance Trust Fund, and a less than \$0.2 million increase of Lottery's net assets.

Although there was a decrease in net assets of the Delaware Unemployment Insurance Trust Fund, there was a 2.2% increase in unemployment insurance tax revenue. The benefit expenses increased 78.9%. However, even though benefits exceeded insurance taxes by \$127.2 million, fund equity remains adequate to pay average benefits for the next two years without additional revenue.

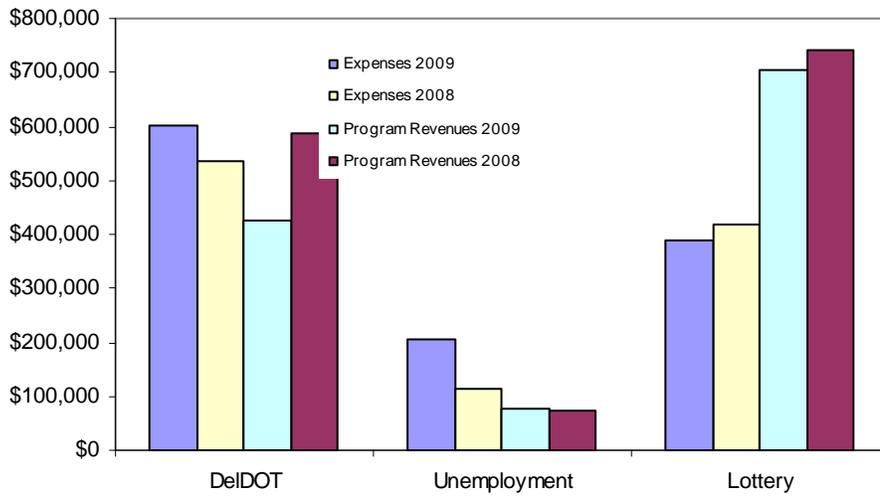
The DeIDOT's net assets at June 30, 2009 were \$2.4 million higher than the June 30, 2008 restated ending net assets. DeIDOT's total operating revenues decreased by \$2.6 million (0.6%) while operating expenses increased by \$64.9 million (13.1%). The October 1, 2008 toll and fee increases were the main contributors of the operating revenue increase. The largest contributing factor for the increase in operating expenses was the increase in vehicle operations expenses, primarily from higher fuel costs.

The Lottery's net assets changed by less than \$0.2 million. By law, the Lottery's net assets cannot exceed \$1.0 million. Revenue for the Lottery decreased by \$37.9 million (5.1%) over last year due to a \$1.7 million decrease in traditional games revenue and a \$36.2 million decrease in video lottery revenues. As a result, the Lottery transferred \$314.8 million to the State, a decrease from fiscal year 2008 of \$8.0 million. The total costs of games and prizes decreased by \$26.4 million (6.5%) over the previous year.

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. Unreserved fund balances may serve as a useful measure of a government's net resources at the end of the fiscal year.

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1,311.1 million, a decrease of \$177.4 million. Approximately 62.8% of the aggregate fund balances, \$823.2 million, constitute unreserved fund balances.

Approximately \$487.9 million of the fund balance is reserved to indicate that it is not available for new spending for the following reasons: 1) to liquidate contracts and purchase orders of the prior period (\$296.0 million), 2) set aside for the budgetary reserve account (\$186.4 million), and 3) for inventories and other assets (\$5.5 million).

General fund The general fund accounts for the operation and administration of the State. Total general fund balance decreased by \$169.4 million for the fiscal year. The major factor for this decline is attributable to the slow national and state economy.

Total general fund revenues decreased by \$132.3 million (3.8%) due to several factors. The largest portion of the decline relates to a reduction in personal income tax revenue of \$94.3 million and other taxes of \$38.4 million resulting from declining financial markets, the deteriorating real estate market, and the deepening recession. Due to the effect of adverse market conditions on investments and lower interest rates, interest and other investment income decreased by \$35.2 million. These decreases were also offset by an increase in federal government and other revenue of \$10.5 million and \$30.5 million, respectively.

The decrease in general fund revenues was combined with a \$99.1 (2.5%) decrease in expenditures. This was primarily due to decreases in Health and Children's Services of \$54.9 million and Natural Resources and Environmental Control of \$20.5 million. Medicaid is a joint federal-state program that provides health care for low-income people. Each state is expected to finance a fraction of the cost, and the federal government finances the rest. In 2009, the Federal government increased its share of Medicaid costs from 50.0% to 61.6%. This reduced the State's general fund spending and increased the federal fund portion. The decrease in expenditures for Natural Resources and Environmental Control were attributable to a decrease in sales of campground reservations and surf fishing tags.

At the end of the current fiscal year, unreserved fund balance of the general fund was \$744.4 million, while total fund balance reached \$1,056.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 18.9% of total general fund

expenditures, while total fund balance represents 26.8% of total fund expenditures or 98 days of operations.

Federal funds Federal funds represent pass through grants used for designated purposes. These funds report federal grant revenues and the related expenditures to support the State's grant programs. Total federal fund revenues and expenditures increased by \$98.1 million and \$191.9 million, respectively. The largest portion of this increase is in Health and Children's services, which accounted for \$170.7 million (22.9%) of the \$191.9 million fund expenditures increase, resulting from increased costs in the Medical Assistance and the Temporary Assistance for Needy Families programs.

Local School 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 \$49.1 million to \$227.4 million. Spending increased because of operating costs of new schools and supplies for increased 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 \$270.8 million in fiscal year 2009, a decrease of \$6.9 million. State legislation authorizes certain capital project expenditures prior to the issuance of bonds in an aggregate amount not to exceed 3% of general fund revenue.

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 major funds of the State.

The State's net assets decreased in fiscal year 2009 by \$118.7 million as a result of operations in the proprietary funds. Page 12 discusses the changes in net assets of the business-type activities.

General Fund Budgetary Highlights

The budgetary general fund is the chief operating fund of the State. At the end of the fiscal year, total fund balance decreased by \$146.0 million (27.8%). Revenues were \$207.1 million (6.2%) less than the previous fiscal year this was primarily due to decreases in net personal income tax collections of \$96.2 million (9.6%), net corporate income tax of \$52.0 million (29.1%), bank franchise tax of \$50.9 million (44.4%), dividends and interest earnings of \$24.1 million (73.0%), and realty transfer tax of \$31.4 million (41.3%). Offsetting these revenue declines was an increase in abandoned property of \$16.4 million (4.4%) and an increase in limited partnerships/limited liability companies of \$29.5 million (27.4%) driven primarily a statutorily mandated tax rate increase. Delaware's revenue performance was a byproduct of the weakest U.S. economic conditions in decades and, in particular, the national financial crisis and its impact on the State's banking and real estate sectors.

Expenditures were \$126.0 million (3.7%) less than the previous fiscal year. Salaries and other employment costs increased by \$2.8 million (0.2%). Grants-in-Aid increased by \$6.7 million

(2.6%) while Medicaid decreased by \$74.8 million (15.1%). In addition, contractual services decreased by \$9.9 million (3.3%), personal services and travel decreased by \$6.4 million (3.0%) and capital outlays decreased by \$25.0 million (37.5%). Debt service payments increased by \$5.4 million (3.6%) as the debt payments were made from the special fund.

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 of 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. During fiscal year 2009, the original budget was modified to provide decreased spending in services in education, health and children's services, self-insurance for health care, expenditures for beach and farmland preservation, land and water conservation, and minor capital renovations in facilities management.

The final budget exceeded actual expenditures in all departments, with significant favorable budget variances in the following departments:

- \$159.0 million in the Executive Department for funds budgeted, but not spent on an ongoing significant capital improvement project to upgrade the State's emergency response system and other minor capital projects;
- \$67.0 million in the Department of Education for funds budgeted, but not spent on educational programs (such as the "No Child Left Behind" act);
- \$17.8 million in Natural Resources and Environmental Control for expenditures authorized in the final budget but not spent on energy incentives and incentives for improving the environment such as storm water retention ponds, environmental clean up, and water conservation; and,
- \$124.2 million in the Department of Health and Social Services, as well as \$13.8 million in the Department of Children, Youth and Their Families for programs that have been rendered but not yet billed such as Delaware Healthy Children Program costs.

Funded projects, which are not completed by year-end, may carry over unspent funds into fiscal year 2010. Unspent funds are reflected in the final budget which may cause variances from original budget.

Capital Assets and Debt Administration

Capital assets The State's investment in capital assets for its governmental and business-type activities, as of June 30, 2009, amounted to \$6,982.3 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 \$249.6 million (8.6%) and the increase for business-type activities was \$85.5 million (2.3%).

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

- Completion of new schools and renovations of existing schools of \$181.3 million, as well as completion of major renovations at the Stockley Center. In addition, construction-in-progress for governmental activities was \$387.9 million as of June 30, 2009. Approximately 46.9% of this total is related to the building of new schools and improvements to existing schools across all counties, with the majority of spending occurring in New Castle County.
- The increase in business-type activities is due to the DeIDOT fund increase resulting from several major purchases of rolling stock, as well as the I-95 expansion project and the US 301 toll road project.

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 expense related to 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 4,447 center line miles of roads and 1,509 bridges that the State is responsible to maintain.

DeIDOT performs condition assessments of eligible infrastructure assets at least every three years. Currently, road condition assessments are conducted every year using the Overall Pavement Condition (OPC) rating system. Bridge condition assessments are conducted, for the most part, every two years using the Bridge Condition Rating (BCR) system.

Of the State's 1,509 bridges that were rated in 2008, 74.1% received a good or better BCR rating, 19.3% were rated fair, and 6.6% received a substandard rating. Of the 7,311,730 square feet of bridge deck that was rated, 93.0% or 6,799,842 square feet received an OPC condition rating of good or better, 6.6% received a fair rating, and 0.4% received a substandard deck rating. In 2008, 4,447 center line miles were rated; 90.1% received a fair or better OPC rating and 9.9% received a poor rating.

The 2009 estimate to maintain and preserve DeIDOT's infrastructure was \$208.8 million, but the actual expenditures were \$308.7 million, which is \$99.9 million over the estimate. The estimated expenditures represent annual Bond Bill authorizations and the actual expenditures represent the current year spending, which includes cumulative authorizations.

Additional information on the State's capital assets can be found in Note 1 on pages 36 - 48, Note 12 on pages 94 - 96 and on pages 128 - 129 in the Required Supplementary Information.

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

State of Delaware Capital Assets as of June 30, 2009

Net of Depreciation

(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 456,328	\$ 437,874	\$ 249,775	\$ 222,986	\$ 706,103	\$ 660,860
Land improvements	72,325	62,241	-	-	72,325	62,241
Buildings	2,034,439	1,879,679	65,868	56,017	2,100,307	1,935,696
Easements	166,715	145,893	-	-	166,715	145,893
Equipment and vehicles	40,069	46,411	123,474	114,584	163,543	160,995
Infrastructure	-	-	3,385,364	3,345,399	3,385,364	3,345,399
Construction-in-progress	387,938	336,111	-	-	387,938	336,111
Total	\$ 3,157,814	\$ 2,908,209	\$ 3,824,481	\$ 3,738,986	\$ 6,982,295	\$ 6,647,195

Long-term debt The State uses general obligation debt to finance capital projects. At the end of the current fiscal year, the State had total general obligation bond debt outstanding of \$1,469.3 million backed by the full faith and credit of the State. Its relatively large debt burden reflects its centralized role in financing school construction projects that are typically funded by local governments or school districts in other states. As of June 30, 2009, \$514.9 million, or 35.0%, of the State's outstanding debt was issued on behalf of local school districts. Local school districts transferred \$56.7 million of property tax revenue to the State to cover related debt service during fiscal year 2009.

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 on June 30th for the next fiscal year. Should actual revenue collections increase during the year, no additional authorizations are made. For fiscal year 2009, debt issuance was limited to \$157.4 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 between approximately 8% and 9% 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 2009, 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 2009. In January 2009, the

State issued \$236.0 million of tax-exempt, fixed rate general obligation bonds and in October 2009 issued \$493.0 million of tax-exempt and taxable Build America Bonds, both as fixed rate general obligation bonds. The October transaction included \$283.0 million issued to refund higher cost debt.

Debt issued by the Delaware Transportation Authority (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 revenues, motor vehicle document fees and motor vehicle registrations. The Authority has revenue bonds outstanding of \$1,144.3 million as of June 30, 2009, of which \$12.4 million were junior revenue bonds which were retired on July 1, 2009. In June 2009, the Authority issued \$105.3 million in Transportation System Senior Revenue Bonds to support its ongoing capital transportation program.

Additional information on the State of Delaware's long-term debt can be found in Notes 5, 6 and 7 on pages 72 - 90 of this report.

Other Post-Employment Benefits

The State provides post-employment health care to its employees and, in fiscal year 2008, began accounting for these benefits according to GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The State's actuarially accrued liability, based on a study conducted by Cheiron of McLean, Virginia, used actual data as of July 1, 2008 and has been determined to be about \$5.6 billion using a discount rate of 5.0%. The State began pre-funding the obligation in 2002 and 2003 with lump sum payments and contributions based on a percentage of payroll. The State has established an irrevocable trust and had accumulated \$83 million in assets at June 30, 2009, which represents a funding ratio of 1.5%. The State's fiscal year 2009 annual required contribution (ARC) was \$516.2 million, of which 31% was met through cash contributions and paid benefits and its fiscal year 2010 ARC is expected to be \$480.0 million. The State expects to manage this obligation over time with continued contributions, savings initiatives and a review of benefits.

Economic Factors and Next Year's Budgets and Rates

The Delaware Economic and Financial Advisory Council (DEFAC) met on June 15, 2009, to prepare the final revenue and expenditure estimates upon which the fiscal year 2010 operating and capital budgets would be based. The Department of Finance estimated at that time that employment in the State had decreased by 2.3% during fiscal year 2009, reversing a positive trend that began in fiscal year 2004. Fiscal year 2010 employment is expected to reflect continued weakness in the national economy's labor markets and register another year of job losses.

The fiscal year 2010 operating and capital budgets meet budgetary spending limitations imposed by law. The fiscal year 2010 operating budget is \$3,091.5 million, 8.1% less than fiscal year 2009. It includes \$243.9 million in revenue packages adopted at the conclusion of the 2009

legislative session as well as \$53.0 million in additional lottery revenue as a result of legislation adopted in May of 2009. The fiscal year 2010 budget included no supplemental appropriations (historically in the form of cash allocated to the capital budget), a reduction from fiscal year 2009's \$83.4 million.

The downturn in the investment market has not had a negative impact on the State's investments. The primary objective of the State's Investment Policy is the safety of principal by minimizing credit risk and interest rate risk. The principal amount of the investment portfolio has not been compromised in the recent downturn.

Financial Management

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

- expenditure budgeting of 98% of available general fund revenue
- general fund revenue forecasts that are frequent, objective and often conservative
- three-part debt affordability test that limits debt authorization to 5% of general fund revenue and debt service to 15% of tax supported revenue
- 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
- full funding of its pension plan

These ratings were reaffirmed in October 2009.

Requests for Information

This financial report is designed to provide a general overview of the State's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Department of Finance, Division of Accounting, 820 Silver Lake Boulevard, Suite 200, Silver Lake Plaza, Dover, Delaware 19904 or visit our website at <http://accounting.delaware.gov>.

The State's component units publish their own separately issued audited financial statements. These statements may be obtained from their respective administrative offices or from the Office of Auditor of Accounts, Townsend Building, Suite 1, 401 Federal Street, Dover, Delaware 19901.

STATE OF DELAWARE
STATEMENT OF NET ASSETS
JUNE 30, 2009
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 314,101	\$ 124,856	\$ 438,957	\$ 46,813
Cash and cash equivalents - restricted	-	5,185	5,185	26,750
Investments	435,626	168,277	603,903	99,395
Investments - securities lending transactions	211,176	-	211,176	-
Investments - restricted	-	107,818	107,818	20,783
Accounts and other receivables, net	244,768	76,611	321,379	42,784
Loans and notes receivable, net	15,666	1,295	16,961	16,502
Internal balances	4,601	(4,601)	-	-
Other post-employment benefits asset	-	-	-	1
Inventories	5,494	14,810	20,304	482
Prepaid items	-	253	253	4,274
Other current assets	-	986	986	412
Total current assets	1,231,432	495,490	1,726,922	258,196
Noncurrent assets:				
Investments	942,489	1,510	943,999	79,666
Investments - restricted	-	58,829	58,829	27,684
Accounts and other receivables, net	36,938	-	36,938	5,545
Loans and notes receivable, net	184,877	20,298	205,175	1,082,874
Capital assets:				
Non-depreciable	1,010,981	3,635,139	4,646,120	227,794
Depreciable capital assets, net	2,146,833	189,342	2,336,175	358,704
Deferred bond issuance costs	4,992	-	4,992	11,929
Other restricted assets	-	-	-	10,149
Other noncurrent assets	-	3,960	3,960	909
Total noncurrent assets	4,327,110	3,909,078	8,236,188	1,805,254
Total assets	5,558,542	4,404,568	9,963,110	2,063,450
LIABILITIES				
Current liabilities:				
Accounts payable	459,357	44,629	503,986	16,667
Accrued liabilities	35,022	72,936	107,958	17,424
Interest payable	25,817	25,388	51,205	-
Unearned revenues	10,534	2,983	13,517	2,811
Collateral held for securities lending transactions	211,176	-	211,176	-
Compensated absences	11,800	4,363	16,163	110
Claims and judgments	31,339	1,594	32,933	-
Escheat liabilities	9,400	-	9,400	-
Escrow deposits	-	5,141	5,141	2
Notes payable	2,855	-	2,855	3,495
Current portion of pollution remediation obligations	3,666	50	3,716	-
Current portion of liabilities payable from restricted assets	-	1,385	1,385	-
Current portion of general obligation long-term debt, net of unamortized premium	161,965	656	162,621	-
Current portion of revenue bonds, net of unamortized premium	-	81,743	81,743	23,748
Other current liabilities	1,179	6,488	7,667	3,429
Total current liabilities	964,110	247,356	1,211,466	67,686
Noncurrent liabilities:				
Pension obligation	112,652	-	112,652	-
Other post-employment benefits payable	608,494	53,933	662,427	-
Compensated absences	134,795	9,983	144,778	7,215
Claims and judgments	89,021	3,750	92,771	-
Escheat liabilities	37,600	-	37,600	-
Escrow deposits	-	-	-	28,371
Notes payable	151	-	151	57,539
Pollution remediation obligations	12,836	2,815	15,651	-
Liabilities payable from restricted assets	-	4,191	4,191	-
General obligation long-term debt, net of unamortized premium	1,377,302	1,451	1,378,753	-
Revenue bonds, net of unamortized premium	-	1,094,612	1,094,612	1,107,082
Other long-term obligations	3,355	-	3,355	26,702
Total noncurrent liabilities	2,376,206	1,170,735	3,546,941	1,226,909
Total liabilities	3,340,316	1,418,091	4,758,407	1,294,595
NET ASSETS				
Invested in capital assets, net of related debt	1,665,199	2,727,661	4,392,860	421,975
Restricted for:				
Debt service	-	163,954	163,954	-
Highways and streets	-	39	39	-
Budgetary reserve	186,430	-	186,430	-
Unemployment benefits	-	36,557	36,557	-
Federal and state regulations	-	-	-	237,957
Bond covenants	-	-	-	33,076
Capital projects	-	-	-	22,487
Other purposes	-	1,670	1,670	18,273
Unrestricted	366,597	56,596	423,193	35,087
Total net assets	\$ 2,218,226	\$ 2,986,477	\$ 5,204,703	\$ 768,855

See Accompanying Notes to the Financial Statements

STATE OF DELAWARE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

Function	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 551,390	\$ 104,268	\$ 557	\$ 4,900
Health and children's services	1,980,118	87,548	927,614	-
Judicial and public safety	641,296	52,681	38,429	-
Natural resources and environmental control	154,871	42,555	28,960	5,036
Labor	77,911	-	38,678	-
Education	2,002,158	57,101	165,723	-
Unrestricted payments to component units - Education	100,139	-	-	-
Interest	57,570	-	-	-
Total governmental activities	5,565,453	344,153	1,199,961	9,936
Business-type activities:				
Lottery	388,260	704,308	-	-
Transportation	602,296	426,046	-	193,219
Unemployment	203,817	76,608	-	-
Total business-type activities	1,194,373	1,206,962	-	193,219
Total primary government	6,759,826	1,551,115	1,199,961	203,155
Component units:				
Delaware State Housing Authority	109,708	61,613	65,552	948
Diamond State Port Corporation	31,603	29,209	-	4,058
Riverfront Development Corporation	11,398	1,897	500	2,733
Delaware State University	104,916	44,177	29,306	6,266
Delaware Technical & Community College Educational Foundation	1,245	658	651	-
Delaware Charter Schools	89,119	11,589	5,586	310
Total component units	347,989	149,143	101,595	14,315
General revenues:				
Taxes:				
Personal income				
Business				
Real estate				
Other				
Unrestricted payments from primary government				
Investment income (loss)				
Gain (loss) on disposal of assets				
Miscellaneous				
Transfers in (out)				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning of year (as restated)				
Net assets - end of year				

See Accompanying Notes to the Financial Statements

**Net (Expenses) Revenue and
Changes in Net Assets**

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (441,665)		\$ (441,665)	
(964,956)		(964,956)	
(550,186)		(550,186)	
(78,320)		(78,320)	
(39,233)		(39,233)	
(1,779,334)		(1,779,334)	
(100,139)		(100,139)	
(57,570)		(57,570)	
<u>(4,011,403)</u>		<u>(4,011,403)</u>	
	\$ 316,048	316,048	
	16,969	16,969	
	<u>(127,209)</u>	<u>(127,209)</u>	
	<u>205,808</u>	<u>205,808</u>	
			\$ 18,405
			1,664
			(6,268)
			<u>(25,167)</u>
			64
			<u>(71,634)</u>
			<u>(82,936)</u>
914,460		914,460	
1,655,938		1,655,938	
428,878		428,878	
238,786		238,786	
-	-	-	100,139
41,140	11,686	52,826	1,393
-	235	235	(790)
29,197	(1,000)	28,197	(650)
335,468	<u>(335,468)</u>	-	-
<u>3,643,867</u>	<u>(324,547)</u>	<u>3,319,320</u>	<u>100,092</u>
(367,536)	(118,739)	(486,275)	17,156
2,585,762	3,105,216	5,690,978	751,699
<u>\$ 2,218,226</u>	<u>\$ 2,986,477</u>	<u>\$ 5,204,703</u>	<u>\$ 768,855</u>

See Accompanying Notes to the Financial Statements

**STATE OF DELAWARE
COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**
(Expressed in Thousands)

	<u>General</u>	<u>Federal</u>	<u>Local School District</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 305,605	\$ 742	\$ 7,754	\$ -	\$ 314,101
Investments	1,092,869	-	269,226	16,020	1,378,115
Investments - securities					
lending transactions	211,176	-	-	-	211,176
Accounts receivable, net	67,367	11,227	646	-	79,240
Taxes receivable, net	61,330	-	26,414	-	87,744
Intergovernmental					
receivables, net	1,635	113,087	-	-	114,722
Loans and notes receivable	145,895	54,648	-	-	200,543
Due from other funds	21,328	-	-	-	21,328
Inventories	5,494	-	-	-	5,494
Total assets	<u>1,912,699</u>	<u>179,704</u>	<u>304,040</u>	<u>16,020</u>	<u>2,412,463</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	329,639	60,961	47,303	21,454	459,357
Accrued liabilities	35,022	-	-	-	35,022
Claims and judgments	1,179	-	-	-	1,179
Escheat liability	47,000	-	-	-	47,000
Due to other funds	-	11,255	5,472	-	16,727
Deferred revenues	232,503	74,530	23,902	-	330,935
Obligations under securities					
lending transactions	211,176	-	-	-	211,176
Total liabilities	<u>856,519</u>	<u>146,746</u>	<u>76,677</u>	<u>21,454</u>	<u>1,101,396</u>
Fund balances (deficit)					
Reserved for:					
Encumbrances	119,821	48,874	14,203	113,045	295,943
Inventories	5,494	-	-	-	5,494
Budgetary reserve	186,430	-	-	-	186,430
Unreserved (deficit)	744,435	(15,916)	213,160	(118,479)	823,200
Total fund balances	<u>1,056,180</u>	<u>32,958</u>	<u>227,363</u>	<u>(5,434)</u>	<u>1,311,067</u>
Total liabilities and fund balances	<u>\$ 1,912,699</u>	<u>\$ 179,704</u>	<u>\$ 304,040</u>	<u>\$ 16,020</u>	<u>\$ 2,412,463</u>

See Accompanying Notes to the Financial Statements

STATE OF DELAWARE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009
(Expressed in Thousands)

Total Fund Balances - Governmental Funds \$ 1,311,067

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

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

Land	\$ 456,328	
Land improvements	72,325	
Buildings	2,034,439	
Easements	166,715	
Equipment and vehicles	40,069	
Construction in progress	387,938	
	<hr/>	3,157,814

Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

320,401

Some liabilities net of related assets are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Interest payable	\$ (25,817)	
Claims and judgments (current and long-term)	(120,360)	
Compensated absences (current and long-term)	(146,595)	
Other post employment benefits	(608,494)	
Pollution remediation obligations (current and long-term)	(16,502)	
Pension obligation	(112,652)	
General obligation long-term debt and related accounts	(1,534,275)	
Notes payable (current and long-term)	(3,006)	
Other long-term obligations	(3,355)	
	<hr/>	(2,571,056)

Net assets of governmental activities \$ 2,218,226

STATE OF DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	General	Federal	Local School District	Capital Projects	Total Governmental Funds
Revenues					
Personal taxes	\$ 914,460	\$ -	\$ -	\$ -	\$ 914,460
Business taxes	1,655,938	-	-	-	1,655,938
Other tax revenue	238,786	-	428,878	-	667,664
Licenses, fees, permits and fines	353,669	10	2,549	-	356,228
Rentals and sales	27,567	-	10,169	-	37,736
Federal government	44,818	1,174,183	1,071	-	1,220,072
Interest and other investment income	33,012	177	7,951	-	41,140
Other	113,130	-	33,834	3	146,967
Total revenues	3,381,380	1,174,370	484,452	3	5,040,205
Expenditures					
Current:					
General government	559,483	17,596	-	-	577,079
Health and children's services	1,081,147	915,530	-	-	1,996,677
Judicial and public safety	537,917	34,913	-	-	572,830
Natural resources and environmental control	128,111	29,558	-	-	157,669
Labor	40,219	35,585	-	-	75,804
Education	1,299,044	163,326	388,966	-	1,851,336
Unrestricted payments to component unit - Education	87,584	-	12,555	-	100,139
Capital outlay	-	-	-	270,847	270,847
Debt service:					
Principal	142,069	-	-	-	142,069
Interest and other charges	60,827	-	-	-	60,827
Costs of issuance of debt	-	-	-	841	841
Total expenditures	3,936,401	1,196,508	401,521	271,688	5,806,118
Excess (deficiency) of of revenues over expenditures	(555,021)	(22,138)	82,931	(271,685)	(765,913)
Other Sources (Uses) of Financial Resources					
Transfers in	411,975	-	58,712	-	470,687
Transfers out	(26,311)	(16,343)	(92,565)	-	(135,219)
Issuance of general obligation bonds	-	-	-	236,000	236,000
Premiums on bond sales	-	-	-	17,044	17,044
Total other sources (uses) of financial resources	385,664	(16,343)	(33,853)	253,044	588,512
Net change in fund balances	(169,357)	(38,481)	49,078	(18,641)	(177,401)
Fund balances - beginning	1,225,537	71,439	178,285	13,207	1,488,468
Fund balances - ending	<u>\$ 1,056,180</u>	<u>\$ 32,958</u>	<u>\$ 227,363</u>	<u>\$ (5,434)</u>	<u>\$ 1,311,067</u>

See Accompanying Notes to the Financial Statements

STATE OF DELAWARE
RECONCILIATION OF THE NET CHANGES IN FUND BALANCES -
TOTAL GOVERNMENT FUNDS TO CHANGE IN NET ASSETS
OF GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

Net Changes in Fund Balances \$ (177,401)

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	331,768	
Depreciation expense	<u>(82,168)</u>	
		249,600

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (10,679)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Components of the debt related adjustments consist of:

Debt service principal repayments	\$ 142,069	
New debt issued (face value)	(236,000)	
Premium received	(17,044)	
Issuance costs	841	
Amortization of premium/issuance costs	<u>4,902</u>	
		(105,232)

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

Accrued interest expense	(1,624)
Claims and judgments	(13,228)
Notes payable	5,557
Compensated absences	191
Pension obligation	(3,829)
Other post employment benefits	(342,893)
Escheat liability	32,000
Other liabilities	<u>2</u>

Change in Net Assets of Governmental Activities \$ (367,536)

See Accompanying Notes to the Financial Statements

STATE OF DELAWARE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DelDOT</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 75,901	\$ 4,709	\$ 44,246	\$ 124,856
Cash and cash equivalents - restricted	-	-	5,185	5,185
Investments	-	-	168,277	168,277
Investments - restricted	-	1,385	106,433	107,818
Accounts receivable, net	5,307	10,624	13,594	29,525
Taxes receivable, net	19,903	-	-	19,903
Intergovernmental receivables, net	1,060	-	25,355	26,415
Current portion of interest receivable	-	-	768	768
Current portion of loans and notes receivable	-	-	1,295	1,295
Inventories	-	-	14,810	14,810
Escrow insurance deposits	-	-	986	986
Prepaid items	-	-	253	253
Total current assets	<u>102,171</u>	<u>16,718</u>	<u>381,202</u>	<u>500,091</u>
Noncurrent assets:				
Investments	-	-	1,510	1,510
Investments - restricted	-	1,901	56,928	58,829
Loans and notes receivable	-	-	20,298	20,298
Other assets	-	2,290	-	2,290
Prepaid pension	-	-	1,670	1,670
Capital assets, non-depreciable	-	-	3,635,139	3,635,139
Capital assets, depreciable, net	-	4	189,338	189,342
Total noncurrent assets	<u>-</u>	<u>4,195</u>	<u>3,904,883</u>	<u>3,909,078</u>
Total assets	<u>102,171</u>	<u>20,913</u>	<u>4,286,085</u>	<u>4,409,169</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	6,016	38,613	44,629
Accrued liabilities	62,884	-	10,052	72,936
Interest payable	-	-	25,388	25,388
Deferred revenue	-	-	2,983	2,983
Compensated absences	-	-	4,363	4,363
Claims and judgments	-	-	1,594	1,594
Prizes liability	-	3,758	-	3,758
Escrow deposits	-	-	5,141	5,141
Pollution remediation obligations	-	-	50	50
Current portion of liabilities payable from restricted assets	-	1,385	-	1,385
Current portion of general obligation long-term debt	-	-	656	656
Current portion of revenue bonds, net of unamortized premium	-	-	81,743	81,743
Tax refunds payable	2,730	-	-	2,730
Due to other funds	-	4,601	-	4,601
Total current liabilities	<u>65,614</u>	<u>15,760</u>	<u>170,583</u>	<u>251,957</u>
Noncurrent liabilities:				
Other post-employment benefits payable	-	556	53,377	53,933
Compensated absences	-	-	9,983	9,983
Claims and judgments	-	-	3,750	3,750
Pollution remediation obligations	-	-	2,815	2,815
Liabilities payable from restricted assets	-	4,191	-	4,191
General obligation long-term debt	-	-	1,451	1,451
Revenue bonds, net of unamortized premium	-	-	1,094,612	1,094,612
Total noncurrent liabilities	<u>-</u>	<u>4,747</u>	<u>1,165,988</u>	<u>1,170,735</u>
Total liabilities	<u>65,614</u>	<u>20,507</u>	<u>1,336,571</u>	<u>1,422,692</u>
Net assets:				
Invested in capital assets, net of related debt	-	4	2,727,657	2,727,661
Restricted for:				
Debt service	-	-	163,954	163,954
Highways and streets	-	-	39	39
Unemployment benefits	36,557	-	-	36,557
Other purposes	-	-	1,670	1,670
Unrestricted	-	402	56,194	56,596
Total net assets	<u>\$ 36,557</u>	<u>\$ 406</u>	<u>\$ 2,949,514</u>	<u>\$ 2,986,477</u>

See Accompanying Notes to the Financial Statements

STATE OF DELAWARE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DeIDOT</u>	<u>Total</u>
Operating revenues:				
Unemployment taxes	\$ 76,608	\$ -	\$ -	\$ 76,608
Gaming revenue	-	704,308	-	704,308
Pledged revenues:				
Turnpike revenue	-	-	121,226	121,226
Motor vehicle and related revenue	-	-	241,501	241,501
Turnpike revenue	-	-	44,496	44,496
Passenger fares	-	-	12,802	12,802
Miscellaneous	-	-	6,021	6,021
	<u>76,608</u>	<u>704,308</u>	<u>426,046</u>	<u>1,206,962</u>
Operating expenses:				
Unemployment benefits	203,817	-	-	203,817
Cost of sales	-	314,554	-	314,554
Prizes	-	66,797	-	66,797
Transportation	-	-	534,231	534,231
Depreciation	-	1	21,272	21,273
General and administrative	-	6,908	6,222	13,130
	<u>203,817</u>	<u>388,260</u>	<u>561,725</u>	<u>1,153,802</u>
Operating income (loss)	<u>(127,209)</u>	<u>316,048</u>	<u>(135,679)</u>	<u>53,160</u>
Nonoperating revenues (expenses):				
Investment income	5,818	-	5,868	11,686
Interest expense	-	-	(40,571)	(40,571)
Contributions to Thoroughbred Program	-	(1,000)	-	(1,000)
Gain on disposal of assets	-	-	235	235
	<u>5,818</u>	<u>(1,000)</u>	<u>(34,468)</u>	<u>(29,650)</u>
Income (loss) before transfers and capital contributions	(121,391)	315,048	(170,147)	23,510
Capital contributions	-	-	193,219	193,219
Transfers in	-	-	3,167	3,167
Transfers out	-	(314,837)	(23,798)	(338,635)
Increase (decrease) in net assets	(121,391)	211	2,441	(118,739)
Net assets - beginning of year (as restated)	<u>157,948</u>	<u>195</u>	<u>2,947,073</u>	<u>3,105,216</u>
Net assets - end of year	<u>\$ 36,557</u>	<u>\$ 406</u>	<u>\$ 2,949,514</u>	<u>\$ 2,986,477</u>

See Accompanying Notes to the Financial Statements

STATE OF DELAWARE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DelDOT</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from employers	\$ 72,925	\$ -	\$ -	\$ 72,925
Payments for insurance claims	(167,202)	-	(2,218)	(169,420)
Receipts from customers and users	-	708,624	423,637	1,132,261
Other operating receipts	-	-	1,781	1,781
Payments to suppliers for goods and services	-	(46,538)	(383,102)	(429,640)
Payments to employees for services	-	(1,737)	(120,696)	(122,433)
Payments for prizes	-	(68,702)	-	(68,702)
Payment for commissions	-	(276,591)	-	(276,591)
Net cash provided (used) by operating activities	<u>(94,277)</u>	<u>315,056</u>	<u>(80,598)</u>	<u>140,181</u>
Cash flows from noncapital financing activities:				
Transfers in	-	-	3,167	3,167
Transfers out	-	(317,561)	(23,798)	(341,359)
Net cash used by noncapital financing activities	<u>-</u>	<u>(317,561)</u>	<u>(20,631)</u>	<u>(338,192)</u>
Cash flows from capital and related financing activities:				
Capital grants	-	-	188,452	188,452
Purchases of capital assets	-	-	(108,925)	(108,925)
Principal paid on capital debt	-	-	(74,186)	(74,186)
Interest paid on capital debt	-	-	(43,821)	(43,821)
Proceeds from sale of land and equipment	-	-	2,392	2,392
Proceeds from issuance of debt	-	-	223,190	223,190
Premium from bond sale	-	-	12,490	12,490
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>199,592</u>	<u>199,592</u>
Cash flows from investing activities:				
Interest and investment revenues	5,818	-	4,886	10,704
Repayment on loan receivable	-	-	1,902	1,902
Escrow deposits received	-	-	(24)	(24)
Purchase of investments	-	-	(2,695,512)	(2,695,512)
Proceeds from sales and maturities of investments	-	1,380	2,594,977	2,596,357
Net cash provided by investing activities	<u>5,818</u>	<u>1,380</u>	<u>(93,771)</u>	<u>(86,573)</u>
Net increase (decrease) in cash and cash equivalents	(88,459)	(1,125)	4,592	(84,992)
Cash and cash equivalents - beginning of year	164,360	5,834	44,839	215,033
Cash and cash equivalents - end of year	75,901	4,709	49,431	130,041
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(127,209)	316,048	(135,679)	53,160
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	-	1	21,272	21,273
Decrease (increase) in assets:				
Receivables, net	(3,173)	4,316	(598)	545
Inventories	-	-	284	284
Prepaid items	-	-	(129)	(129)
Increase (decrease) in liabilities:				
Accounts and other payables	(408)	(3,236)	(172)	(3,816)
Accrued liabilities	37,023	(168)	(30)	36,825
Accrued expenses	-	(1,905)	5,728	3,823
Accrued payroll and related expenses	-	-	1,047	1,047
Post-employment benefits	-	-	27,679	27,679
Due to/from other governments	(510)	-	-	(510)
Net cash provided (used) by operating activities:	<u>(94,277)</u>	<u>315,056</u>	<u>(80,598)</u>	<u>140,181</u>

See Accompanying Notes to the Financial Statements

STATE OF DELAWARE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009
(Expressed in Thousands)

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>Investment Trust</u>	<u>Agency</u>
Assets:				
Cash and cash equivalents	\$ 404,494	\$ 12,544	\$ 2,393	\$ 27,126
Receivables:				
Accrued interest	16,400	-	76	-
Investment sales pending	371,990	-	1,768	-
Employer contributions	11,280	8,466	-	-
Member contributions	3,963	28	-	-
Other receivables	-	-	-	36,997
Investments, at fair value:				
Domestic fixed income	514,374	28,035	11,743	-
Domestic equities	851,620	28,139	13,386	-
Pooled equity and fixed income	1,622,377	-	7,705	-
Alternative investments	1,342,205	-	6,374	-
Short term investments	-	-	-	18,480
Foreign fixed income	119,589	-	567	-
Foreign equities	900,526	16,083	9,616	-
Total assets	<u>6,158,818</u>	<u>93,295</u>	<u>53,628</u>	<u>82,603</u>
Liabilities:				
Accounts payable	-	-	-	82,603
Investment purchase payable	385,881	-	1,832	-
Benefits/claims payable	935	10,020	-	-
Accrued investment expense	3,619	28	27	-
Accrued administrative expenses	770	-	-	-
Total liabilities	<u>391,205</u>	<u>10,048</u>	<u>1,859</u>	<u>82,603</u>
Net assets:				
Assets held in trust for pension benefits and pool participants	<u>\$ 5,767,613</u>	<u>\$ 83,247</u>	<u>\$ 51,769</u>	<u>\$ -</u>

See Accompanying Notes to the Financial Statements

STATE OF DELAWARE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>Investment Trust</u>
Additions:			
Contributions:			
Employer contributions	\$ 181,485	\$ 158,656	\$ -
Transfer from post-retirement increase fund	39,334	-	-
Transfer of assets from outside the system	2,963	-	3,253
Member contributions	54,374	3,699	-
Other	40	-	-
Total contributions	<u>278,196</u>	<u>162,355</u>	<u>3,253</u>
Investments:			
Investment earnings	93,057	2,318	1,198
Net decrease in fair value of investments	<u>(1,188,753)</u>	<u>(10,755)</u>	<u>(8,661)</u>
Total investment earnings	(1,095,696)	(8,437)	(7,463)
Less investment manager/advisor/custody fees	(16,058)	(62)	(95)
Less investment administrative expenses	<u>(521)</u>	<u>-</u>	<u>(2)</u>
Net investment earnings	<u>(1,112,275)</u>	<u>(8,499)</u>	<u>(7,560)</u>
Total additions	<u>(834,079)</u>	<u>153,856</u>	<u>(4,307)</u>
Deductions:			
Transfer of assets from post-retirement increase fund	39,334	-	-
Transfer of assets from outside the system	3,045	-	4,326
Pension/claim payments	400,206	149,814	-
Refunds of contributions to members	3,450	-	-
Group life payments	5,085	-	-
Administrative expenses	<u>6,560</u>	<u>190</u>	<u>-</u>
Total deductions	<u>457,680</u>	<u>150,004</u>	<u>4,326</u>
Change in net assets	<u>(1,291,759)</u>	<u>3,852</u>	<u>(8,633)</u>
Net assets - beginning of year	<u>7,059,372</u>	<u>79,395</u>	<u>60,402</u>
Net assets - end of year	<u>\$ 5,767,613</u>	<u>\$ 83,247</u>	<u>\$ 51,769</u>

See Accompanying Notes to the Financial Statements

STATE OF DELAWARE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2009
(Expressed in Thousands)

	Delaware State Housing Authority	Diamond State Port Corporation	Riverfront Development Corporation	Delaware State University	DTCC * Educational Foundation	Delaware Charter Schools	All Component Units Total
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 7	\$ 2,454	\$ 4,231	\$ 14,518	\$ 627	\$ 24,976	\$ 46,813
Cash and cash equivalents - restricted	-	15,989	325	5,617	-	4,819	26,750
Investments	92,991	-	-	-	6,375	29	99,395
Investments - restricted	-	-	-	20,783	-	-	20,783
Accounts and other receivables, net	31,606	2,471	477	8,160	-	70	42,784
Loans and notes receivable, net	16,502	-	-	-	-	-	16,502
Other post-employment benefits (OPEB) asset	1	-	-	-	-	-	1
Inventories	-	482	-	-	-	-	482
Prepaid items	2,961	563	55	-	-	35	3,614
Deferred bond issuance costs	660	-	-	-	-	-	660
Other restricted assets	-	-	-	344	48	-	392
Other current assets	-	-	-	-	-	20	20
Total current assets	144,728	21,959	5,088	49,422	7,050	29,949	258,196
Noncurrent assets:							
Long-term investments	79,666	-	-	-	-	-	79,666
Long-term investments - restricted	-	-	3,917	23,711	56	-	27,684
Accounts and other receivables, net	5,545	-	-	-	-	-	5,545
Loans and notes receivable, net	1,078,876	-	3,727	271	-	-	1,082,874
Capital assets - non-depreciable	4,646	34,494	114,344	55,037	-	19,273	227,794
Capital assets - depreciable, net	16,084	129,375	15,954	147,659	-	49,632	358,704
Deferred bond issuance costs	9,182	-	-	1,771	-	976	11,929
Other restricted assets	-	-	1,735	-	8,414	-	10,149
Other noncurrent assets	-	-	-	297	-	612	909
Total noncurrent assets	1,193,999	163,869	139,677	228,746	8,470	70,493	1,805,254
Total assets	1,338,727	185,828	144,765	278,168	15,520	100,442	2,063,450
LIABILITIES							
Current liabilities:							
Accounts payable	4,009	138	3,154	7,010	143	2,213	16,667
Accrued liabilities	4	2,144	76	7,576	-	7,624	17,424
Deferred revenue	-	13	14	2,661	-	123	2,811
Compensated absences	37	-	-	-	-	73	110
Escrow deposits	-	-	2	-	-	-	2
Notes payable	72	2,749	-	-	-	674	3,495
Current portion of revenue bonds	21,273	-	320	1,710	-	445	23,748
Current portion of other long-term debt	-	-	745	258	2	2,140	3,145
Other current liabilities	284	-	-	-	-	-	284
Total current liabilities	25,679	5,044	4,311	19,215	145	13,292	67,686
Noncurrent liabilities:							
Compensated absences	876	-	-	5,356	-	983	7,215
Escrow deposits	28,371	-	-	-	-	-	28,371
Notes payable	250	31,688	-	-	-	25,601	57,539
Revenue bonds	972,284	-	3,625	106,013	-	25,160	1,107,082
Long-term debt	-	-	13,312	-	-	9,960	23,272
Other noncurrent liabilities	1,281	-	-	2,081	68	-	3,430
Total noncurrent liabilities	1,003,062	31,688	16,937	113,450	68	61,704	1,226,909
Total liabilities	1,028,741	36,732	21,248	132,665	213	74,996	1,294,595
NET ASSETS							
Invested in capital assets, net of related debt	20,730	129,432	112,296	125,035	-	34,482	421,975
Restricted for:							
Federal and state regulations	223,602	-	-	3,462	10,893	-	237,957
Bond covenants	33,076	-	-	-	-	-	33,076
Capital projects	-	15,989	3,917	2,581	-	-	22,487
Other purposes	3,134	-	-	10,110	-	5,029	18,273
Unrestricted	29,444	3,675	7,304	4,315	4,414	(14,065)	35,087
Total net assets	\$ 309,986	\$ 149,096	\$ 123,517	\$ 145,503	\$ 15,307	\$ 25,446	\$ 768,855

* Fiscal year-end December 31, 2008

See Accompanying Notes to the Financial Statements

STATE OF DELAWARE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component units:				
Delaware State Housing Authority	\$ 109,708	\$ 61,613	\$ 65,552	\$ 948
Diamond State Port Corporation	31,603	29,209	-	4,058
Riverfront Development Corporation	11,398	1,897	500	2,733
Delaware State University	104,916	44,177	29,306	6,266
Delaware Technical and Community College (DTCC)				
Educational Foundation	1,245	658	651	-
Delaware Charter Schools	89,119	11,589	5,586	310
Total component units	\$ 347,989	\$ 149,143	\$ 101,595	\$ 14,315

General revenues:

Unrestricted payments from primary government
Investment income (loss)
Gain (loss) on disposal of assets
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning of year (as restated)

Net assets - end of year

* Fiscal year ended December 31, 2008

See Accompanying Notes to the Financial Statements

**Net (Expense) Revenue and
Changes in Net Assets**

<u>Delaware State Housing Authority</u>	<u>Diamond State Port Corporation</u>	<u>Riverfront Development Corporation</u>	<u>Delaware State University</u>	<u>DTCC * Educational Foundation</u>	<u>Delaware Charter Schools</u>	<u>Totals</u>
<u>\$ 18,405</u>						\$ 18,405
	<u>\$ 1,664</u>					1,664
		<u>\$ (6,268)</u>				(6,268)
			<u>\$ (25,167)</u>			(25,167)
				<u>\$ 64</u>		64
					<u>\$ (71,634)</u>	<u>(71,634)</u>
						<u>(82,936)</u>
-	-	-	29,412	-	70,727	100,139
6,525	(1,188)	380	(3,012)	(1,834)	522	1,393
-	(9)	(781)	-	-	-	(790)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(990)</u>	<u>-</u>	<u>340</u>	<u>(650)</u>
<u>6,525</u>	<u>(1,197)</u>	<u>(401)</u>	<u>25,410</u>	<u>(1,834)</u>	<u>71,589</u>	<u>100,092</u>
24,930	467	(6,669)	243	(1,770)	(45)	17,156
<u>285,056</u>	<u>148,629</u>	<u>130,186</u>	<u>145,260</u>	<u>17,077</u>	<u>25,491</u>	<u>751,699</u>
<u>\$ 309,986</u>	<u>\$ 149,096</u>	<u>\$ 123,517</u>	<u>\$ 145,503</u>	<u>\$ 15,307</u>	<u>\$ 25,446</u>	<u>\$ 768,855</u>

See Accompanying Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

The accompanying financial statements present the State's primary government and include all funds, elected officials, departments and organizations, bureaus, boards, commissions, and authorities that comprise the State's legal entity. The State's 19 local school districts, which are not legally separate, are included in the reporting entity of the primary government. The DelDOT enterprise fund, which includes the Transportation Trust Fund and the Delaware Transit Corporation, is also included in the reporting entity of the primary government. Fiduciary funds, although legally separate entities, are in substance part of the State's operations. The State's reporting entity is also comprised of its component units, entities for which the State is considered to be financially accountable. 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.

Financial accountability is defined in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. 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, 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; however, as it provides services and benefits almost exclusively to the primary government, the DPERS is considered a blended component unit and is shown in the financial statements as part of the primary government as a pension trust fund. The financial report of DPERS for the year ended June 30, 2009 may be obtained in writing to the State Board of Pension Trustees and Office of the Pensions, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

The Delaware OPEB 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; however, it provides services and benefits almost exclusively to the primary

government. The OPEB Trust is considered a blended component unit and is shown in the financial statements as part of the primary government as a OPEB trust fund.

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 or incomplete. The component unit's column of the basic financial statements includes the financial data of these entities. Except for the Delaware Technical and Community College Educational Foundation, which has a fiscal year-end of December 31, 2008, each discretely presented component unit has a June 30, 2009 fiscal year-end.

Delaware State Housing Authority

The Delaware State Housing Authority (DSHA) is a public corporation whose Director is appointed by and reports directly to the Governor of the State. The DSHA administers the role of providing affordable housing as a key aspect of State policy. The DSHA's relationship with the State is such that exclusion of the DSHA from the State's basic financial statements would cause the statements to be misleading or incomplete. 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

The Diamond State Port Corporation (DSPC) 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 8 of the 15 members of the board of directors, with the advice and consent of the Senate. The DSPC's relationship with the State is such that exclusion of the DSPC from the State's basic financial statements would cause the statements to be misleading or incomplete.

Riverfront Development Corporation

The Riverfront Development Corporation (RDC) was formed to plan, develop and manage programs and projects intended to foster economic development along the Brandywine and Christina Rivers. The Governor appoints seven of the 18 board members; however, seven of the remaining 11 directors consist of the Governor and six State officials. Authorization by the State's Budget Director and Controller General is required before funds of the RDC may be expended.

Delaware State University

Delaware State University (DSU) is a public institution of higher education. Funding is primarily through State appropriations. State appropriations without restrictions as to use by the University are reported in general revenue. Additional funding is derived from tuition, federal grants, private donations and grants. The Board of Trustees is comprised of 15 members, eight appointed by the Governor of Delaware and seven elected by the Trustees. The President of the University and the Governor of the State of Delaware serve as ex-officio members of the Board. Delaware State University financial data includes its two component units, the Delaware State University Housing Foundation and the Delaware State University Foundation, Inc.

Delaware Technical and Community College Educational Foundation

The Delaware Technical and Community College Educational Foundation (the Foundation) is a fiduciary-type component unit of Delaware Technical and Community College (DTCC), which is part of the primary government. The Foundation was established on November 13, 1968 by a trust agreement. On April 20, 1999, the Foundation revised the trust document incorporating all previous amendments to the previous trust document. The trust agreement stipulates that the activities of the Foundation be limited to such educational purposes that come under Section 501(c) (3) of the Internal Revenue Code. Activities include, but are not limited to, making contributions, gifts or grants, or otherwise rendering financial aid and assistance by direct payments to DTCC and providing financial assistance to qualified students. The Foundation has a fiscal year-end of December 31, 2008.

Delaware Charter Schools

Delaware's 18 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. Charter schools are each managed by a board of directors, which operate independently, under a charter granted by the State Department of Education with the approval of the State Board of Education. Charters are granted for an initial period of three years and renewable every five years thereafter. Financial information for Delaware Charter Schools is presented in the aggregate as they are individually immaterial.

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

Related Organizations

Officials of the State's primary government appoint a voting majority of the governing board of the Delaware Solid Waste Authority (DSWA). The primary government's accountability for DSWA does not extend beyond making the appointments. The financial activities of DSWA are not included in the State's financial statements.

The Governor appoints eight members of the governing board of the University of Delaware (the University). The remaining 20 members are elected separately. The primary government's accountability does not extend beyond State grants to the University. The financial activities of the University are not included in the State's financial statements.

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 12 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 these financial statements as the State of Delaware has no ongoing financial interest.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary 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 assets 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 and its liabilities is its net assets. Net assets are displayed in three components – invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. There are no net assets that are restricted by enabling legislation at June 30, 2009. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The State has elected not to follow subsequent private-sector guidance.

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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Intrafund 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 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. 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 grant requirements 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 accounts for activities relating to the State’s local school districts funded by locally raised real estate taxes and other revenue.

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 operating 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 general 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, lottery fund and DeIDOT fund are charges to customers for sales and services.

The Lottery fund recognizes revenue from on-line games 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. Revenue from video lottery sales is recognized, net of prizes paid, at the time the public plays the game.

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The State reports the following major proprietary funds:

DelDOT Fund – The DelDOT fund accounts for the activities relating to the operation of the State’s Department of Transportation, including the Delaware Transportation Trust Authority.

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 Lottery program.

Fiduciary Funds

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

The State reports the following fiduciary funds:

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

Pension Trust Funds – The Delaware Public Employees' Retirement System (DPERS) is a public employee retirement system, which covers substantially all State employees. The DPERS is a legally separate entity; however, as it provides services and benefits almost exclusively to the primary government, the DPERS 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 assets available for plan benefits (Note 15). For pension trust funds, employee contributions are recognized as revenue in the period in which the employee services are performed. Employer contributions are recognized when due and the employer has 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.

The financial report of DPERS for the year ended June 30, 2009 may be obtained by writing to the State Board of Pension Trustees and Office of the Pensions, McArdle Building, and Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904-2402.

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

OPEB Trust Fund – The Delaware Other Post Employment Benefit Fund Trust (OPEB Trust) 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. The State recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the year paid.

New Accounting Pronouncements

During the fiscal year ended June 30, 2009, the State adopted GASB Statement No. 49 (GASB 49), *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishing accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that were required upon retirement of an asset. The effects of applying this standard are disclosed in note 18.

The provisions of GASB 49 require the measurement of pollution remediation liabilities at July 1, 2008; therefore, the State's beginning net assets for fiscal year 2009 have been restated. The following is a reconciliation of total fund net assets as previously reported as of June 30, 2008 to the beginning fund net assets balance:

	Governmental Activities	Business-Type Activities
Net assets at June 30, 2008	\$ 2,602,264	\$ 3,108,081
Adoption of GASB 49	(16,502)	(2,865)
Total net assets at July 1, 2008	<u>\$ 2,585,762</u>	<u>\$ 3,105,216</u>

Impact of Future Accounting Pronouncements

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* - an amendment to GASB Statements No. 34 and 42. This Statement establishes a specific authoritative accounting and financial reporting requirements for intangible assets, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. Requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The State is currently evaluating the future impact of this Statement.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* - an amendment to GASB TB2003-1 and GASB Statements No. 7, 23, 25, 31, 40, and 43. This Statement establishes requirements for the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments in order to enhance the usefulness and comparability of the information reported by the state and local governments. Requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The State is currently evaluating the future impact of this Statement.

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that 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. The Statement requires governments to disclose information in the notes about the processes through which constraints are imposed as well as their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to be spent. This Statement also provides guidance for classifying stabilization amounts of the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. Requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The State is currently evaluating the future impact of this Statement.

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

Deposits and Investments

All highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents. For the purposes of the statement of cash flows, restricted cash is considered to be a cash equivalent. Investment securities with maturities of greater than one year are reported as long-term investments.

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. Investment securities with remaining maturities of greater than one year are identified as long-term investments.

The State presents its deposits and investments in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment to GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including repurchase agreements) and Reverse Repurchase Agreements*. This standard requires that state and local governments, including colleges and universities, disclose essential risk information about deposits and investments. The disclosure requirements cover four main areas; credit risk, interest rate and maturity, interest rate sensitivity and foreign exchange exposure.

Receivables and Payables

Activity 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 they are 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 State Lottery has a mandatory deposit with the Multi-State Lottery and annuities for future installment prize payments.
- The Authority restricts revenue bond proceeds that are accounted for in the Transportation Fund.

The component units have the following restricted assets:

- Riverfront Development Corporation has restricted assets to cover revenue bond payments and capital projects.
- Diamond State Port Corporation has restricted investments for capital project outlays.
- Delaware State University has restricted assets for capital project outlays, grants, and college endowment funds.

- Charter schools have restricted assets to cover debt service payments.

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 component units.

Capital assets are defined by the State as assets with estimated useful lives in excess of one year at the date of acquisition. Such assets are recorded at historical cost if purchased or constructed, or estimated historical cost if the original cost is not determinable. Donated capital assets are recorded at estimated fair market value at the date of donation.

All land and buildings are capitalized, regardless of cost. Equipment and vehicles are capitalized when the cost of individual items exceeds \$25,000. Building and land improvements are capitalized when the cost of the project exceeds \$100,000. Infrastructure and software are capitalized when the costs of individual items or projects exceed \$1 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.

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 furtherance of public service rather than 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Asset	Primary Government Years	Component Unit Years
Buildings and Building Improvements	10 - 40	15 - 75
Land Improvements	20	N/A
Furniture and Equipment	3 - 12	3 - 40
Vehicles	7	N/A
Software	5	N/A

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.

Compensated Absences

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

Long-Term Obligations

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

The State Constitution provides that certain excess unencumbered budgetary general funds at the end of a fiscal year must be placed in a reserve account (the "Budgetary Reserve Account"). This account, designed to provide a cushion against unanticipated deficits, may not exceed 5% of the estimated general fund revenue for the ensuing fiscal year. Total

funding of the budgetary reserve account was \$186.4 million at June 30, 2009. In the government-wide financial statements, restricted net assets represent balances that are subject to external restrictions or were created by enabling legislation. Per the Delaware Constitution, the General Assembly, by three-fifths vote of the members elected to each House, may appropriate from the budgetary reserve account. Should the State attempt to use this reserve for other purposes, such could be challenged by citizens.

(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. Amounts not collected within 60 days of fiscal year-end are recorded as deferred revenue. In addition to monetary transactions, Federal grants also include non-monetary transactions related to food stamps.

(e) Litigation Revenue

In 1997, several states began litigation against defendant tobacco product manufacturers to recover certain amounts the states expended to provide health care to the users of tobacco products. In 1998, a settlement was reached which provided that the states cease litigation against the manufacturers. As part of the Master Settlement Agreement, certain manufacturers agreed to remit periodic payments to the states until 2025. The State's share of the estimated \$200 billion settlement amounted to \$774.5 million. Amounts to be remitted are calculated based on a variety of specific settlement provisions. Future tobacco product sales are one key factor used in determining periodic payment amounts. A receivable of \$13.6 million has been recorded pursuant to the settlement. The Master Settlement agreement receipts of \$34.0 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.

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 except for those that, by specific authority, are under the control of other agencies or component

units, as determined by the Board in various pooled investment funds (State Investment Pool). The deposit and investment policies of those entities may differ from those of the State Treasurer. Typically, these agencies follow the deposit and investment policies of the State Treasurer in an effort to minimize deposit and investment risks.

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

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

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

- **Special Purpose Accounts.** There are two primary types of special purpose accounts:
 - **Endowment Accounts:** Endowment accounts consist of funds set-aside for specified purposes.
 - **Authority Accounts:** The State's Authorities (state agencies, local school districts and component units) maintain a variety of fund types, including various operating funds, bond funds and debt service reserve funds.

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

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

Additional permissible investments for special purpose accounts only:

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

The primary government's accounts are categorized as "authority accounts". At June 30, 2009, investments of the primary government are 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 on the Internet at http://treasurer.delaware.gov/information/cash_investment.shtml.

Risks

The following deposits and investments disclosure of the primary government excludes the OPEB Trust and DPERS, which are described on pages 59 - 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 "B" by Fitch, Inc. Bank Watch. The Board has also determined that State demand deposits need not be collateralized, provided that any bank that holds these funds has had for the last two years a return on average assets of 0.5% or greater and an average equity-capital ratio of at least 1:20. If the bank does not meet the above criteria, collateral must consist of one or more of the following:

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

Additionally, the bank must ensure that those securities pledged as collateral have a market value equal to or greater than 102% of the ledger balance(s) in the account(s) each day and ensure that securities pledged are identified as held in the State's name and are segregated on the bank's records.

At June 30, 2009, the carrying amount of the primary government's deposits was \$471.3 million and the bank balance was \$547.0 million. Of the \$547.0 million bank balance, \$89.8 million was fully insured; \$75.9 million represents unemployment insurance taxes collected from Delaware employers that are held in escrow by the U.S. Treasury; and the remaining \$381.3 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 \$27.1 million and the bank balance was \$33.1 million. Of the \$33.1 million bank balance, \$27.9 million was fully insured and the remaining \$5.2 million was subject to custodial credit risk because the deposits were not covered by depository insurance or the deposits were uncollateralized, collateralized with securities held by the pledging financial institutions, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name. 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, 2009, the primary government's investments were \$1,733.0 million. Of the primary government's investments, \$357.3 million was fully insured and collateralized. Included in the primary government's investments of \$1,733.0 million are agency funds. The amount of the agency funds' investments was \$18.5 million.

The following table provides information on \$1,375.7 million of the primary government's investments that are exposed to custodial credit risk; \$252,700 of this amount represents the agency funds' investments:

Investment Type	Fair Value	
	(Expressed in Thousands)	
Corporate obligations	\$	384,402
Municipal obligations		83,357
U.S. government obligations		814,689
Other obligations		46,728
Commercial paper		10,232
Certificates of deposit		36,316
Total	\$	<u>1,375,724</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, 2009:

Investment Type	Fair Value (Expressed in Thousands)	Effective Duration (in years)
Corporate obligations	\$ 379,521	0.73
Municipal obligations	83,357	2.08
U.S. government obligations	996,715	0.79
Other obligations	93,641	1.08
Commercial paper	142,772	0.09
Certificates of deposit	37,023	0.52
	\$ 1,733,029	

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

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

As of June 30, 2009, the primary government and agency funds had the following debt investments and maturities:

Investment Maturity
(Expressed in Thousands)

	Fair Value	Investment Maturities			
		Less Than 1	1 to 5	6 to 10	More than 10
<u>Long Term Investments</u>					
Corporate obligations					
Corporate bonds	\$ 355,924	\$ 162,177	\$ 192,336	\$ -	\$ 1,411
Asset-backed securities	23,598	-	12,333	-	11,265
Municipal obligations	83,357	13,998	53,245	8,700	7,414
U.S. government obligations					
U.S. Treasury bonds, notes	78,874	10,645	68,229	-	-
U.S. Agency bonds, notes	406,964	61,701	285,553	23,400	36,310
Other obligations					
Canadian	14,711	6,465	8,246	-	-
Private placements	43,146	10,721	32,425	-	-
Miscellaneous bonds	10,591	10,591	-	-	-
Pooled investments	25,193	25,193	-	-	-
<u>Short Term Investments</u>					
Commercial paper	142,772	142,772	-	-	-
Certificate of deposit	37,023	34,525	2,498	-	-
U.S. government obligations					
U.S. Treasury bonds, notes	99,980	94,787	5,193	-	-
U.S. Agency bonds, notes	410,896	357,651	38,545	14,700	-
Total Investments	\$ 1,733,029	\$ 931,226	\$ 698,603	\$ 46,800	\$ 56,400

Credit Risk

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

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

<u>Investment</u>	<u>S & P</u>	<u>Moody's</u>	<u>Fitch</u>
Commercial paper	A-1	P-1	F1
Senior long-term debt	A	A	A
Corporate bonds	AA	Aa	AA

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

The following table presents the State's investments which were rated by S & P as of June 30, 2009. The ratings are presented using S & P's rating scale:

Credit Risk - Quality Ratings

(Expressed in Thousands)

Investment Type	TSY	AGY	AAA	AA	A	BBB	A-1	NR
<u>Long Term Investments</u>								
Corporate obligations								
Corporate bonds	\$ -	\$ -	\$ 106,934	\$ 183,989	\$ 36,561	\$ -	\$ -	\$ 28,440
Asset-backed securities	-	5,639	17,959	-	-	-	-	-
Municipal obligations	-	-	40,630	23,407	346	3,336	-	15,638
U.S. government obligations								
U.S. Treasury bonds, notes	13,674	-	65,201	-	-	-	-	-
U.S. Agency bonds, notes	-	60,622	285,299	-	-	-	-	61,042
Other obligations								
Canadian	-	-	6,465	8,246	-	-	-	-
Private placements	-	-	16,534	12,576	1,709	-	-	12,327
Miscellaneous Bonds	-	-	-	-	-	-	-	10,590
Pooled investments	-	-	-	-	-	-	-	25,194
<u>Short Term Investments</u>								
Commercial paper	-	-	-	-	-	-	131,520	11,252
Certificate of deposit	-	-	-	6,010	-	-	-	31,012
U.S. government obligations								
U.S. Treasury bonds, notes	23,505	-	76,476	-	-	-	-	-
U.S. Agency bonds, notes	-	373,909	27,031	-	-	-	-	9,956
Total Investments	\$ 37,179	\$ 440,170	\$ 642,529	\$ 234,228	\$ 38,616	\$ 3,336	\$ 131,520	\$ 205,451

TSY = Treasury

AGY = Agency which represents securities issued by government -sponsored enterprises that are not rated, but have an implied but not explicit guarantee from the federal government.

NR = Non-Rated Pooled accounts

Concentration of Credit Risk

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

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

- A. U.S. Government - no restrictions.
- B. Government agency - 50% total; 20% in any one agency.

- C. Certificates of deposits, time deposits and bankers acceptances-50% total; 5% in any one issuer.
 - 1. Domestic - No additional restrictions.
 - 2. Non-domestic - 25%, 5% in any one issuer.
 - 3. Delaware domiciled – Not more than the lesser of \$10 million or 25% of an issuer’s total equity capital, may be invested in any one issuer. (Investments due to mature in one business day may be excluded from the computation of this percentage.)
- D. Corporate debt - 50% total; 25% in any one industry; 5% in any one issuer, 5% of any issuer's total outstanding securities.
 - 1. Domestic - No additional restrictions.
 - 2. Non-Domestic - 25%; 5% in any one issuer.
- E. Repurchase agreements - 50% total.
- F. Reverse repurchase agreements - 25% total.
- G. Money market funds - 25% total; 10% in any one fund except for the Cash Account, which may invest 100% of the Account in the Delaware Local Government Investment Pool (DELGIP) Fund. The Investment Guidelines for the DELGIP Fund are defined in Appendix B of the Policy.
- H. Canadian treasuries - 25% total; 10% in any one agency.
- I. Canadian agency securities - 25% total; 10% in any one agency.
- J. Mortgage-backed and asset-backed securities – 10% total (when combined with asset-backed securities and trust certificates if applicable).
- K. Municipal obligations - 5% in any one issuer.
- L. Guaranteed investment contracts - Permitted where it is prudent to match a specific investment instrument with a known specific future liability, subject to credit quality guidelines for commercial paper and corporate bonds and debentures and with adequate exit provisions in the event of the future downgrade of the issuer.
- M. Asset-backed securities and trust certificates – 10% total (when combined with mortgage-backed and asset-backed securities if applicable).

At June 30, 2009, the State’s investments have met the requirement of all the State’s laws and policies, when applicable. There were no obligations that represented 5% or more of the primary government’s investments, except for U.S. government securities, pooled and mutual funds.

Foreign Currency Risk

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

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

Commitments

At June 30, 2009, the State did not enter into any commitment agreements with any investment managers for future funding of various asset classes.

Securities Lending

In accordance with a contract between the State and its custodian and trustee, Bank of New York/Mellon (BNY/Mellon), the State participates in a securities lending program. State statutes neither specifically authorize nor prohibit the lending of the State's securities.

BNY/Mellon, acting as lending agent, lends the State's securities for cash, securities, or letter-of-credit collateral. Collateral is required at 102% of the fair value of the securities loaned. Collateral is marked to market daily. To the extent any loss arising out of approved investments results in a deficiency in the amount of collateral available for return to a borrower, the lender agrees to pay bank on demand cash in an amount equal to such deficiency. Cash collateral is invested by the lending agent in accordance with investment guidelines per the contract. The lending agent cannot pledge or sell securities collateral unless the borrower defaults.

At June 30, 2009, the State's credit exposure to individual borrowers was limited because the amounts the State owed the borrowers exceeded the amounts the borrowers owed the State. The State's contract with the lending agent requires the agent to indemnify the State if the borrowers fail to return the underlying securities and the collateral is inadequate to replace the loaned securities or if the borrowers fail to pay income distributions on the loaned securities.

All securities loans at June 30, 2009 could be terminated immediately by either the lending agent or the borrower.

As of June 30, 2009, the fair value of loaned securities was \$209.0 million; the value of the cash collateral received was \$211.6 million; and the fair value of the cash collateral invested was \$211.2 million. Securities lending transactions at June 30, 2009 are as follows:

Securities Lent for Cash Collateral	Fair Value (Expressed in Thousands)
Corporate obligations	\$ 80,102
U.S. government obligations	128,887
Total	\$ 208,989

Cash Collateral Received	Fair Value (Expressed in Thousands)
Corporate obligations	\$ 81,713
U.S. government obligations	129,881
Total	\$ 211,594

Cash Collateral Investment Value	Fair Value (Expressed in Thousands)
Corporate obligations	\$ 53,567
Money market	152,601
Certificate of deposit - floaters	5,008
Total	\$ 211,176

At year-end, the State had \$1.6 million in credit risk exposure to borrowers because the amounts they owed the State exceeded the amounts the State owed them. Additional collateral was provided the next business day, eliminating this exposure.

The following table presents the fair value and effective duration of the cash collateral invested at June 30, 2009:

Investment Type	Fair Value (Expressed in Thousands)	Weighted Average Days to Reprice	Effective Duration (in years)
Corporate obligations	\$ 53,567	24	0.065
Money market	152,601	1	0.003
Certificate of deposit - floaters	5,008	52	0.142
Total	\$ 211,176		

The following table presents the maturity of the investments underlying the securities lending transactions should those investments be held to full term:

Investment Type	Fair Value (Expressed in Thousands)	Investment Maturities (in years)	
		Less than 1	1 to 5
Corporate obligations			
Bank note	\$ 14,978	\$ 14,978	\$ -
Corporate floating rate	22,853	16,940	5,913
Asset-backed securities	15,735	4,966	10,769
Money market	152,601	152,601	-
Certificate of deposit - floaters	5,009	5,009	-
Total	\$ 211,176	\$ 194,494	\$ 16,682

The following table represents the credit risk characteristics of the investments held for securities lending as of June 30, 2009 (expressed in thousands):

Credit Risk - Quality Ratings
(Expressed in Thousands)

Investment Type	AAA	AA	A-1	NR
Corporate obligations				
Bank note	\$ -	\$ -	\$ 14,978	\$ -
Corporate floating rate	-	5,913	16,940	-
Asset-backed securities	15,735	-	-	-
Money market	-	-	-	152,601
Certificate of deposit - floaters	-	-	5,009	-
Total	\$ 15,735	\$ 5,913	\$ 36,927	\$ 152,601

OPEB Fund Trust (OPEB Trust)

Investment Policy

The State Board of Pension Trustees is responsible for the management and investment of the funds in the OPEB Trust. The Board authorized its Investment Committee to select the investment managers of the OPEB trust following the established investment guidelines for the Delaware Public Employees' Retirement System (System) until a separate investment policy is adopted for the OPEB Trust. The System follows the prudent person standard, which requires fiduciaries to discharge their duties solely in the interests of participants and their beneficiaries with such care, skill, prudence, and diligence as a person acting in like circumstances would exercise in the conduct of an enterprise with similar character and with similar aims. The OPEB Trust investment objectives and policies currently include indexed exposure to approximate the System's policy benchmark. The Investment Committee regularly reviews the OPEB investment performance, and considers investment vehicles which strike a balance between risk and return while being mindful of the government's time horizon for the OPEB investments.

Delaware Public Employees' Retirement System (DPERS or System)

Investment Policy

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

- Allocate a minimum of 20% of assets to fixed income investments such as bonds, cash equivalents, and certain real estate investments;
- Maintain a widely diversified portfolio, to minimize the risk of overexposure in any one market segment or investment style;
- Monitor the performance of all investment managers using specific benchmarks;
- Control exposure in illiquid asset classes;

- Review, re-examine, and reconfirm the operation of results of the investment process regularly;
- Identify new long-term opportunities for risk reduction and improved investment returns; and
- Review actuarial assumptions to ensure consistency with capital market expectations.

For the fiscal year ended June 30, 2009, management of the System has operated in accordance with these policies, in all material respects.

Securities Lending

The System did not participate in securities lending activities during the fiscal year ended June 30, 2009.

Investments

The following is a listing of fixed income investments and cash equivalents and related maturity schedule which shows the System's exposure to interest rate risk as of June 30, 2009. It is the System's policy to classify corporate convertible bonds as equity securities on the Statement of Net Assets because those securities generally convert to preferred equity interests upon maturity. Corporate convertible bonds in the amount of \$571.1 million have been included in the chart below because they have maturity dates and are exposed to interest rate risk.

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

Investment Type/Sector	Fair Value	Less than 1	1 - 6	6 - 10	10 +
Asset backed securities	\$ 9,451	\$ -	\$ -	\$ 1,005	\$ 8,446
Bank loans	86,180	3,381	74,074	8,725	-
Cash equivalents	330,359	330,359	-	-	-
Commercial mortgage-backed	8,578	-	-	26	8,552
Corporate bonds	437,661	9,384	134,276	136,990	157,011
Corporate convertible bonds	571,075	21,816	389,896	39,946	119,417
Government agencies	20,113	-	3,817	16,296	-
Government bonds	33,465	9,265	7,422	8,040	8,738
Municipal/provincial bonds	21,599	7,703	8,513	1,477	3,906
Non-government backed C.M.O.s	19,902	194	221	-	19,487
Pooled investments	624,030	-	-	620,203	3,827
Total	\$ 2,162,413	\$ 382,102	\$ 618,219	\$ 832,708	\$ 329,384

Interest Rate Risk

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

are included in the Statement of Investment Policies and Objectives which is published on the System's website.

Credit Risk

The System's general investment policy is to apply the prudent-person rule to all risks incurred by the fund: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The System has no investment policy that would further limit its investment choices related to credit risk. As of June 30, 2009, the System's fixed income investments and cash equivalents had the following credit risk characteristics as indicated in the following schedule (expressed in thousands):

Moody's Ratings or Comparable	Percent of Total Fund	Market Value
AAA to A	19.1%	\$ 1,106,378
BBB to B	10.1%	586,008
CCC to C	1.1%	65,152
Less than C	0.1%	8,367
Not Rated	6.9%	396,508
Total:	<u>37.3%</u>	<u>\$ 2,162,413</u>

*Assets held in pooled investments – specific investment

Custodial Credit Risk

Of the System's \$406.4 million bank balance, there are two accounts which are uninsured and uncollateralized. Pooled deposits of \$1.8 million are held by the State Treasurer's Office. The balance of \$404.6 million represents deposits in short-term investments held by The Northern Trust Co., the custodial bank, as of June 30, 2009.

Investment Concentration Risk

As of June 30, 2009, the System held no concentration of investments in an individual issuer in excess of 5% of the fair value of the System's net assets.

Management Fees

The System paid \$25.0 million in management fees to the venture capital limited partnerships and transition managers for the fiscal year ended June 30, 2009. These fees are netted against investment income. Management fees charged at the underlying fund level for the investments held by the First State Independence Fund I, LLC ranged from 1% to 2% of net assets, plus a performance fee of 20% on positive investment earnings, which were netted against earnings.

Investment Commitments

The System has commitments to invest up to an additional \$634.3 million in venture capital limited partnerships in varying amounts as of June 30, 2009, to be drawn down, as called upon at any time during the term of each partnership, which is usually a ten-year period. Generally, these commitments are self-funding, in that the capital calls are met using cash flows generated by the existing venture capital/limited partnerships as managers in this asset class realize the proceeds of their investments.

Foreign Investments

Foreign investments include equity securities, bonds, cash, and cash equivalents. The following is a listing of the System's foreign assets included in the Statement of Plan Net Assets as of June 30, 2009. The listing includes \$9.2 million of investments of domestic issuers which have been classified as domestic on the Statement of Plan Net Assets, but are denominated in a foreign currency.

Investment Types					
(Expressed in Thousands)					
Currency	Fair Value in U.S. Dollars	Equities	Fixed Income	Cash and Cash Equivalents	
Australian dollar	\$ 29,277	\$ 19,777	\$ 9,500	\$	-
Brazilian real	7,836	-	7,836	-	-
British pound sterling	65,564	64,224	1,212	-	128
Canadian dollar	50,531	22,355	27,803	-	373
Danish krone	9,661	9,661	-	-	-
Euro	200,600	186,759	8,651	-	5,190
Hong Kong dollar	44,408	44,336	-	-	72
Indonesian rupiah	3,628	-	3,628	-	-
Japanese yen	59,328	55,868	-	-	3,460
Mexican peso	8,088	-	7,974	-	114
New Zealand dollar	12,151	-	12,151	-	-
Norwegian krone	19,297	13,992	5,305	-	-
Singapore dollar	20,890	17,391	3,456	-	43
South Korean won	5,087	5,087	-	-	-
Swedish krona	15,606	15,606	-	-	-
Swiss franc	43,620	43,820	-	-	(200)
Thai baht	9,336	3,168	6,086	-	82
United Arab Emirates dirham	815	815	-	-	-
Total foreign currencies	\$ 605,723	\$ 502,859	\$ 93,602	\$	9,262
Foreign issued investments denominated in U.S. dollars	437,688	401,934	35,754	-	-
Pooled international investments denominated in U.S. dollars	226,697	226,697	-	-	-
Total	\$ 1,270,108	\$ 1,131,490	\$ 129,356	\$	9,262

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. In June 1994, the Board adopted a formal written policy on the use of derivatives which is reviewed periodically. This policy, as amended, was incorporated in the formalized investment policy adopted by the Board during fiscal year 2007 and reviewed during fiscal year 2008. Some selected managers are permitted to use derivatives. In every case, the types of derivatives used and limits on their use are stated in the manager's contract and are monitored on an ongoing basis. Derivatives serve a variety of useful purposes for the System, including the reduction of foreign exchange risk, the minimization of transaction costs and as a means of implementing value added strategies to enhance returns. So-called "exotic" derivatives are not used. If the use of derivatives in a portfolio strategy results in some leverage, that leverage is never permitted to expose the Fund to a loss greater than the amount committed to that strategy.

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

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

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

Derivative securities are priced and accounted for at their fair value. For exchange traded securities such as futures and options, closing prices from the securities exchanges are used. For fixed income derivatives such as collateralized mortgage obligations (CMOs), commercial pricing services (where available) or bid-side prices from a broker/dealer are used. Foreign exchange contracts are valued at the price at which the transaction could be settled by offset in the forward markets.

The Investment Committee monitors the System's derivative holdings on a regular basis to ensure that the derivatives used by managers of the System will not have a material adverse impact on its financial condition.

Risk and Uncertainty

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

The actuarial accrued plan liabilities are measured based on assumptions pertaining to the interest rates, inflation rates and employee demographic behavior in future years. While these assumptions have been chosen after review of past history of the covered participants, 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.

COMPONENT UNITS

Diamond State Port Corporation (DSPC)

At June 30, 2009, the carrying value and the bank balances of the DSPC's deposits were \$18.4 million and \$18.6 million, respectively. Of the bank balances, \$250,000 is insured by the Federal Deposit Insurance Corporation (FDIC) and \$18.3 million is subject to custodial credit risk because it is uninsured and uncollateralized. However, it is held at financial institutions that satisfied the State's collateralization requirements and does not require collateralization.

Riverfront Development Corporation (RDC)

At June 30, 2009, the carrying value and bank balances of the RDC's deposits were \$4.6 million and \$4.6 million, respectively and of which \$757,989 were held in the State Investment Pool. Deposits include \$325,464 of restricted cash and cash equivalents that have been assigned to the bank as collateral for repayment in the event of a default under the bond or collateral agreements. Of the bank balances, \$573,149 is insured by the FDIC and \$3.7 million is uninsured and uncollateralized. The deposits are held at financial institutions that satisfied the State's collateralization requirements and do not require collateralization.

Delaware State University (DSU)

At June 30, 2009, the carrying value and bank balance of DSU's deposits were \$14.5 million and \$20.1 million, respectively. Of the bank balances, \$1.0 million is insured by the FDIC and \$19.1 million is subject to custodial credit because it is uninsured and uncollateralized. The deposits are held at financial institutions that satisfied the State's collateralization requirements and do

not require collateralization. An additional \$5.6 million of cash and cash equivalents related to unexpended State appropriations are held at the State Treasurer's office. The credit risk for these deposits depends on the investment decisions made by the State Treasurer's office.

Delaware Technical and Community College Educational Foundation (DTCC Foundation)

At December 31, 2008, the DTCC Foundation's carrying value and bank balance was \$626,587 and \$331,589 respectively. Of the bank balance, \$81,589 was uninsured and uncollateralized. The Foundation maintains cash balances at one financial institution located in Delaware. Accounts at the institution are insured by the FDIC up to \$250,000. The deposits are held at financial institutions that satisfied the State's collateralization requirements and do not require collateralization.

Delaware Charter Schools

At June 30, 2009, the Delaware Charter Schools deposits carrying value was \$29.8 million. Deposits include \$24.2 million held in the State Investment Pool. Carrying value of the remainder of deposits was \$5.6 million. Bank balances totaled \$5.6 million, consisting of \$1.3 million insured by FDIC and \$4.3 million uninsured and uncollateralized. The deposits are held at financial institutions that satisfied the State's collateralization requirements and do not require collateralization.

Delaware State Housing Authority (DSHA)**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 Section 4013, Title 31, of the Delaware Code and DSHA's formal investment policy. Subject to certain limitations, such as the credit ratings on bonds and the capitalization level of depositories, "qualified investments" include:

- a. Obligations of or explicitly guaranteed by the U.S. or Delaware state governments.
- b. Obligations of U.S. government-sponsored enterprises and U.S. government agencies and instrumentalities.
- c. Obligations of depositories and other financial institutions.
- d. Bankers' acceptances
- e. Commercial paper
- f. Money market mutual funds
- g. Corporate debt obligations
- h. The State of Delaware investment pool with the State Treasurer's Office.
- i. Other investment arrangements made pursuant to an investment agreement authorized by a resolution of the DSHA.

Certain federal funds administered by the DSHA are subject to additional limitations within the qualified investments listed above.

For the State of Delaware Investment Pool, fair value of the pool shares is the same as the carrying value of the pool shares. The State of Delaware Cash Management Policy Board provides oversight for this pool.

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 investments and their maturities:

Investment Type	Investment Maturities (in Years)						
	Fair Value	Less than 1	1 - 5	5 - 10	10 - 20	20 - 30	More than 30
U.S. treasury notes	\$ 2,959	\$ 1,676	\$ 1,376	\$ -	\$ 467	\$ -	\$ -
U.S. treasury bonds	79	-	-	53	19	-	-
U.S. treasury bills	5,734	5,750	-	-	-	-	-
U.S. treasury strips	3,253	918	2,431	8	-	-	-
U.S. agencies	5,942	355	4,989	1,000	-	-	-
Certificates of deposit	3,283	3,283	-	-	-	-	-
Commercial paper	573	578	-	-	-	-	-
Corporate notes	3,475	1,000	2,436	-	-	-	-
Investment agreements	79,104	48,641	-	13,258	715	5,547	10,943
Money market savings acct.	625	625	-	-	-	-	-
Bank money market acct. account	5,319	5,319	-	-	-	-	-
State of Delaware investment pool	62,312	62,312	-	-	-	-	-
Total Investments:	\$ 172,657	\$ 130,457	\$ 11,232	\$ 14,319	\$ 1,201	\$ 5,547	\$ 10,943

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the DSHA's investment policy places limits on maturities for the various funds as follows:

- a. Single Family & Multi-Family Program Funds: Investment contracts for bond program funds should have a maturity that matches the final bond maturity to minimize reinvestment risk. Individual investments of bond program funds should match anticipated cash requirements or provide sufficient liquidity to allow funds to be accessed to meet bond resolution requirements without incurring material principal losses.
- b. Federal Program Funds: HUD funds held by the DSHA should have a maximum maturity of one year. HUD-related funds held by the DSHA (escrows, replacement reserves, residual receipts) shall have a maximum maturity of three years.

- c. General Fund: The Operating Reserve Account, which is managed externally, should have a maximum maturity at the time of purchase of ten years. However, specific investments may be transferred into the account from time to time that may have a longer maturity. The DSHA may further reduce the maximum maturity of the operating reserve investments from time to time.
- d. Other DSHA funds should be invested with a maturity that matches, or is prior to, the anticipated time at which the funds will be needed.
- e. DSHA investments (other than deposit accounts, money market fund shares, or deposits with the State Treasurer's Office) should have a fixed maturity date by which principal and accrued interest will be fully repaid. The DSHA is not permitted to enter into investments that have an expected maturity date that can be extended, depending upon market conditions.

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. DSHA's investment policy limits its investment choices as mentioned above under Investments. For the DSHA's Single and Multi-Family Programs, the investment rating must be equal or exceed the bond rating. The DSHA's Operating Reserve Account has a specific credit quality requirement. Corporate debt obligations and shares of money market mutual funds shall have a long-term rating of AA and/or Aa, respectively by Standard & Poor's (S&P) and Moody's at the time of purchase. As of June 30, 2009, DSHA's investments were rated as follows:

Investment Type	Ratings (S & P)						
	(Expressed in Thousands)						
	AAA	AA+	AA-	A+	A	BBB+	NR
U.S. Agencies	\$ 5,942	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Notes	255	433	510	658	1,369	250	-
Commercial Paper	495	-	-	-	-	-	78
Total	\$ 6,692	\$ 433	\$ 510	\$ 658	\$ 1,369	\$ 250	\$ 78

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, DSHA will not be able to recover the value of its investments or collateral

securities that are in the possession of an outside party. Of the DSHA's \$172.7 million investment balance, \$79.1 million represents deposits held by various Guaranteed Investment Contract (GIC) providers under investment agreements. These accounts are uninsured and uncollateralized. The funds are specifically identified for DSHA, but the custodial credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the GIC provider whose rating must equal or exceed that of the bond rating. The bank and savings money markets must be collateralized at 102% or greater by securities pledged and identified as held in DSHA's name. Although the State Investment Pool is not collateralized, the State's Cash Management Policy Board requires that investments meet certain ratings, investment types and maturity criteria. DSHA's investment policy does not limit the amount of securities that can be held by the counterparties.

Riverfront Development Corporation (RDC)

RDC's restricted investments totaling \$3.9 million consist of \$3.4 million of short-term investments (rated A1 or better) and \$460,432 of government bonds (rated AAA). These investments are investments that are uninsured, unregistered and held by the counterparty's trust department or agent in RDC's name. The following issuers have investments at fair value in excess of 5% of RDC's investment portfolio:

Investments	Fair Value	% Of Assets
Abbott Laboratories note	\$ 299,920	7.7%
Bank of America Bankers Acceptance note	250,000	6.4%
BNP Paribas Finance Inc. note	249,881	6.4%
Coca Cola Company note	249,948	6.4%
Conocophillips	249,668	6.4%
Federal Home Loan Bank bonds	460,432	11.8%
Federal Home Loan Mortgage Corp. note	498,741	12.7%
JP Morgan Chase Funding Inc. note	249,900	6.4%
Lloyds Bank Plc note	274,429	7.0%
Parker Hannifin Corp. note	299,940	7.7%
Wilmington Prime MM Fund W Class	682,638	17.4%

Delaware State University (DSU)

Investments of DSU totaled \$44.5 million stated at quoted market value, which consist of pooled investments. The investments are owned by DSU and are subject to categorization.

Delaware Technical and Community College Educational Foundation (DTCC Foundation)

Investments of the DTCC Foundation totaled \$6.4 million, stated at quoted market value. These investments consist of pooled investments where the DTCC Foundation does not own specific securities. An additional \$56,091 is invested in life insurance, recorded at the cash surrender value.

NOTE 3 RECEIVABLES

All trade, loan and tax account receivables are recorded net of an allowance for doubtful accounts. In the governmental fund financial statements, receivables that will not be available within 60 days of year-end are recorded as deferred revenue. In the government-wide financial statements, receivables not expected to be collected during the subsequent year are recorded as noncurrent.

Taxes receivable represent the amount of personal, business, and other taxes determined to be measurable and available at June 30, 2009. Uncollectibility for taxes receivable primarily results from identified assessment problems, inability to locate taxpayers, and accounts of decedents.

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

Receivables - Primary Government				
Governmental Activities				
(Expressed in Thousands)				
	General Funds	Federal Funds	Local School District Funds	Total Receivables
Receivables:				
Taxes	\$ 231,941	\$ -	\$ 26,499	\$ 258,440
Interest	3	-	3	6
Accounts	924,115	142,607	814	1,067,536
Loans and notes	146,793	54,648	-	201,441
Intergovernmental	1,635	113,087	-	114,722
Total receivables	1,304,487	310,342	27,316	1,642,145
Allowance for doubtful accounts	(1,028,260)	(131,380)	(256)	(1,159,896)
Total receivables, net	\$ 276,227	\$ 178,962	\$ 27,060	\$ 482,249
Amounts not scheduled for collection during the subsequent year	\$ 151,949	\$ 53,486	\$ 16,380	\$ 221,815

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

	Unemployment	Lottery	DelDOT	Total Receivables
Receivables:				
Taxes	\$ 38,731	\$ -	\$ -	\$ 38,731
Interest	-	-	768	768
Accounts	11,751	11,349	13,594	36,694
Loans and notes	-	-	21,593	21,593
Intergovernmental	1,060	-	25,355	26,415
Total receivables	51,542	11,349	61,310	124,201
Allowance for doubtful accounts	(25,272)	(725)	-	(25,997)
Total receivables, net	\$ 26,270	\$ 10,624	\$ 61,310	\$ 98,204
Amounts not scheduled for collection during the subsequent year	\$ -	\$ -	\$ 20,298	\$ 20,298

Receivables as of year-end for the State's component units, including the applicable allowances for uncollectible accounts, are shown below:

**Receivables
Component Unit Activities**
(Expressed in Thousands)

	Delaware State Housing Authority	Diamond State Port Corporation	Riverfront Development Corporation	Delaware State University	Delaware Charter Schools	Total Receivables
Receivables:						
Interest	\$ 35,043	\$ -	\$ 91	\$ -	\$ -	\$ 35,134
Accounts	1,925	2,518	386	10,118	70	15,017
Loans and Notes	1,096,090	-	3,945	271	-	1,100,306
Intergovernmental	270	-	-	2,595	-	2,865
Total receivables	1,133,328	2,518	4,422	12,984	70	1,153,322
Less: Allowance for doubtful accounts	(799)	(47)	(218)	(4,553)	-	(5,617)
Total receivables, net	\$ 1,132,529	\$ 2,471	\$ 4,204	\$ 8,431	\$ 70	\$ 1,147,705
Amounts not scheduled for collection during the subsequent year	\$ 1,084,421	\$ -	\$ 3,727	\$ 271	\$ -	\$ 1,088,419

Deferred Revenues

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Amounts considered unearned federal grant drawdowns are reported as deferred revenue.

The various components of deferred revenue and unearned revenue reported at year-end in the governmental funds are as follows:

Deferred Revenues	
(Expressed in Thousands)	
Unavailable	
Taxes receivable	\$ 58,287
Non-tax receivables:	
Loans and notes receivables	198,971
Accounts receivables	63,143
Subtotal unavailable	320,401
Unearned	
Advance park reservation fees	958
Federal grant advance drawdowns	9,576
Subtotal unearned	10,534
Total deferred revenue	\$ 330,935

NOTE 4 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

(a) Due From/Due 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 reporting entity. Amounts receivable from or payable to other levels of government are reported as intergovernmental receivables or payables. The composition of due from/due to balances at June 30, 2009, expressed in thousands, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Federal	\$ 11,255
	Local school district	5,472
	Subtotal	16,727
General	Enterprise Fund	
	Lottery	4,601
	Total	\$ 21,328

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. Amounts due from local school districts represent balances due from the Christina School District which were borrowed for general operating expenses and capital projects.

The amount due from the Lottery fund (reported as an internal balance on the statement of net assets), represents profits required by law to be transferred to the general fund.

(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, the statement of revenues, expenses and changes in fund net assets, proprietary funds and payment from the primary government in the statement of activities-component units 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, and 3) move profits from the Lottery fund as required by State law.

A schedule of transfers in and transfers out for the year ended June 30, 2009 is presented below (expressed in thousands):

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds		
General	\$ 411,975	\$ 26,311
Federal	-	16,343
Local school district	58,712	92,565
Proprietary funds		
Lottery	-	314,837
DelDOT	3,167	23,798
Total all funds	<u>\$ 473,854</u>	<u>\$ 473,854</u>

NOTE 5 GENERAL OBLIGATION BONDS

General obligation bonds have been authorized and issued primarily to provide funds for acquisition and construction of capital facilities for State administrative operations, public and higher education, public and mental health, correction 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 10- and 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 January 14, 2009, the State issued \$236.0 million in general obligation bonds. These serial bonds mature between January 1, 2010 and January 1, 2029. The Series A Bonds totaling \$115.0 million were sold to retail investors and bear coupons of 2.5% to 5%. The Series B Bonds totaling \$121.0 million were sold competitively to institutional investors and bear coupons of 3.0% to 5%. The proceeds of these bonds were used to provide financing for capital projects.

Bonds issued and outstanding totaled \$1,469.3 million at June 30, 2009. Of this amount, \$514.9 million is supported by property taxes collected by the local school districts. During fiscal year 2009, the local school district funds transferred \$56.7 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 \$254.7 million of general obligation bonds at June 30, 2009. Interest rates and maturities of the outstanding general obligation bonds are detailed as follows:

General Obligation Bonds
(Expressed in Thousands)

<u>Sale #</u>	<u>Description</u>	<u>Interest Rates</u>	<u>Maturity Date (Fiscal Year)</u>	<u>Balance Outstanding at June 30, 2009</u>
205	GO 2009B	3.00% - 5.00%	2026	\$ 121,000
204	GO 2009A2	4.00% - 5.00%	2019	14,475
203	GO 2009A1	2.50% - 5.00%	2029	100,525
202	GO 2008B	4.75% - 5.00%	2025	158,145
201	GO 2008A	3.00% - 5.00%	2028	42,605
200	GO 2007A	4.00% - 5.00%	2027	164,650
199	GO 2006C	0%	2023	1,433
198	GO 2006B	4.00% - 5.50%	2027	136,625
197	GO 2006A	3.75% - 4.50%	2027	25,335
196	GO 2005D	3.50% - 5.00%	2024	106,200
195	GO Refunding 2005C	5.00%	2023	45,335
194	GO 2005B	2.625% - 5.00%	2024	64,950
193	GO 2005A	2.25% - 4.25%	2025	22,550
192	QZAB 2004B	0%	2021	224
191	GO + Refunding 2004A	3.00% - 6.00%	2024	151,075
190	QZAB 2003D	0%	2019	908
189	GO Refunding 2003C	4.00% - 6.00%	2024	67,000
188	GO Refunding 2003B	4.00% - 5.00%	2012	12,880
187	GO 2003A	2.625% - 5.00%	2022	53,500
186	QZAB 2002B	0%	2017	760
185	GO + Refunding 2002A	4.00% - 5.25%	2022	146,320
184	QZAB 2001B	0%	2012	649
183	GO + Refunding 2001A	4.00% - 4.75%	2016	20,085
182	GO 2000 A	5.00% - 5.50%	2010	7,500
181	GO 1999 A	4.00% - 4.625%	2016	2,750
170	GO 1992 B	4.70% - 6.10%	2013	1,771
	Total, gross			\$ 1,469,250
	Plus: unamortized bond premium			72,124
	Total general obligation bonds			<u>\$ 1,541,374</u>

The following table sets forth the future debt service requirements on outstanding general obligation bonds at June 30, 2009:

Total General Obligation Bonds
(Expressed in Thousands)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 156,445	\$ 63,365	\$ 219,810
2011	149,142	57,153	206,295
2012	144,813	52,407	197,220
2013	135,313	45,499	180,812
2014	121,879	37,468	159,347
2015-2019	451,174	117,930	569,104
2020-2024	217,384	46,909	264,293
2025-2029	93,100	9,195	102,295
Totals	<u>\$ 1,469,250</u>	<u>\$ 429,926</u>	<u>\$ 1,899,176</u>

Changes in general obligation bonded debt during the year ended June 30, 2009 are summarized in Note 10.

In prior years, the State has defeased certain general obligation bonds by creating separate irrevocable trust funds. New debt has been issued or cash appropriated and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt. Accordingly, the debt has been considered defeased and has been removed as a liability from the government-wide financial statements. At June 30, 2009, a total of \$96.7 million of defeased bonds were outstanding.

NOTE 6 REVENUE BONDS

Revenue Bonds

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

Primary Government

DelDOT Fund

Delaware Transportation Authority

The Delaware Transportation Authority (the Authority) is subject to oversight by the Department of Transportation 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, 2009, the amount of defeased debt outstanding amounted to \$151.6 million.

The Delaware Transportation Authority had a total of \$80.3 million in authorized but unissued bonds at June 30, 2009. Bonds outstanding at June 30, 2009 amounted to \$1,142.6 million and are presented as follows:

Delaware Transportation Authority Revenue Bonds

(Expressed in Thousands)

Description	Interest Rates	Maturity Date (Fiscal Year)	Balance Outstanding At June 30, 2009
Transportation System Senior Revenue Bonds - Series			
2000	5.50%	2020	\$ 7,625
2001	4.5% - 5.0%	2021	28,085
2002 B	4.0% - 5.25%	2022	102,070
2003	4.5% - 5.0%	2023	178,405
2004	4.0% - 5.0%	2024	153,260
2005	4.25% - 5.0%	2025	146,500
2006	3.5% - 5.0%	2026	120,700
2007	4.0% - 5.0%	2021	87,285
2008A	4.0% - 5.0%	2028	84,720
2008B	4.0% - 5.0%	2029	117,875
2009	5.00%	2029	105,315
Transportation System Junior Revenue Bonds - Series			
2002	5.00%	2009	12,415
	Total, gross		1,144,255
	Less: deferred amount on refunding		(1,642)
	Total, net		1,142,613
	Less: current portion of debt outstanding		(74,090)
	Long term portion of debt outstanding		\$ 1,068,523

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>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 74,380	\$ 50,886	\$ 125,266
2011	69,425	49,306	118,731
2012	71,715	45,837	117,552
2013	73,470	42,256	115,726
2014	72,730	38,657	111,387
2015-2019	337,195	142,915	480,110
2020-2024	278,940	69,723	348,663
2025-2029	148,890	18,870	167,760
2030-2033	17,510	438	17,948
Totals	<u>\$ 1,144,255</u>	<u>\$ 458,888</u>	<u>\$ 1,603,143</u>

The transportation system revenue bonds have fixed interest rates and are limited obligations of the Authority secured only by the pledged revenues of the trust funds. Summary financial information at June 30, 2009 for the trust funds, which is the segment of DelDOT that supports the revenue bonds, is presented below and on the following page:

Condensed Balance Sheets
(Expressed in Thousands)

Assets:	
Current assets	\$ 295,038
Capital assets	1,107,806
Other assets	78,736
Total assets	<u>\$ 1,481,580</u>
Liabilities:	
Current liabilities	132,082
Noncurrent liabilities	1,096,391
Total liabilities	<u>1,228,473</u>
Net Assets:	
Invested in capital assets, Net of related debt	10,986
Unrestricted	78,167
Restricted	163,954
Total net assets	<u>253,107</u>
Total liabilities and net assets	<u>\$ 1,481,580</u>

**Condensed Statements of Revenues,
Expense and Changes in Net Assets**

(Expressed in Thousands)

Operating revenues (pledged against bonds)	\$ 362,727
Other operating revenues	52,711
Depreciation expense	(190)
Other operating expenses	(398,907)
Operating income	16,341
Nonoperating revenues (expenses):	
Investment income (pledging against bonds)	4,673
Other investment income (loss)	1,050
Interest expense	(40,571)
Transfer from State General Fund	3,167
Change in net assets	(15,340)
Beginning net assets	268,447
Ending net assets	\$ 253,107

Condensed Statements of Cash Flows

(Expressed in Thousands)

Net cash provided by (used in):	
Operating activities	\$ 18,433
Noncapital financing activities	3,168
Capital and related financing activities	73,559
Investing activities	(93,892)
Net increase (decrease)	1,268
Beginning cash and cash equivalents	9,816
Ending cash and cash equivalents	\$ 11,084

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)

The 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 the DSHA.

The DSHA has issued revenue bonds to provide financing for mortgage, construction, and other loans to not-for-profit and limited for profit housing sponsors; to make loans to mortgage lenders, requiring the proceeds thereof to be used for making new qualified residential mortgage loans; and to purchase qualified mortgage loans from mortgage lenders. The bonds are direct obligations of the DSHA and are secured by the mortgage loans made or purchased under the applicable resolutions; the revenues, prepayments and foreclosure proceeds received are 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 2.40% to 7.375% with maturities of such bonds up through July 1, 2048.

On July 1, 2008, the DSHA issued \$69.4 million of Single Family Mortgage Revenue Bonds, 2008 Series A. The proceeds of the sale were used to provide down payment assistance and low rate mortgages to first-time home buyers.

On October 15, 2008, the DSHA issued \$104.7 million of Single Family Mortgage Revenue Bonds, 2008 Series B. The proceeds of the sale were used to provide down payment assistance and low rate mortgages to first-time home buyers and to provide over \$2.0 million of Second Mortgage Assistance Loans for down payment and closing cost assistance to qualified home buyers.

Revenue bonds payable increased \$363,020 due to accretion on capital appreciation bonds, netted by deferred amounts on refunding and bond forgiveness.

Outstanding bonds at June 30, 2009 amounted to \$993.5 million. Future debt service requirements for the DSHA's bonds are shown on the following table:

Delaware State Housing Authority Revenue Bonds
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2010	\$ 21,273	\$ 49,890	\$ 71,163
2011	19,860	48,959	68,819
2012	20,995	47,894	68,889
2013	21,890	46,801	68,691
2014	21,745	45,695	67,440
2015-2019	114,240	211,479	325,719
2020-2024	138,994	179,401	318,395
2025-2029	166,257	139,980	306,237
2030-2034	194,382	93,613	287,995
2035-2039	210,680	35,559	246,239
2040-2044	26,617	9,202	35,819
2045-2049	36,624	2,516	39,140
Total	\$ 993,557	\$ 910,989	\$ 1,904,546

Riverfront Development Corporation (RDC)

Bonds payable represents amounts due under variable rate bonds, which were issued by RDC in November 1997. The bonds bear interest at a rate which is determined quarterly and is equal to the yield on 90-day U.S. Treasury bills plus 0.30% with a minimum rate of 5.125%. The rate as of June 30, 2009 was 5.125%. The bonds mature December 1, 2017. Debt service requirements are as follows:

Riverfront Development Corporation Revenue Bonds
(Expressed in Thousands)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 320	\$ 194	\$ 514
2011	360	177	537
2012	385	157	542
2013	420	137	557
2014	470	114	584
2015-2017	<u>1,990</u>	<u>192</u>	<u>2,182</u>
Total	<u>\$ 3,945</u>	<u>\$ 971</u>	<u>\$ 4,916</u>

Delaware State University (DSU)

Revenue bonds payable at June 30, 2009 are as follows:

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

Revenue Refunding Bonds	\$ 8,229
Revenue Bonds	47,878
Student Housing Foundation Bonds	<u>51,616</u>
Total	<u>\$ 107,723</u>

In May 1999, the DSU issued revenue refunding bonds of \$15.9 million (par value) through the Delaware Economic Authority. These bonds are due on October 1, 2017. The Bond Trust Indenture requires the DSU to maintain a Debt Service Reserve Fund equal to the maximum annual debt service on all bonds outstanding under the indenture. The indenture provides for the deposit of a surety bond in the Debt Reserve Fund, replacing the investment requirement. This bond was obtained from MBIA Insurance Corporation in the amount of \$1.6 million. The bond ratings were not changed as a result of this substitution. In addition, the DSU has pledged for payment of debt all net operating and non-operating revenues, except State appropriations and restricted gifts, grants and bequests, for each academic year during which any of the bonds remain outstanding.

Interest rates range from 4.00% to 5.25% on the outstanding revenue refunding bonds. Debt service requirements for the DSU Bonds is shown in the following schedule:

Delaware State University Revenue Refunding Bonds
(Expressed In Thousands)

Year Ending	Principal	Interest	Total
June 30			
2010	\$ 775	\$ 356	\$ 1,131
2011	805	324	1,129
2012	835	290	1,125
2013	875	254	1,129
2014	905	215	1,120
2015-2018	4,075	386	4,461
Total	8,270	<u>\$ 1,825</u>	<u>\$ 10,095</u>
Less:			
Unamortized			
Bond Discount	<u>(41)</u>		
	<u>\$ 8,229</u>		

On December 20, 2007 the DSU issued revenue bonds of \$47.6 million (par value) through the Delaware Economic Development Authority (Delaware EDA). The bonds are due on October 1, 2036 and are secured by un-appropriated gross revenues of the University. The 2007 bonds are being issued as "Additional Bonds" under the Indenture, secured equally and ratably with all other Bonds issued and outstanding under the Indenture and any Alternative Indebtedness as provided in the Indenture and in the Loan Agreement. Pursuant to the Indenture, the Delaware EDA issued for the benefit of the DSU, its \$15.9 million revenue refunding bonds (Delaware State University Project) Series 1999 to advance refund all other Bonds then outstanding under the Indenture. The 2007 bonds are insured by MBIA Insurance Corporation. The bonds were secured for the construction of a new student union, a swimming pool, and a student wellness/recreation center. The Union will include a student club area, book store, copy center, mail services, game room, study area, commuter lounge, meeting room, and administrative offices. The primary function of the pool is to provide a recreational environment. The student wellness/recreation center will service student athletes in restricted areas and the general student population will have recreational courts, fitness equipment, intramural sports, and an academic component for wellness and health programs.

Delaware State University Revenue Bonds

(Expressed In Thousands)

<u>Year Ending June 30</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	4.00	\$ -	\$ 2,208	\$ 2,208
2011	4.00	-	2,208	2,208
2012	4.00	-	2,208	2,208
2013	4.00	-	2,208	2,208
2014	4.00	-	2,208	2,208
2015 - 2019	4.00	1,270	11,008	12,278
2020 - 2024	4.00 - 5.00	7,295	9,946	17,241
2025 - 2029	4.00 - 5.00	9,200	7,992	17,192
2030 - 2034	4.00 - 5.00	11,650	5,385	17,035
2035 - 2039	4.00 - 5.00	14,765	2,335	17,100
2040	4.00 - 5.00	3,400	20	3,420
		<u>47,580</u>	<u>\$ 47,726</u>	<u>\$ 95,306</u>
Plus unamortized bond premium		<u>298</u>		
Total bonds payable at June 30, 2009		<u>\$ 47,878</u>		

The Delaware State University Student Housing Foundation (the Foundation), a component unit of DSU, is a non-profit corporation organized for the purpose of acquiring, developing, constructing, and operating student housing facilities primarily for students and faculty of DSU. The property is located in Dover, Delaware and the Foundation's development and construction project consists of three phases, collectively known as Phase I, II, and III. The Foundation has a fiscal year-end of June 30, 2009. The Foundation has issued student housing revenue bonds, secured by deed and payable solely from the revenues of the Foundation, for which bond proceeds were restricted to the development, construction, furnishing and equipping of the student housing facilities.

The Foundation obtained a loan payable in an aggregate amount of \$18.4 million funded with proceeds from the issuance of student housing revenue bonds, Series 2004A (for Phases I and II). Pursuant to the Trust indenture dated January 1, 2004, the proceeds from the sale of the Series 2004A Bonds are restricted to refunding prior outstanding bonds, to fund a debt service reserve fund for the Series 2004A Bonds, to fund an operating reserve fund, and to pay a portion of the costs of issuance of the Series 2004A Bonds.

The Foundation financed Phase III of the project with a loan payable in an aggregate amount of \$36.3 million funded with the proceeds from the issuance of variable rate demand student housing revenue bonds, Series 2004B. Pursuant to the trust indenture dated January 1, 2004, the proceeds from the sale of the Series 2004 Bonds are restricted to financing the construction, furnishing, and equipping Phase III of the Project, to defease in advance of their maturities, the former Series 2000B and 2002B Bonds, to fund interest on the Series 2004 Bonds during

construction, to fund a debt service reserve fund for the Series 2004B Bonds, and to pay a portion of the costs of issuance of the Series 2004 Bonds.

The liability of the Foundation under the loan agreements is limited to the value of the building and improvements, pledged revenues and amounts deposited with the trustee. Total accrued interest on all bonds as of June 30, 2009 is \$414,873.

In February 2009, management terminated an interest rate swap held with Wachovia, which was previously entered into for its variable rate, tax-exempt, Series 2004B bonds of \$35.9 million. The settlement of the swap resulted in a payment of \$212,670, with a May 31 obligation of \$212,629. While the termination of the swap did result in a violation of its debt covenant for its 2004B bonds, the Foundation did obtain a waiver for the respective covenant through January 2010.

Maturities of long-term debt at June 30, 2009 are presented in the following table:

Delaware State University Student Housing Foundation Revenue Bonds	
(Expressed in Thousands)	
Year Ending	Tax-exempt
June 30	
2010	\$ 935
2011	1,040
2012	1,090
2013	1,140
2014	1,185
2015 - 2019	6,775
2020- 2024	8,490
2025 - 2029	10,705
2030 - 2034	13,495
2035 - 2037	7,325
Subtotal	<u>\$ 52,180</u>
Less: bond discount (net of accumulated amortization)	<u>(564)</u>
Total	<u><u>\$ 51,616</u></u>

NOTE 7 LOANS AND NOTES PAYABLE**Component Units****Delaware State Housing Authority (DSHA)**

The State issued general obligation bonds on behalf of the DSHA to provide funding for low-income housing loans. Proceeds from these bonds enabled the DSHA to receive the savings from the financing adjustment factor issues in advance. Interest rates on these notes payable range from 4.60% to 6.10% with maturities through February 1, 2015. Debt service requirements for these notes are shown in the following table:

**Delaware State Housing Authority
Financing Adjustment Factor Notes**
(Expressed in Thousands)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 72	\$ 10	\$ 82
2011	123	117	240
2012	69	116	185
2013	20	3	23
2014	19	2	21
2015	19	1	20
Total	<u>\$ 322</u>	<u>\$ 249</u>	<u>\$ 571</u>

Diamond State Port Corporation (DSPC)

Loan and notes payable of the DSPC at June 30, 2009 are shown below:

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

Transportation Trust Fund Loan	\$ 20,231
City of Wilmington Port Debt Service Notes	10,021
Delaware River and Bay Authority	3,591
Wilmington Trust Company	316
Bank of America	278
Total	<u>\$ 34,437</u>

Transportation Trust Fund Loan

On November 30, 2001, the DSPC entered into a loan agreement with DeIDOT. The DSPC borrowed \$27.5 million. The funds were used to repay the balances in full of the Delaware River

and Bay Authority Note and the Wilmington Trust Company Note and, at a discount, the City of Wilmington Deferred Payment Note.

In July 2006, the Transportation Trust Fund Loan was restructured to allow for the deferral of debt service principal and interest payments due July 1, 2006 and January 1, 2007, and to restructure the repayment of the outstanding principal balance effective July 1, 2007 over the next 22 years. Additionally, the State appropriated \$10.0 million to be applied as a repayment of principal and interest in fiscal year 2007. Beginning March 31, 2007, principal and interest payments are March 31 and May 31 each year. In June 2009, the loan was restructured to allow for the deferral of debt service principal and interest payments due March 31, 2010 and May 31, 2010, and to restructure the principal balance effective July 1, 2009 over the next 21 years. The interest rate was 4.6% during 2008 and most of 2009 until it decreased to 3.99% after the restructuring. The loan matures March 2029.

Interest expense charged to operations in 2009 was \$947,955.

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

Transportation Trust Fund Loan
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2010	\$ (812)	\$ 812	\$ -
2011	789	839	1,628
2012	821	807	1,628
2013	854	774	1,628
2014	888	740	1,628
2015-2019	5,002	3,136	8,138
2020-2024	6,090	2,049	8,139
2025-2029	6,599	726	7,325
Total	<u>\$ 20,231</u>	<u>\$ 9,883</u>	<u>\$ 30,114</u>

City of Wilmington Note

In 1995, in consideration of the acquisition of the Port of Wilmington assets from the City of Wilmington (the City), Delaware, the DSPC issued to the City two separate notes consisting of a Port Deferred Payment Note in the amount of \$39.9 million and Port Debt Service Notes with an original face amount of \$51.0 million. These notes are secured by a first lien on substantially all of the DSPC's assets. These notes obligate the DSPC to pay the City amounts that generally represent the outstanding principal balance of certain DSPC-related City general obligation bonds. The interest rates on the City bonds range from 3.2% to 6.4%.

On October 20, 2001, the City issued \$22.2 million of general obligation bonds with an average interest rate of 3.7% to advance refund \$21.3 million of outstanding 1992 A, B, and C Series

general obligation bonds with an average interest rate of 6.16%. The DSPC related portions of the new bonds issued and old bonds redeemed were \$7.2 million and \$6.9 million, respectively, passed through to the Corporation. Although the effect of the City's advance refunding on the Port Debt Service Note resulted in a deferred accounting loss of \$261,619 for the year ended June 30, 2002, it reduced the Corporation's debt service payments by \$281,293 over eleven years resulting in an economic gain. The deferred loss on the refunding is accreted over the eleven year life of the debt. The deferred loss balance as of June 30, 2009 was \$20,008.

On October 5, 2004, the City issued \$12.9 million of general obligation bonds with an average interest rate of 3.73% to advance refund \$11.7 million of outstanding 1993 B Series general obligation bonds with an average interest rate of 5.0%, and a portion of interest of \$161,921 due January 1, 2005. The Port-related portions of the new bonds issued and old bonds redeemed were \$4.0 million and \$3.6 million, respectively, passed through to the DSPC. Although the effect of the City's advance refunding on the Port Debt Service Note resulted in a deferred accounting loss of \$397,862, it reduces the DSPC's debt service payments by \$251,815 over the next seventeen and a half years resulting in an economic gain. The deferred loss on the refunding is accreted over the seventeen and a half year life of the debt. The deferred loss balance on the 2004 refunding as of June 30, 2009 was \$381,571.

On June 30, 2006, the State of Delaware paid the City, on behalf of the DSPC, \$5.0 million in lieu of amounts due for the Port-related portions of the City's 1993B and 2004B bond payments due July 1, 2006 and July 1, 2007 totaling \$5.6 million, reducing the total amount owed to the City by \$5.6 million. The effect on the advance payment was a reduction of principal in the amount of \$308,844, and a resulting gain of \$396,233.

On June 26, 2008, the City of Wilmington refunded Series 1996B bonds, and those bonds were replaced by Series 2008A bonds, which the DSPC has correlating notes with the City. Overall, the DSPC will pay an additional \$60,000 in principal over the next nine years; however, the DSPC will save \$334,673 in interest during the same period. In summary, the Port will pay \$274,673 less on the City notes due to the refunding/financing.

Total deferred loss balance as of June 30, 2009 was \$401,579. The amortization of the deferred loss of \$8,541 is charged to interest expense.

Principal and interest payments made on the notes during 2009 were \$2,107,653 and \$463,237, respectively. Interest expense in 2009 was \$417,421.

The principal and interest payments on Port Debt Service Notes are reflected below:

Port Debt Service Note
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2010	\$ 2,460	\$ 365	\$ 2,825
2011	1,401	278	1,679
2012	1,450	224	1,674
2013	579	190	769
2014	641	168	809
2015-2019	2,640	465	3,105
2020-2023	1,252	106	1,358
Subtotal	10,423	1,796	12,219
Deferred Loss on Refunding	(402)	-	(402)
Total	<u>\$ 10,021</u>	<u>\$ 1,796</u>	<u>\$ 11,817</u>

Delaware River and Bay Authority (DRBA) Obligation

On March 1, 2005, the DSPC entered into an agreement with the DRBA whereby the DSPC agreed to lease to the DRBA land and a warehouse, located at the Port, for twenty years. The rent for the entire twenty-year term of the lease was \$4.0 million, to be paid in advance. Simultaneously, the DSPC and the DRBA entered into an operating agreement in which the DSPC agreed to make guaranteed payments to the DRBA in the amount of \$21,786, at the beginning of each month, starting with the date upon which substantial completion has occurred, for a period of twenty years, totaling \$4.0 million plus interest, which ranges from 1.5% to 5.32%.

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

Interest expense incurred on the obligation was \$55,289 in 2009.

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

Delaware River and Bay Authority Obligation
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2010	\$ 209	\$ 52	\$ 261
2011	212	49	261
2012	215	46	261
2013	175	86	261
2014	181	81	262
2015-2019	899	409	1,308
2020-2024	977	330	1,307
2025-2027	723	61	784
Total	<u>\$ 3,591</u>	<u>\$ 1,114</u>	<u>\$ 4,705</u>

Wilmington Trust Company (WTC) Loan

The DSPC entered into a loan agreement with WTC on August 17, 2007 for \$401,973 to purchase two 45,000 lbs. Hyster forklifts. Monthly payments to WTC of \$6,186 began on September 17, 2007. The loan is for seven years, and the interest rate is 7.4%.

Interest expense incurred on this obligation was \$27,755 during 2009.

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

Wilmington Trust Company Loan
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2010	\$ 52	\$ 22	\$ 74
2011	56	18	74
2012	61	13	74
2013	65	9	74
2014	70	4	74
2015	12	-	12
Total	<u>\$ 316</u>	<u>\$ 66</u>	<u>\$ 382</u>

Bank of America Master (BOA) Lease

On May 2, 2008, the DSPC purchased nine 6,000 lbs. forklifts for \$188,881. On June 27, 2009, the DSPC purchased three 10,000 lbs. forklifts for \$118,788. The DSPC utilized the State of Delaware's Master Lease program (as administered by BOA) to purchase the twelve forklifts for \$307,669. Both loans are for ten years at interest rates of 2.88% and 3.23%, respectively. Payments began one month after the purchase dates.

Interest expense incurred on this obligation was \$8,829 during 2009.

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

Bank of America Master Lease
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2010	\$ 28	\$ 8	\$ 36
2011	29	7	36
2012	29	6	35
2013	30	5	35
2014	31	5	36
2015-2018	131	8	139
Total	<u>\$ 278</u>	<u>\$ 39</u>	<u>\$ 317</u>

Riverfront Development Corporation (RDC)

The RDC has entered into multiple mortgage agreements with various banks. These mortgages are secured by the real estate and vehicles financed. Principal balances of the mortgages total \$14.1 million at June 30, 2009. Interest rates for the mortgages vary between 5.455% and 8.15% and mature between June 2009 and July 2012. Estimated future annual debt service requirements are shown below:

Riverfront Development Mortgage Debt
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2010	\$ 745	\$ 724	\$ 1,469
2011	4,635	456	5,091
2012	3,140	215	3,355
2013	296	124	420
2014	256	115	371
2015	4,985	37	5,022
Total	<u>\$ 14,057</u>	<u>\$ 1,671</u>	<u>\$ 15,728</u>

NOTE 8 LEASE COMMITMENTS

Primary Government

The State has entered into various property and equipment operating leases (terms in excess of one year) with aggregate future rentals approximating \$186.5 million, of which \$150.9 million relates to property leases and \$35.6 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 2009 were approximately \$35.9 million, of which \$24.3 million was for office space and \$11.6 million was for equipment. The equipment leases held by the State consists mainly of computers, data processing equipment and fleet vehicles.

Significant annual equipment rentals include \$5.1 million for fleet vehicles and data processing equipment for the Office of Management and Budget and \$1.4 million for data processing equipment for the Department of Education. Significant annual real estate rentals include \$6.5 million for leases for Health and Social Services facilities, \$2.2 million for the Department of Services for Children, Youth and Their Families, \$2.7 million for office space for the Department of Correction, and \$3.0 million for the Department of Labor.

Future minimum lease commitments for operating leases as of June 30, 2009 are shown in the following table:

Lease Commitments	
(Expressed in Thousands)	
Year Ending June 30	Operating Leases
2010	\$ 32,829
2011	29,066
2012	24,768
2013	21,218
2014	16,085
2015-2019	39,149
2020-2024	16,481
2025-2029	5,554
2030-2039	1,309
Total	<u>\$ 186,459</u>

NOTE 9 OTHER LONG-TERM OBLIGATIONS

Compensated absences payable are reported in the government-wide financial statements and in the proprietary fund financial statements. They represent benefits accrued to State employees for vacation earned as of year-end and sick leave estimated to be paid out at retirement for services rendered as of June 30, 2009. Employees earn from 1.25 to 1.75 days of vacation leave per month depending on years of service. Employees or their estates are paid for unused vacation upon termination of employment. Employees earn 1.25 days of sick leave per month. The State's obligation for sick leave credit is a maximum of 45 workdays. \$146.6 million has been accrued for the Governmental Activities and \$14.3 million in the Business-type Activities for the total compensated absences liability. The current portion of the long-term obligation for compensated absences is \$11.8 million in the Governmental Activities and \$4.4 million in the Business-type Activities. Approximately \$123.2 million (84.1%) of the long-term obligation for compensated absences will be liquidated by the General Fund. Of the remainder, approximately \$9.3 million (6.3%) and \$14.1 million (9.6%) will be paid with Federal Funds and Local School District Funds, respectively.

The State has recorded \$47.0 million relating to the accrual of the obligation for escheated (abandoned) property of which \$9.4 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 \$4.5 million, of which \$1.2 million was recorded as the current portion.

NOTE 10 CHANGES IN LONG-TERM OBLIGATIONS

The following table provides a summary of changes in long-term obligations of the primary government for the year ended June 30, 2009:

Changes in Long-Term Obligations Primary Government (Expressed in Millions)					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Net pension obligation (note 15)	\$ 108.8	\$ 13.4	\$ (9.5)	\$ 112.7	\$ -
Other postemployment benefits	265.6	494.4	(151.5)	608.5	-
Compensated absences	146.8	3.5	(3.7)	146.6	11.8
Claims and judgments (notes 13 and 17)	107.1	47.7	(34.4)	120.4	31.3
Escheat payable	40.0	7.0		47.0	9.4
Notes payable	8.6	3.8	(9.4)	3.0	2.9
Pollution remediation obligations	-	16.5	-	16.5	3.7
Bonds payable:					
General obligation bonds	1,373.2	236.0	(142.1)	1,467.1	156.4
Bond issue premium, net of accumulated amortization	60.6	17.0	(5.5)	72.1	5.5
Physician and scholarship programs	4.0	1.5	(1.0)	4.5	1.2
Governmental Activities long-term liabilities	<u>\$ 2,114.7</u>	<u>\$ 840.8</u>	<u>\$ (357.1)</u>	<u>\$ 2,598.4</u>	<u>\$ 222.2</u>
Business-type Activities:					
Other postemployment benefits	\$ 25.9	\$ 36.4	\$ (8.4)	\$ 53.9	\$ -
Compensated absences	13.8	0.5	-	14.3	4.4
Claims and judgments (notes 13 and 17)	4.4	3.2	(2.3)	5.3	1.6
Pollution remediation obligations	-	2.9	-	2.9	0.1
Liabilities payable from restricted assets	6.8	-	(1.2)	5.6	1.4
Bonds payable:					
General obligation bonds	2.8	-	(0.7)	2.1	0.6
Revenue bonds	992.6	223.2	(73.2)	1,142.6	74.1
Bond issue premium, net of accumulated amortization	28.4	12.4	(7.0)	33.8	7.6
Business-type Activities long-term liabilities	<u>\$ 1,074.7</u>	<u>\$ 278.6</u>	<u>\$ (92.8)</u>	<u>\$ 1,260.5</u>	<u>\$ 89.8</u>

Changes in long-term obligations for the component units are summarized below:

Changes in Long-Term Obligations Component Units (Expressed in Millions)								
	Beginning Balance		Additions		Reductions		Ending Balance	Due Within One Year
Delaware State Housing Authority								
Compensated absences	\$ 1.0	\$	0.5	\$	(0.6)	\$	0.9	\$ -
Escrow deposits	30.9		-		(2.5)		28.4	-
Notes payable	0.4		-		(0.1)		0.3	0.1
Revenue bonds	898.7		174.5		(79.7)		993.5	21.3
Other long-term obligations	0.6		1.1		(0.1)		1.6	0.3
Total long-term obligations	\$ 931.6	\$	176.1	\$	(83.0)	\$	1,024.7	\$ 21.7
Diamond State Port Corporation								
Notes and loans payable	\$ 37.5	\$	-	\$	(3.1)	\$	34.4	\$ 2.7
Total long-term obligations	\$ 37.5	\$	-	\$	(3.1)	\$	34.4	\$ 2.7
Riverfront Development Corporation								
Revenue bonds	\$ 4.2	\$	-	\$	(0.3)	\$	3.9	\$ 0.3
Long-term debt	11.7		2.9		(0.5)		14.1	0.8
Total long-term obligations	\$ 15.9	\$	2.9	\$	(0.8)	\$	18.0	\$ 1.1
Delaware State University								
Revenue bonds	\$ 56.9	\$	-	\$	(0.8)	\$	56.1	\$ 0.8
Other long-term obligations	1.8		-		(0.6)		1.2	0.2
Total long-term obligations	\$ 58.7	\$	-	\$	(1.4)	\$	57.3	\$ 1.0
Delaware Charter Schools								
Compensated absences	\$ 1.2	\$	-	\$	(0.2)	\$	1.0	\$ 0.1
Notes payable	-		25.6		-		25.6	0.7
Revenue bonds	23.5		2.8		-		26.3	0.4
Long-term debt	14.7		0.4		(3.0)		12.1	2.1
Total long-term obligations	\$ 39.4	\$	28.8	\$	(3.2)	\$	65.0	\$ 3.3

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

The State, by action of the General Assembly, created various authorities for the express purpose of providing private entities with an available low cost source of capital financing for construction of facilities deemed to be in the public interest. The bonds of the authorities represent limited obligations payable solely from payments made by the borrowing entities. The majority of the bonds are secured by the property financed. Upon repayment of a bond,

ownership of acquired property transfers to the entity served by the bond issuance. The State has no obligation for this debt. Accordingly, these bonds are not reflected in the accompanying financial statements. These bonds are issued through the Delaware Economic Development Authority and the Delaware Health Facilities Authority. The principal amount of bonds outstanding at June 30, 2009 for these entities amounted to \$1,590.3 million and \$438.0 million, respectively.

NOTE 12 CAPITAL ASSETS

(a) Primary Government

Capital asset activities for the fiscal year ended June 30, 2009 were as follows:

Governmental Activities	Capital Assets (Expressed in Thousands)			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets, not being depreciated				
Land	\$ 437,874	\$ 18,503	\$ (49)	\$ 456,328
Easements	145,893	20,822	-	166,715
Construction-in-progress	336,111	287,910	(236,083)	387,938
Total capital assets, not being depreciated	919,878	327,235	(236,132)	1,010,981
Capital assets, being depreciated				
Vehicles	85,024	2,720	(13,254)	74,490
Buildings	2,710,925	220,652	(2,228)	2,929,349
Equipment	85,691	7,359	(831)	92,219
Land Improvements	100,283	15,666	(163)	115,786
Total capital assets being depreciated	2,981,923	246,397	(16,476)	3,211,844
Less accumulated depreciation for:				
Vehicles	(61,148)	(6,139)	8,382	(58,905)
Buildings	(831,246)	(65,233)	1,569	(894,910)
Equipment	(63,156)	(5,324)	745	(67,735)
Land Improvements	(38,042)	(5,472)	53	(43,461)
Total accumulated depreciation	(993,592)	(82,168)	10,749	(1,065,011)
Total capital assets, being depreciated, net	1,988,331	164,229	(5,727)	2,146,833
Governmental activities capital assets, net	\$ 2,908,209	\$ 491,464	\$ (241,859)	\$ 3,157,814

Capital Assets

(Expressed in Thousands)

Business-type Activities	Beginning			Ending
Lottery	Balance	Increases	Decreases	Balance
Capital assets, being depreciated				
Computer equipment & software	\$ 1,395	\$ -	\$ -	\$ 1,395
Total capital assets being depreciated	1,395	-	-	1,395
Less accumulated depreciation	(1,390)	(1)	-	(1,391)
Total capital assets, being depreciated, net	\$ 5	\$ (1)	\$ -	\$ 4

Capital Assets

(Expressed in Thousands)

Business-type Activities	Beginning			Ending
DelDOT	Balance	Increases	Decreases	Balance
Capital assets, not being depreciated				
Land	\$ 222,986	\$ 26,789	\$ -	\$ 249,775
Infrastructure	3,345,399	39,965	-	3,385,364
Total capital assets, not being depreciated	3,568,385	66,754	-	3,635,139
Capital assets, being depreciated				
Buildings & improvements	77,471	12,337	(244)	89,564
Furniture & equipment	218,606	29,833	(27,810)	220,629
Total capital assets being depreciated	296,077	42,170	(28,054)	310,193
Less accumulated depreciation for:				
Buildings & improvements	(21,454)	(2,405)	163	(23,696)
Furniture & equipment	(104,027)	(18,866)	25,734	(97,159)
Total accumulated depreciation	(125,481)	(21,271)	25,897	(120,855)
Total capital assets, being depreciated, net	170,596	20,899	(2,157)	189,338
Total capital assets	\$ 3,738,981	\$ 87,653	\$ (2,157)	\$ 3,824,477
Business-type activities capital assets, net	\$ 3,738,986	\$ 87,652	\$ (2,157)	\$ 3,824,481

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

Depreciation Expense
(Expressed in Thousands)

Governmental activities:	
General government	\$ 12,989
Health and children's services	5,920
Judicial and public safety	11,019
Natural resources and environmental control	4,157
Labor	89
Education	47,994
Total depreciation expense - governmental activities	<u>\$ 82,168</u>
Business-type activities:	
DelDOT	\$ 21,272
Lottery	1
Total depreciation expense - business-type activities	<u>\$ 21,273</u>

(b) Component Units

Capital asset activities for the fiscal year ended June 30, 2009 were as follows:

Component Units
(Expressed in Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
Delaware State Housing Authority				
Capital assets, not being depreciated	\$ 4,723	\$ 1,046	\$ (1,123)	\$ 4,646
Capital assets, being depreciated	39,709	1,148	-	40,857
Accumulated depreciation	<u>(23,165)</u>	<u>(1,608)</u>	<u>-</u>	<u>(24,773)</u>
Total capital assets, net	<u>\$ 21,267</u>	<u>\$ 586</u>	<u>\$ (1,123)</u>	<u>\$ 20,730</u>
Diamond State Port Corporation				
Capital assets, not being depreciated	\$ 32,630	\$ 2,023	\$ (159)	\$ 34,494
Capital assets, being depreciated	179,652	442	(199)	179,895
Accumulated depreciation	<u>(45,476)</u>	<u>(5,224)</u>	<u>180</u>	<u>(50,520)</u>
Total capital assets, net	<u>\$ 166,806</u>	<u>\$ (2,759)</u>	<u>\$ (178)</u>	<u>\$ 163,869</u>
Riverfront Development Corporation				
Capital assets, not being depreciated	\$ 100,739	\$ 22,918	\$ (9,313)	\$ 114,344
Capital assets, being depreciated	43,808	1,407	-	45,215
Accumulated depreciation	<u>(25,076)</u>	<u>(4,185)</u>	<u>-</u>	<u>(29,261)</u>
Total capital assets, net	<u>\$ 119,471</u>	<u>\$ 20,140</u>	<u>\$ (9,313)</u>	<u>\$ 130,298</u>
Delaware State University				
Capital assets, not being depreciated	\$ 28,354	\$ 26,683	\$ -	\$ 55,037
Capital assets, being depreciated	181,401	7,125	(251)	188,275
Accumulated depreciation	<u>(74,377)</u>	<u>(6,102)</u>	<u>251</u>	<u>(80,228)</u>
Total capital assets, net	<u>\$ 135,378</u>	<u>\$ 27,706</u>	<u>\$ -</u>	<u>\$ 163,084</u>
Delaware Charter Schools				
Capital assets, not being depreciated	\$ 4,866	\$ 14,407	\$ -	\$ 19,273
Capital assets, being depreciated	52,865	14,086	(6,935)	60,016
Accumulated depreciation	<u>(9,172)</u>	<u>(2,873)</u>	<u>1,661</u>	<u>(10,384)</u>
Total capital assets, net	<u>\$ 48,559</u>	<u>\$ 25,620</u>	<u>\$ (5,274)</u>	<u>\$ 68,905</u>

NOTE 13 RISK MANAGEMENT

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

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

The management of the State estimates that the amount of actual or potential claims against the State at June 30, 2009, for workers' compensation, automobile accident and health-care claim liabilities is \$152.5 million. The claim liabilities relating to health-care totaling \$35.0 million have been recorded as accrued liabilities in governmental activities. The liability for workers' compensation and automobile accident liabilities totaling \$117.5 million has been recorded in governmental activities as claims and judgments. The current portion of these claims totals \$31.3 million. Other claim liabilities relating to police professional malpractice and property and casualty were not recorded at June 30, 2009 as the total of these liabilities were not material to the financial statements. Changes in the balances of claim liabilities during fiscal years 2009 and 2008 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
2008	\$ 135,481	\$ 482,689	\$ (478,657)	\$ 139,513
2009	139,513	534,696	(521,705)	152,504

DelDOT

The Delaware Transit Corporation (DTC) maintains coverage on auto insurance through both the retention of risk and the purchase of commercial insurance. The DTC has recorded \$5.3 million of claim liabilities as claims and judgments. Of this amount, \$1.6 million has been recorded as current.

NOTE 14 OTHER POST-EMPLOYMENT BENEFITS (OPEB)*Plan Description*

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

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

Membership of the plan consisted of the following at June 30, 2009:

Retirees and beneficiaries receiving benefits	18,034
Terminated plan members entitled to but not yet receiving the benefits	1,476
Active eligible plan members	<u>36,131</u>
Total	<u><u>55,641</u></u>

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

Eligibility:

State Employees:

Early Retirement:

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

Normal Retirement:

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

Benefits:

During the fiscal year ended June 30, 2009, the State provided health insurance options through several providers.

Spouse and Survivor Coverage:

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

Employee Contributions:

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

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

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

Funding Policy

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

Contributions

The contribution rates for the employer and retiree are established annually by the budgeting process of the State. Those rates include an employer contribution based on projected pay-as-you-go financing requirements as a percent of covered payroll, with an additional amount to prefund benefits, which is not actuarially determined. The State department and agencies were required to contribute .54% of the annual covered salary of \$2,944.4 million in fiscal year 2009. For fiscal year 2009, the State contribution in relation to the annual required contribution (ARC) totaled \$159.0 million.

Retiree contribution rates are affected by the retiree date of hire, with eligible retirees hired after June 30, 1991 paying a proportionately higher rate if their years of service total less than 20. Retiree contributions for health coverage totaled \$3.7 million.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. Amounts "required" but not actually set aside to pay for these benefits are accumulated as part of the net OPEB obligations. The following table shows the components of the State's annual OPEB for fiscal year 2009 and the preceding fiscal year, the amount actually contributed to the plan, and the State's net OPEB obligation (dollar amounts in millions):

	Total	Governmental Activities	Business-Type Activities *
Net OPEB obligation at June 30, 2007	\$ -	\$ -	\$ -
Annual required contribution	475.4	439.2	36.2
Adjustment to annual required contribution	-	-	-
Annual OPEB Cost	475.4	439.2	36.2
Employer contributions	(183.9)	(173.6)	(10.3)
Net OPEB obligation at June 30, 2008	\$ 291.5	\$ 265.6	\$ 25.9

	Total	Governmental Activities	Business-Type Activities *
Net OPEB obligation at June 30, 2008	\$ 291.5	\$ 265.6	\$ 25.9
Annual required contribution	527.9	491.7	36.2
Adjustment to annual required contribution	2.8	2.7	0.1
Annual OPEB Cost	822.2	760.0	62.2
Employer contributions	(159.8)	(151.5)	(8.3)
Net OPEB obligation at June 30, 2009	\$ 662.4	\$ 608.5	\$ 53.9

* This column includes DTC's OPEB activity.

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2009 and preceding fiscal year are as follows (dollar amounts in millions):

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 464.6	38%	\$ 281.4
2009	516.2	31%	641.5

Funded Status and Funding Progress

As of June 30, 2009, the plan was 1.5% funded. The actuarial accrued liability for benefits was

\$5,636.0 million, and the actuarial value of assets was \$83.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,553.0 million for the primary government. The covered payroll (annual payroll of active employees covered by the plan) was \$1,811.0 million, and the ratio of the UAAL to the covered payroll was 307%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. This schedule will be expanded in future years to provide multi-year trend data.

Actuarial Methods and Assumptions

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

In the June 30, 2008 actuarial valuation, the entry age normal actuarial cost method was used. Investments are valued at market rates. The actuarial assumptions included a 5.0 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the State's own investments calculated based on the funded level of the plan at the valuation date, and an initial medical inflation rate of 9.0 percent with an ultimate rate of 5.0 percent. The UAAL is being amortized as a level percentage of projected payroll on a level percent open basis over 30 years using a 3.75 percent rate of salary increase.

Delaware Transit Corporation (DTC)

In adopting the requirement of GASB Statement No. 45 during the year ended June 30, 2008, DTC recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on DTC's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

Plan Description

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

DTC subsidizes the medical premium. The subsidized percentage is 90% of published rates for retirees less than age 65 and 100% for retirees age 65 or greater. DTC subsidizes 100% of the dental and vision coverage for noncontract employees. Contract employees are allowed to access to dental and vision coverage, but must pay the full premium.

Life insurance is provided to retirees. Retirees under age 70 receive \$6,000 in coverage. Once the participant reaches age 70, the coverage drops to \$5,000. Each participant must contribute \$0.25 per month per \$1,000 of coverage to receive the benefit.

The number of participants are 718 active employees and 105 retirees as of May 1, 2009, the effective date of the other post-employment benefit (OPEB) actuarial valuation report.

Funding Policy

DTC currently pays for post-employment health care benefits on a pay-as-you-go basis. Although DTC is studying the establishment of a trust that would be used to accumulate and invest assets necessary to pay the accumulated liability, these financial statements assume that the pay-as-you-go funding will continue. The cash basis costs associated with these benefits were \$803,627 and \$723,447 for the fiscal years ended June 30, 2009 and 2008 respectively.

Annual OPEB Cost and Net Obligation

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

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

Annual required contribution	\$ 11,660
Interest on net OPEB obligation	406
Adjustment to annual required contribution	(364)
Annual OPEB cost (expense)	<u>11,702</u>
Contributions made	<u>(804)</u>
Increase in net OPEB obligation	10,898
Net OPEB obligation - beginning of year	10,043
Net OPEB obligation - end of year	<u><u>\$ 20,941</u></u>

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

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 10,767	6.70%	\$ 10,043
2009	11,702	6.87%	20,941

Funded Status and Funding Progress

As of June 30, 2009, the plan was zero percent funded. The actuarial accrued liability was \$88.7 million which is equivalent to the unfunded actuarial accrued liability. The covered payroll (annual payroll of active employees covered by the plan) was \$26.2 million and the ratio of the UAAL to the covered payroll was 338%.

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

Actuarial Methods and Assumptions

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

In the May 1, 2008 actuarial valuation, the projected unit credit method was used with linear proration to assumed benefit commencement. The actuarial assumptions included a 4% investment

rate of return, 4% payroll growth rate, a 3.2% inflation rate, and a healthcare cost trend rate of 9% initially, reduced by decrements to 7.1% after 10 years. The ultimate healthcare cost trend rate will remain constant at 5.2% after 2080. The unfunded liability is being amortized as a level percentage of payroll over a 30-year amortization period.

NOTE 15 PENSIONS

Primary Government

Pension Plans

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

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

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

The individual plans and funds comprising the DPERS are considered part of the State's financial reporting entity and are included in the accompanying financial statements as pension trust funds in the fiduciary funds. All of the investment assets of the plans and funds, with the exception of the Closed State Police Pension Plan and the Delaware Volunteer Fireman's Fund, are pooled and invested in a common DPERS Master Trust Fund (Master Trust). Each of the plans or funds shares 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 funds, described below, have been established under the custody of the Board for investment purposes only:

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

The DELRIP is presented separately as Investment Trust Funds in the Fiduciary Funds Statement of Net Assets and Statement of Changes in Net Assets. The remaining non-DPERS funds are included in the Pension Trust Fund.

Non-DPERS Fund Descriptions and Contributions

County & Municipal Police and Firefighters’ COLA Fund

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

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. 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, 2009, \$39.3 million was transferred to the appropriate plans in DPERS.

No post-retirement increase was granted by the General Assembly in fiscal year 2008 or 2009. As of June 30, 2009, previously granted post-retirement increases have outstanding liabilities totaling \$40.3 million, which will be funded by the State and transferred to the appropriate plans over the next two fiscal years as follows:

<u>Fiscal Year</u>	<u>(Expressed in Thousands)</u>
2010	\$ 26,457
2011	13,825
Total	<u>\$ 40,282</u>

The Board adopts actuarially determined funding for the Post-Retirement Increase Fund. Funding for fiscal year 2009 was 2.20% of covered payroll. Funding for fiscal year 2010 will be 1.40%.

Local Government Retirement Investment Pool

In June 1996, the State passed legislation that established the Delaware Local Government Retirement Investment Pool (DELRIP) in the custody of the Board to allow local governments the option to pool their pension assets with the System for investment purposes. The DELRIP is an external investment pool that allows local governments 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, 2009, which comprise the pool in its entirety: Sussex County and the Towns of Elsmere and Newport. There were four participating entities as of June 30, 2008; during fiscal year 2009, the City of Dover withdrew from participation in the DELRIP.

DELRIP is subject to the oversight of the System's Investment Committee and not subject to the regulatory oversight of the Securities and Exchange Commission (SEC). The System has not provided or obtained any legally binding guarantees during the year to support the value of shares. The fair value of the shares in the pool is determined in the same manner as the value of the Master Trust shares. Since this pool is a portion of the total System, the same accounting and investment policies apply.

Plan Membership, Benefit and Contribution Provisions

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

State Employees' Pension Plan

Plan Description and Eligibility:

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

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

Disability Benefits: 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.

Survivor Benefits: If employee is receiving a pension, the eligible survivor receives 50% of pension (or 75% with 3% reduction of benefit); if employee is active with at least 5 years of credited service, eligible survivor receives 75% of the benefit the employee would have received at age 62.

Contributions:

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

Burial Benefit: \$7,000 per member.

Special Fund

Plan Description and Eligibility:

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

Service Benefits: Defined by special legislation.

Vesting: Defined by special legislation.

Retirement: Defined by special legislation.

Disability Benefits: Defined by special legislation.

Survivor Benefits: Same as State Employees' Plan.

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

Burial Benefit: \$7,000 per member.

New State Police Pension Plan

Plan Description and Eligibility:

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

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

Vesting: 10 years of credited service at age 62.

Retirement: Age 55 with 10 years of credited service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service.

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

Non-Duty – same as Service Benefits.

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

Contributions:

- Employer - Determined by Board of Pension Trustees.
- Member - 7% of compensation.

Burial Benefit: \$7,000 per member.

Judiciary Pension Plans (Closed and Revised)

Plan Description and Eligibility:

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

The Revised Judiciary Pension Plan is a single-employer defined benefit plan that covers members of State Judiciary appointed on or after July 1, 1980 or members appointed before July 1, 1980 who accept the provisions of this Plan.

Assets of one plan can be used to satisfy the liabilities of the other plan.

Service Benefits:

- Closed - 3% of final average compensation multiplied by years of credited service, subject to maximum and minimum limitations
- 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:

- Closed - Age 65 with 12 years of credited service, or any age with 24 years of credited service.
- 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, then eligible survivor receives 2/3 of pension; if employee is active with 12 years of credited service, then eligible survivor receives 2/3 of pension the employee would have been eligible to receive.
- Revised - If employee is receiving a pension, then eligible survivor receives 50% of pension (75% with 3% reduction of benefit); if employee is active with at least 5 years of credited service, eligible survivor receives 75% of the benefit the employee would have received at age 62.

Contributions:

- Employer - Determined by Board of Pension Trustees.
- Member:
 - Closed - \$500 per year for the first 25 years of service.
 - Revised - 3% of earnings that exceed \$6,000 per year, plus 2% of earnings that exceed the Social Security Wage Base for the first 24 years of service.

Burial Benefit: Not applicable.

County & Municipal Police and Firefighters' Pension PlansPlan Description and Eligibility:

County & Municipal Police and Firefighters' Pension Plans, both FICA and Non-FICA, are cost-sharing multiple-employer defined benefit plans that cover police officers and firefighters employed by a county or municipality of the State which has become part of the Plan.

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

Vesting: 10 years of credited service.

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

Disability Benefits:

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

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

Contributions:

- Employer - Determined by Board of Pension Trustees.
- Member - 7% of compensation.

Burial Benefit: Not applicable.

County and Municipal Other Employees' Pension PlanPlan Description and Eligibility:

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

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

Vesting: 5 years of credited service.

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

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

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

Contributions:

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

Burial Benefit: Not applicable.

Delaware Volunteer Firemen's Fund

Plan Description and Eligibility:

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

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

Vesting: 10 years of credited service.

Retirement: Age 60 with 10 years credited service.

Disability Benefits: Not applicable.

Survivor Benefits: Not applicable.

Contributions:

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

Burial Benefit: Not applicable.

Diamond State Port Corporation Pension Plan

Plan Description and Eligibility:

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

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

Vesting: 5 years of credited service.

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

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

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

Contributions:

- Employer - Determined by Board of Pension Trustees.
- Member - 2% of compensation.

Burial Benefit: Not applicable.

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.

Service Benefits: 50% of monthly salary.

Vested/Retirement: 20 years of credited service or age 55.

Disability Benefits: Duty - 75% of monthly salary. Non-Duty – Same as Service Benefits.

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.
- Member - 5% of salary with 20 years or less of credited service;
2% of salary with over 20 years credited service.

Burial Benefit: \$7,000 per member.

Historical Trend Information

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

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

NET PENSION OBLIGATION (NPO)

The Annual Pension Cost (APC) and Net Pension Obligation (NPO) for the Closed State Police Pension Plan for the fiscal years ended June 30, 2009, 2008, and 2007 are as follows:

Net Pension Obligation (NPO)

(Expressed in Thousands)

	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007
Annual Required Contribution	\$ 26,423	\$ 26,017	\$ 25,479
Interest on Net Pension Obligation	8,706	8,380	7,921
Adjustment to Annual Required Contribution	<u>(9,504)</u>	<u>(9,060)</u>	<u>(8,487)</u>
Annual Pension Cost	25,625	25,337	24,912
Less Contributions Made	<u>(21,796)</u>	<u>(21,269)</u>	<u>(19,159)</u>
Increase in Net Pension Obligation	3,829	4,068	5,753
Net Pension Obligation, Beginning of Year	<u>108,823</u>	<u>104,755</u>	<u>99,002</u>
Net Pension Obligation, End of Year	<u>\$ 112,652</u>	<u>\$ 108,823</u>	<u>\$ 104,755</u>

Three-Year Trend Information

(Expressed in Thousands)

	Plan Year Ended	Contribution Made	Annual Pension Cost (APC)	Percent Of APC Contributed	Net Pension Obligation
State Employees'	6/30/2009	\$ 96,576	\$ 96,576	100.00%	\$ -
	6/30/2008	101,660	101,660	100.00%	-
	6/30/2007	97,000	97,000	100.00%	-
County & Municipal Police and Firefighters'	6/30/2009	\$ 12,007	\$ 12,007	100.00%	\$ -
	6/30/2008	6,246	6,246	100.00%	-
	6/30/2007	5,780	5,780	100.00%	-
County & Municipal Other Employees'	6/30/2009	\$ 2,293	\$ 2,293	100.00%	\$ -
	6/30/2008	1,492	1,492	100.00%	-
	6/30/2007	820	820	100.00%	-
Delaware Volunteer Firemen's	6/30/2009	\$ 1,108	\$ 1,604	69.10%	\$ 2,428
	6/30/2008	1,045	1,553	67.30%	2,161
	6/30/2007	978	1,528	64.01%	1,682
Judiciary	6/30/2009	\$ 2,549	\$ 2,549	100.00%	\$ -
	6/30/2008	2,644	2,644	100.00%	-
	6/30/2007	2,495	2,495	100.00%	-
New State Police	6/30/2009	\$ 6,791	\$ 6,791	100.00%	\$ -
	6/30/2008	6,643	6,643	100.00%	-
	6/30/2007	6,334	6,334	100.00%	-
Closed State Police	6/30/2009	\$ 21,775	\$ 26,423	82.41%	\$ 112,652
	6/30/2008	21,267	25,337	83.94%	108,823
	6/30/2007	19,159	24,912	76.91%	104,755
Diamond State Port Corporation	6/30/2009	\$ 694	\$ 694	100.00%	\$ -
	6/30/2008	715	715	100.00%	-
	6/30/2007	626	626	100.00%	-

Delaware Transportation Authority

Generally, employees of the Expressways Operations/Toll Administration are covered under DPERS. The Delaware Transit Corporation (DTC), a subsidiary public corporation of the Delaware Transportation Authority, contributes to two single-employer defined benefit plans consisting of the Contributory Pension Plan and the Delaware Transit Corporation (DTC) Pension Plan. Each plan provides retirement, disability and death benefits to plan members and beneficiaries. Each plan issues a publicly available financial report that includes financial statements and required supplementary information. Financial data for these plans has not been included in the fiduciary statements due to immateriality.

The trustees of each plan establish and may amend the contribution requirements of plan members and DTC. The most recent information available for DTC's annual pension cost and related information for each plan as well as information concerning funding policies and annual pension costs may be found in the Required Supplementary Information on pages 122 - 134.

Annual pension cost is equal to the respective plans required and actual contributions.

Three-Year Trend Information
(Expressed in Dollars)

	<u>Plan Year Ended</u>	<u>Contribution Made</u>	<u>Annual Pension Cost</u>	<u>Percent Of APC Contributed</u>	<u>Net Pension Asset</u>
DTC Pension Plan	6/30/2009	\$ 800,128	\$ 940,741	85.05%	\$ (108,777)
	6/30/2008	800,040	768,204	104.14%	31,836
	6/30/2007	707,897	707,897	100.00%	-
Contributory Pension	12/31/2008	\$ 996,405	\$ 632,751	157.47%	\$ 1,778,745
	12/31/2007	879,154	440,338	199.65%	1,415,091
	12/31/2006	835,280	547,899	152.45%	976,275

Deferred Compensation Plan

The State offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all State of Delaware employees, permits them to defer a portion of their salary to future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Plan changed in January 2001 to include an employer-matching contribution. The Match Plan was suspended by the State Legislature for fiscal year 2009. The State contribution totaled \$127,850 to the Match Plan for the year ended June 30, 2009.

NOTE 16 AFFILIATED ORGANIZATIONS**State Lottery****Multi-State Lottery Association**

The State Lottery is a member of the Multi-State Lottery Association (MUSL), which operates on-line 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 games, as well as the Powerplay feature associated with Powerball. 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 MUSL as of June 30, 2009, was \$2.3 million. This amount is reported by the Lottery as a liability on its balance sheet because it represents 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, 1701 48th Street, Suite 210, West Des Moines, IA 50266-6723.

NOTE 17 COMMITMENTS**Primary Government**

The State has entered into various contractual commitments that contracts for services and for construction of various highway, capital, and lottery projects. These commitments are expected to be funded from existing program resources, current and future appropriations and from the proceeds of revenue and general obligation bonds to be issued. Commitments of the governmental funds totaling \$295.9 million are shown on the balance sheet as encumbrances. Commitments of the proprietary fund include \$363.2 million for DelDOT.

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

DSPC has various contracts for construction and renovation of significant facilities in accordance with the Capital Budget approved by its Board of Directors. As of June 20, 2009, DSPC had commitments totaling \$16.0 million.

Riverfront Development Corporation (RDC)

The RDC has an outstanding letter of credit in the amount of approximately \$4.0 million which expires on November 2012. RDC is required to maintain a letter of credit sufficient to redeem the aggregate outstanding principal amount of the bonds payable plus 39 days of interest. The letter of credit is secured by certain real property owned by RDC and assignment of the lease between RDC and National Railroad Passenger Corporation.

The RDC has entered into construction contracts for various projects. As of June 30, 2009, the RDC had construction commitments totaling \$3.0 million.

NOTE 18 CONTINGENCIES**Primary Government**

Various parties have made claims against the State. For those cases in which it is reasonably possible that a loss will be incurred and in which the amount of the potential judgment can be reasonably estimated, the State estimates the liability to be \$3.2 million. The State recognized \$2.9 million in governmental activities as claims and judgments liabilities for pending litigation settlements estimated to be probable as of June 30, 2009. In the opinion of the Attorney General of the State, however, the remaining cases are either subject to a valid defense or are not expected to result in an impairment of the State's financial position. Management believes the settlement in aggregate of claims outstanding will not result in amounts material to the financial statements of the State.

The State receives significant financial assistance from the federal government in the form of grants and entitlements. The right to these resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the State. The State does not believe that the liabilities that may result from such audits for periods through June 30, 2009 would have a material effect on its financial position or the results of operations.

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

- Pollution poses an imminent danger to the public and the State is compelled to take action;
- The State is in violation of a pollution related permit or license;
- The State is named or has evidence that it will be named as responsible party by a regulator;
- The State is named or has evidence that it will be named in a lawsuit to enforce a cleanup; or

- The State commences or legally obligate itself to conduct remediation activities.

Site investigation, planning and design, cleanup and site monitoring are typical 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 standard requires the State to calculate 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 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, 2009, the State had a total pollution remediation liability of \$19.4 million, with an estimated potential recovery of \$4.5 million from the U.S. Environmental Protection Agency.

The State Lottery has discharged its primary responsibility for payment of annual installments (generally 14 to 20 years) to winners of jackpots greater than \$150,000 by purchasing annuities from private insurance companies. The Lottery remains liable for future periodic payments of deferred prize obligations (approximately \$3.3 million at June 30, 2009) in the event that the annuity issuers default on their obligations.

Component Units

The DSHA has amounts received or receivable from grant agencies that are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the DSHA expects such amounts, if any, to be immaterial.

NOTE 19 SUBSEQUENT EVENTS

Primary Government

On October 22, 2009, the State issued \$493.0 million of general obligation bonds maturing between October 1, 2011 and October 1, 2029. Of the \$313.7 million bonds issued as Series 2009C, \$283.0 million in principal was issued to refund higher priced bonds resulting in a net present value savings of \$15.3 million, or 5% of the principal refunded. The Series 2009C bonds were sold to retail and institutional investors and bore coupons between 2% and 5%. The Series 2009D bonds, at \$179.3 million in principal, were designated as taxable "Build America Bonds"

for purposes of the American Recovery and Reinvestment Act of 2009. The State has elected to receive a cash subsidy from the U.S. Treasury of 35% of the interest payable on the Series 2009D bonds. Series 2009D coupons range from 3.7% to 5.6%.

The proceeds of the new money bonds, \$210.0 million, will be used to provide funds for capital improvements to various State and local school facilities.

Component Units

Delaware State Housing Authority (DSHA)

On September 11, 2009, DSHA issued \$40.1 million in Single Family Mortgage Revenue Bonds. The proceeds will be used to provide down payment assistance and low rate mortgages to first-time homebuyers over the next fiscal year and to refund the Single Family Mortgage Bond 1997 Series A. This refunding resulted in a cash flow savings of \$4.8 million and an economic gain of \$1.8 million.

Delaware State University

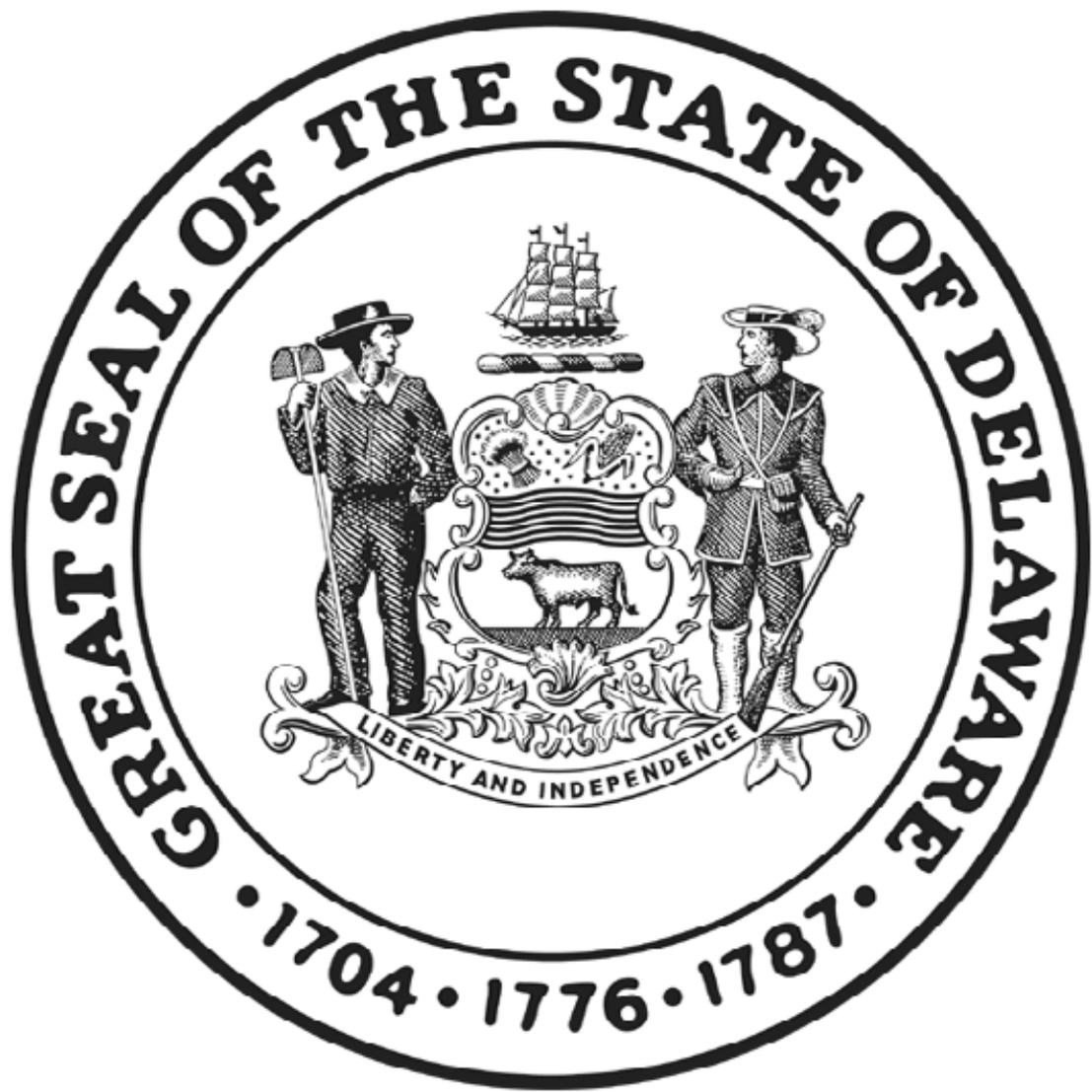
Based on updated correspondence received from legal counsel on December 17, 2009, Delaware State University was informed that a recent U.S. Department of Education (DoE) preliminary program review resulted in a probable future settlement of \$750,000. The preliminary program review report seeks information from the University regarding funds issued pursuant to certain Federal loan and grant programs authorized under the Higher Education Act of 1965 (collectively, Title IV Funds). The Title IV Funds at issue were delivered to University students to allow them to finance their educations at the University. As such, if the University cannot provide satisfactory responses to the issues raised by the DoE in the preliminary program review report, the University may have to repay all or a portion of the Title IV Funds which are the subject of the program review. As of June 30, 2009, the University has repaid approximately \$750,000 of Title IV Funds which are the subject of the program review, at which may exceed an aggregate amount of \$1.5 million. Furthermore, if the DoE were to find that the University lacks administrative capability to administer Title IV Funds, then the DoE could impose additional penalties which could create impediments to the University's continuing access to Title IV Funds. In light of this funding, the University accrued \$750,000 of a long-term obligation towards the settlement with the DoE.

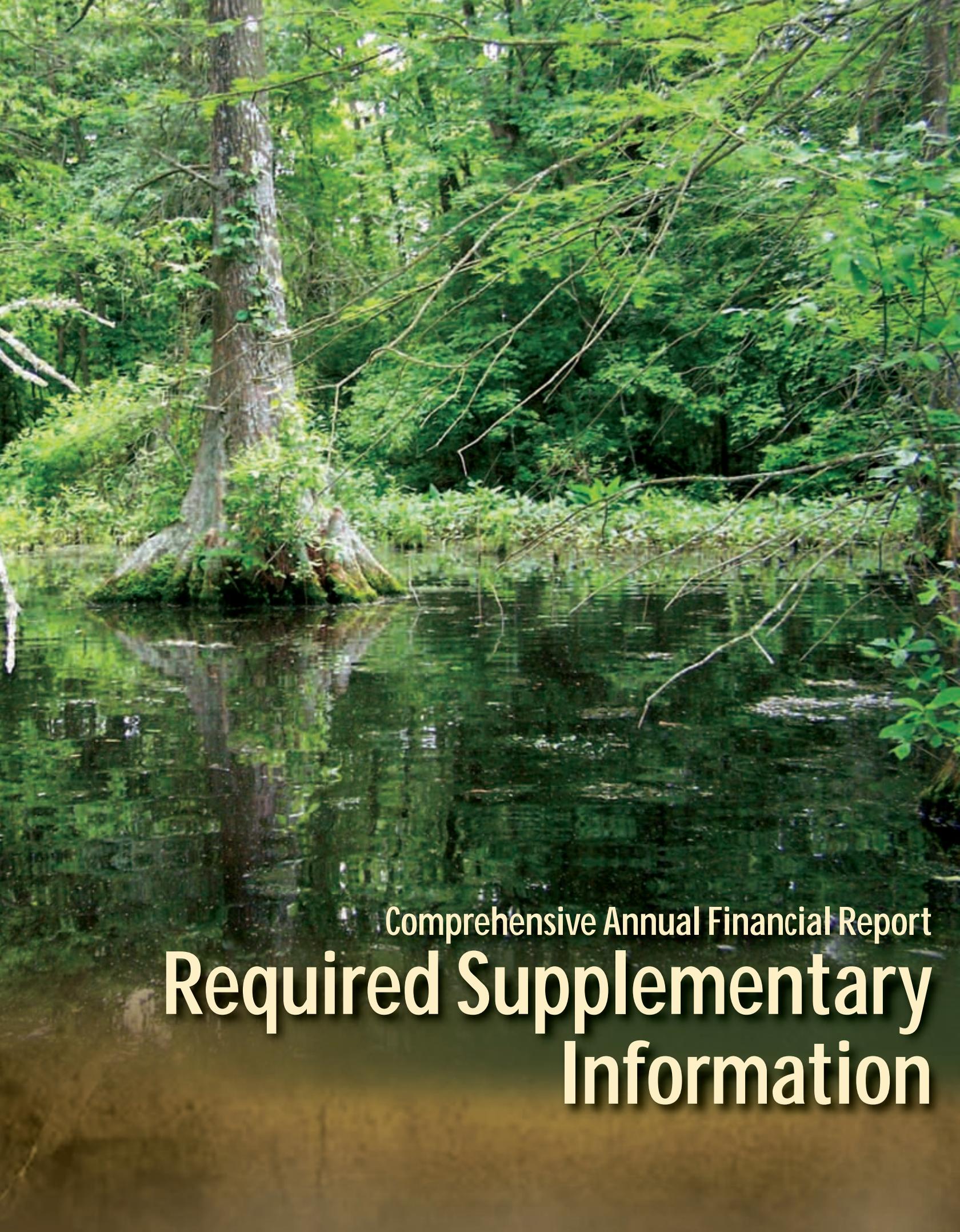
NOTE 20 PRIOR PERIOD ADJUSTMENTS

Component Units

Delaware Technical and Community College Education Foundation

Net assets at the beginning of the year ended December 31, 2008 have been adjusted for a classification error between unrestricted, temporary restricted, and permanently restricted net assets as of December 31, 2007. The classification had no effect on total net assets as of December 31, 2007 or the change in net assets for the year then ended.





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 certain 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 in 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 supplement appropriation or special appropriation bills after it completes action on the State's budget.

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

Encumbrance accounting is employed in governmental 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, 2009, 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 2009, 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 two pages 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. Of the \$380.0 million budgetary general fund balance at June 30, 2009, \$186.4 million is reserved for the budgetary reserve account and \$147.4 million is designated as continuing and encumbered appropriations. The \$46.2 million of undesignated fund balance, for the most part, is not available for new spending as these funds have been committed based on State statues which are subject to review and change by the Legislature.

Budgetary Comparison Schedule-General Fund
Budget to Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2009
(Expressed in Millions)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Personal income taxes	\$ 1,038.4	\$ 913.0	\$ 910.7	\$ (2.3)
Business taxes	1,441.4	1,469.9	1,405.7	(64.2)
Other taxes	204.3	168.8	169.7	0.9
License, permits, fines and fees	272.4	275.8	276.3	0.5
Interest earnings	18.9	8.9	8.9	-
Lottery sales	258.1	247.0	248.0	1.0
Other non-tax revenue	73.0	63.6	130.3	66.7
Total revenue	3,306.5	3,147.0	3,149.6	2.6
Expenditures				
Legislature	14.9	16.9	12.9	4.0
Judicial	90.4	93.4	88.9	4.5
Executive	152.9	309.3	150.3	159.0
Department of Technology & Information	39.1	41.4	37.1	4.3
Other Elective Offices	34.4	55.8	54.4	1.4
Legal	45.2	45.4	43.8	1.6
Department of State	34.7	42.0	38.1	3.9
Department of Finance	20.8	30.1	26.6	3.5
Department of Health & Social Services	930.3	957.1	832.9	124.2
Department of Services for Children, Youth and Their Families	137.0	140.9	127.1	13.8
Department of Corrections	259.1	271.5	256.6	14.9
Department of Natural Resources and Environmental Control	42.0	74.7	56.9	17.8
Department of Safety & Homeland Security	124.8	129.1	124.2	4.9
Department of Transportation	-	-	-	-
Department of Labor	7.5	8.0	7.4	0.6
Department of Agriculture	8.7	9.1	8.0	1.1
Department of Elections	4.1	6.6	5.9	0.7
Fire Prevention Commission	4.7	4.9	4.6	0.3
Delaware National Guard	4.9	5.3	4.2	1.1
Advisory Council for Exceptional Citizens	0.2	0.2	0.2	-
Higher Education	241.8	254.4	252.4	2.0
Department of Education	1,150.6	1,230.1	1,163.1	67.0
Total expenditures	3,348.1	3,726.2	3,295.6	430.6
Excess (deficiency) of revenue over expenditures	(41.6)	(579.2)	(146.0)	433.2
Budgetary fund balance, beginning of year	526.0	526.0	526.0	-
Budgetary fund balance, end of year	\$ 484.4	\$ (53.2)	\$ 380.0	\$ 433.2
Budgetary fund balance				
Designated:				
Budgetary reserve account			\$ 186.4	
Continuing and encumbered appropriations			147.4	
Undesignated			46.2	
Total			\$ 380.0	

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

Budgetary Comparison Schedule-Special Fund
Budget to Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2009
(Expressed in Millions)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Personal income taxes	\$ -	\$ -	\$ 1.6	\$ 1.6
Business taxes	32.8	32.8	37.6	4.8
Other taxes	4.1	4.1	4.1	-
License, permits, fines and fees	100.4	100.4	90.2	(10.2)
Rentals and sales	11.2	11.2	18.4	7.2
Interest earnings	54.0	54.0	7.5	(46.5)
Grants	30.6	30.6	115.5	84.9
Other non-tax revenue	676.2	676.2	419.6	(256.6)
	<u>909.3</u>	<u>909.3</u>	<u>694.5</u>	<u>(214.8)</u>
Total revenue				
Expenditures				
Legislature	0.1	0.1	-	0.1
Judicial	10.6	11.8	8.2	3.6
Executive	136.2	132.4	79.6	52.8
Department of Technology & Information	28.9	34.9	20.6	14.3
Other Elective Offices	76.6	77.4	70.2	7.2
Legal	5.6	5.9	4.8	1.1
Department of State	33.3	44.8	29.3	15.5
Department of Finance	60.7	65.0	52.6	12.4
Department of Health & Social Services	128.1	109.3	82.7	26.6
Department of Services for Children, Youth and Their Families	19.6	23.4	18.1	5.3
Department of Corrections	4.1	5.2	3.4	1.8
Department of Natural Resources and Environmental Control	75.9	104.9	46.5	58.4
Department of Safety & Homeland Security	11.8	14.1	9.6	4.5
Department of Transportation	352.6	368.6	221.1	147.5
Department of Labor	18.4	19.6	16.3	3.3
Department of Agriculture	7.0	7.8	5.9	1.9
Department of Elections	0.8	0.8	0.5	0.3
Fire Prevention Commission	2.8	3.0	2.2	0.8
Delaware National Guard	0.0	0.0	0.0	0.0
Department of Education	5.1	6.3	4.2	2.1
	<u>978.2</u>	<u>1,035.3</u>	<u>675.8</u>	<u>359.5</u>
Total expenditures				
Excess (deficiency) of revenue over expenditures	(68.9)	(126.0)	18.7	144.7
Budgetary fund balance, beginning of year	<u>361.2</u>	<u>361.2</u>	<u>361.2</u>	<u>-</u>
Budgetary fund balance, end of year	<u>\$ 292.3</u>	<u>\$ 235.2</u>	<u>\$ 379.9</u>	<u>\$ 144.7</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.

Budget vs. GAAP Revenue Reconciliation For the Fiscal Year Ended June 30, 2009 (Expressed in Millions)

Budget basis general and special fund revenue for fiscal year 2009		\$3,844.1
Non-appropriated revenue by category:		
Other revenue	173.8	
License, fees, permits, and fines	48.2	
Personal, business, and other taxes	116.0	
Federal government	18.8	
Rentals and sales	11.3	
Interest and other investment income	8.5	
Adjustments and accruals:		
DeIDOT fund revenue	(246.4)	
Lottery sales	(317.4)	
Local school districts	(13.5)	
Interfund revenue	(101.0)	
Other accruals and adjustments	(161.0)	
Total general fund revenues for fiscal year 2009		\$3,381.4
Federal fund revenue	1,174.4	
Local school fund revenue	484.4	
		<u>1,658.8</u>
Total GAAP basis governmental funds revenue for fiscal year 2009		<u><u>\$5,040.2</u></u>

Budget vs. GAAP Expenditures Reconciliation
For the Fiscal Year Ended June 30, 2009
(Expressed in Millions)

Total budget basis general and special fund expenditures for fiscal year 2009		\$3,971.4
Non appropriated expenditures by function:		
General government	\$485.2	
Health & children's services	21.5	
Judicial & public safety	14.3	
Natural resources & environmental control	35.5	
Labor	15.7	
Education	64.8	
Transportation	14.0	
Adjustments and accruals:		
Tax refunds	(298.2)	
Component units	42.4	
Interfund expenses	(114.9)	
Other accruals and adjustments	(315.3)	
	(315.3)	
Total general fund expenditures for fiscal year 2009		\$3,936.4
Federal fund expenditures	1,196.5	
Local school district fund expenditures	401.5	
Capital projects fund expenditures	271.7	
	1,869.7	1,869.7
Total GAAP basis governmental funds expenditures for fiscal year 2009		\$5,806.1

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 approximately 4,447 centerline miles and approximately 1,509 bridges that the State is responsible to maintain.

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

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

It is the State’s policy to maintain at least 85% of its highways at a fair or better condition level and 75% of its bridge systems at a good or better condition level. No more than 10% of bridges and 15% of roads should be in substandard condition. Condition assessments are determined every year for roads and every two years for bridges. Due to the timing of these condition assessments, information for the fiscal year ended June 30, 2009 is not available.

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

Structural Rating Numbers and Percentages for Bridges

		Calendar Year Ended December 31					
		2008		2007		2006	
BCR Condition		Number	Percent	Number	Percent	Number	Percent
Good	6-9	1,118	74.1	1,131	77.6	1,112	78.5
Fair	5	291	19.3	261	17.9	245	17.3
Poor	0-4	100	6.6	65	4.5	60	4.2
Totals		1,509	100	1,457	100	1,417	100

Deck Rating Numbers and Percentages for Bridges

		Calendar Year Ended December 31					
		2008		2007		2006	
OPC Condition		Square Feet	Percent	Square Feet	Percent	Square Feet	Percent
Good	6-9	6,799,842	93	6,809,939	93.4	6,860,141	94.4
Fair	5	485,635	6.6	450,384	6.2	383,680	5.3
Poor	0-4	26,253	0.4	29,590	0.4	24,111	0.3
Totals		7,311,730	100	7,289,913	100	7,267,932	100

Center-Line Mile Numbers and Percentages for Road Pavement

		Calendar Year Ended December 31					
		2008		2007		2006	
OPC Condition		Center-Line Mile	Percent	Center-Line Mile	Percent	Center-Line Mile	Percent
Good	3.0-5.0	3,007	67.6	3,071	68.9	3,055	68.6
Fair	2.5-3.0	1000	22.5	935	21.0	933	20.9
Poor	Below 2.5	440	9.9	448	10.1	466	10.5
Totals		4,447	100	4,454	100	4,454	100

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

		Fiscal Year ended June 30				
		2009	2008	2007	2006	2005
Estimated		\$208,764	\$197,301	\$129,138	\$135,991	\$138,517
Actual		\$308,732	\$271,333	\$256,571	\$211,347	\$311,397

* 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, annual pension costs and actuarial methods and assumptions. It is intended to help readers assess the individual plans' funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due.

Delaware Public Employees' Retirement System (DPERS)

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

Schedule of Funding Status and Progress (Expressed in Thousands)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL	(4) Funded Ratio (1) / (2)	(5) Annual Covered Payroll	(6)
				AAL (UAAL) (Excess of Assets over Liabilities) (2) - (1)			UAAL/ (Excess) as % of Covered Payroll (3) / (5)
State Employees *	6/30/09	\$ 6,744,050	\$ 6,827,006	\$ 82,956	98.8%	\$ 1,753,129	4.7%
	6/30/08	6,751,949	6,549,856	(202,093)	103.1%	1,711,473	(11.8%)
	6/30/07	6,437,916	6,208,025	(229,891)	103.7%	1,654,609	(13.9%)
Special	6/30/09	\$ 516	\$ 399	\$ (117)	129.3%	N/A	N/A
	6/30/08	614	492	(122)	124.8%	N/A	N/A
	6/30/07	673	530	(143)	127.0%	N/A	N/A
Closed State Police +	6/30/09	\$ 727	\$ 306,904	\$ 306,177	0.2%	\$ 619	49,463.2%
	6/30/08	618	299,921	299,294	0.2%	1,152	25,980.4%
	6/30/07	514	297,183	296,669	0.2%	1,695	17,502.6%
New State Police *	6/30/09	\$ 229,457	\$ 241,251	\$ 11,794	95.1%	\$ 50,425	23.4%
	6/30/08	216,368	214,921	(1,447)	100.7%	47,971	(3.0%)
	6/30/07	194,560	195,811	1,251	99.4%	46,924	2.7%
Judiciary*	6/30/09	\$ 49,036	\$ 57,799	\$ 8,763	84.8%	\$ 9,814	89.3%
	6/30/08	47,209	55,856	8,647	84.5%	9,689	89.2%
	6/30/07	43,050	53,686	10,636	80.2%	9,825	108.3%
Diamond State Port Corporation	6/30/09	\$ 14,353	\$ 16,284	\$ 1,931	88.1%	\$ 11,071	17.4%
	6/30/08	13,391	14,139	748	94.7%	10,270	7.3%
	6/30/07	11,911	13,604	1,693	87.6%	11,213	15.1%
County & Municipal Police Firefighters	6/30/09	\$ 119,712	\$ 122,573	\$ 2,861	97.7%	\$ 55,478	5.2%
	6/30/08	102,423	103,911	1,488	98.6%	49,328	3.0%
	6/30/07	87,395	89,022	1,627	98.2%	45,059	3.6%
County and Municipal Other Employees	6/30/09	\$ 15,074	\$ 16,787	\$ 1,713	89.8%	\$ 19,046	9.0%
	6/30/08	12,980	14,308	1,328	90.7%	18,632	7.1%
	6/30/07	10,405	11,578	1,173	89.9%	16,183	7.2%
Volunteer Firemen	6/30/09	\$ 13,241	\$ 26,562	\$ 13,321	49.8%	Active Member ++ 5,074	Cost per Active Member ++ 2,625
	6/30/08	12,972	25,719	12,747	50.4%	5,066	2,516
	6/30/07	12,225	24,809	12,584	49.3%	5,170	2,434

* Excludes liability and amortization payments due to cost-of-living adjustments. This liability is funded from the Post-Retirement Increase Fund and is funded over five years.

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

++ Not expressed in thousands.

N/A – Not Applicable

Annual Pension Cost, Actuarial Methods and Assumptions - DPERS

The schedules below provide information concerning annual pension costs. Annual pension cost for each plan, except the Closed State Police Plan, is equal to the respective plan's required and actual contributions for the fiscal year ended June 30, 2009.

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

Plan	State Employees'	Special	Closed State Police	New State Police	Judiciary
Annual Pension Cost	\$ 96,576	N/A	\$ 26,423	\$ 6,791	\$ 2,549
Actuarial Valuation Date	6/30/09	6/30/09	6/30/09	6/30/09	6/30/09
Actuarial Cost Method	Entry Age Normal	N/A	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Closed for Plan Bases & Open for Aggregate Gain/Loss	N/A	Level Dollar Closed	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	20 years ⁽¹⁾	N/A	28 years	20 years ⁽¹⁾	12.9 years ⁽¹⁾
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:					
Investment rate of return	8.0%	8.0%	8.0%	8.0%	8.0%
Projected Salary Increases ¹	4.3% to 10.1%	N/A	4.8% to 5.3%	4.8% to 16.7%	4.3% to 13.1%
Cost-of-living adjustments	Ad hoc	Ad hoc	Based on CPI	Ad hoc	Ad hoc

Plan	Diamond State Port Corporation	County & Municipal Police and Firefighters'	County & Municipal Other Employees'	Delaware Volunteer Firemen's
Annual Pension Cost	\$ 694	\$ 12,007	\$ 2,293	\$ 1,604
Actuarial Valuation Date	6/30/09	6/30/09	6/30/09	6/30/09
Actuarial Cost Method	Entry Age Normal	Entry Age Normal**	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Closed	Level Percent Open	Level Percent Open	Level Dollar Closed
Remaining Amortization Period	16 years	10 years	10 years	19 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:				
Investment rate of return	8.0%	8.0%	8.0%	8.0%
Projected Salary Increases ¹	4.8%	4.3% to 15.7%	4.3% to 10.1%	N/A
Cost-of-living adjustments	Ad Hoc	Ad Hoc	Ad Hoc	Ad Hoc

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

DelDOT - Delaware Transit Corporation – Pension Data

The most recent information available for Delaware Transit Corporation’s annual pension cost and related information for each plan is as follows (note – the current year information is not available for each plan):

Schedule of Funding Status and Progress

(Expressed in Dollars)

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (Excess of Assets over AAL) (a-b)	(d) Funded Ratio (a / b)	(e) Annual Covered Payroll	(f) UAAL (Excess) as % of Covered Payroll (c / e)
DTC Pension Plan	07/01/2008	\$ 10,886,557	\$ 11,290,478	\$ (403,921)	96.42%	\$ 12,082,615	(3.34%)
	07/01/2007	10,533,449	10,873,946	(340,497)	96.87%	9,993,019	(3.41%)
	07/01/2006	8,709,127	9,076,068	(366,941)	95.96%	8,897,785	(4.12%)
Contributory Plan	1/1/2009	\$ 21,215,934	\$ 25,814,854	\$(4,598,920)	82.18%	\$ 22,072,382	(20.84%)

Schedule of Annual Pension Cost, Actuarial Methods and Assumptions

(Expressed in Dollars)

Plan	DTC Pension Plan	Contributory Pension Plan
Contribution Rates:		
Employer	Actuarially Determined	5.00%
Participants	N/A	5.00%
Annual Pension Cost	\$ 940,741	\$ 632,751
Contributions Made	\$ 800,128	\$ 996,405
Actuarial Valuation Date	7/01/08	01/01/09
Actuarial Cost Method	Frozen Initial Liability	Entry Age Normal
Remaining Amortization Period	18	30
Asset Valuation Method	Market	Five-Year Smoothed Market
Actuarial Assumptions:		
Investment rate of return	7.50%	7.00%
Projected Salary Increases	4.50%	4.00%

Note: For the contributory pension plan valuation dated January 1, 2008, the actuarial cost method was changed from the aggregate method to the entry age normal method. In addition, the asset valuation method was changed to the five-year smoothed market method.

N/A: Not applicable

Required Supplementary Information – OPEB Trust

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

OPEB Trust

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

Schedule of Funding Status and Progress (Expressed in Millions)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded Actuarial Accrued Liabilities (UAAL) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (3) / (5)
7/1/2009	\$ 83	\$ 5,636	\$ 5,553	1.5%	\$ 1,811	307%
7/1/2008	79	5,489	5,410	1.4%	1,770	306%

Valuation Date	July 1, 2009
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	5.00%
Rate of Salary Increases	3.75% (plus merit scale)
Ultimate Rate of Medical inflation	5.00%
Initial Rate of Medical Inflation	9.00%

	Total	Governmental Activities	Business Type Activities
Net OPEB obligation at June 30, 2008	\$ 281.5	\$ 265.6	\$ 15.9
Annual required contribution	516.2	491.7	24.5
Adjustment to annual required contribution	2.8	2.7	0.1
Annual OPEB cost	800.5	760.0	40.5
Employer contribution	(159.0)	(151.5)	(7.5)
Net OPEB obligation at June 30, 2009	\$ 641.5	\$ 608.5	\$ 33.0

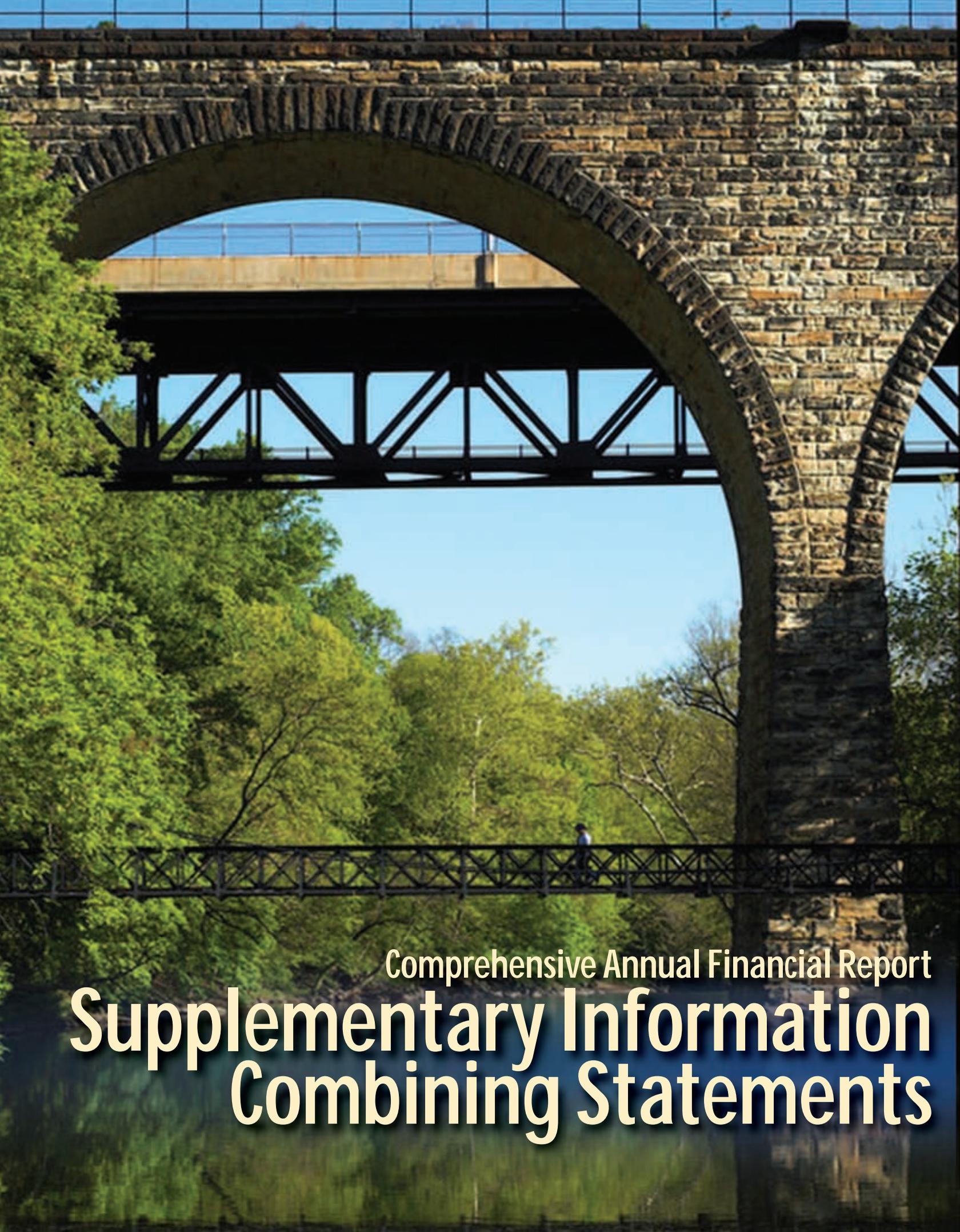
The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2009 are as follows (dollar amounts in millions):

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 516.2	31%	\$ 641.5

Delaware Transit Corporation - OPEB

As of June 30, 2009, Delaware Transit Corporation's OPEB plan was zero percent funded. The actuarial accrued liability was \$88.7 million, which is equivalent to the unfunded actuarial accrued liability. The covered payroll (annual payroll of active employees covered by the plan) was \$26.2 million, and the ratio of the UAAL to the covered payroll was 338%.

In the May 1, 2008 actuarial valuation, the projected unit credit method was used with linear pro-rata to assumed benefit commencement. The actuarial assumptions included a 4% investment rate of return, 4% payroll growth rate, a 3.2% inflation rate, and a healthcare cost trend rate of 9% initially, reduced by decrements to 7.10% after ten years. The ultimate healthcare cost trend rate will remain constant at 5.2% after 2080. The unfunded liability is being amortized as a level percentage of payroll over a 30-year amortization period.



Comprehensive Annual Financial Report

Supplementary Information Combining Statements

STATE OF DELAWARE
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2009
(Expressed in Thousands)

	State Employees' Pension Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	Delaware Volunteer Firemen's Fund
Assets					
Cash and cash equivalents	\$ 377,817	\$ 28	\$ 12,935	\$ 2,742	\$ 802
Receivables:					
Accrued interest	15,475	1	493	107	-
Investment sales pending	348,809	26	11,942	2,531	-
Employer contributions	6,767	-	430	150	-
Member contributions	3,358	-	216	17	-
Total receivables	<u>374,409</u>	<u>27</u>	<u>13,081</u>	<u>2,805</u>	<u>-</u>
Investments at fair value:					
Domestic fixed income	477,613	36	16,352	3,466	5,018
Domestic equities	795,181	60	27,224	5,771	3,591
Pooled equity and fixed income	1,521,275	114	52,082	11,040	-
Alternative investments	1,258,562	95	43,088	9,134	-
Foreign fixed income	112,138	8	3,839	814	-
Foreign equities	842,500	64	28,844	6,114	2,032
Total investments	<u>5,007,269</u>	<u>377</u>	<u>171,429</u>	<u>36,339</u>	<u>10,641</u>
Total assets	<u>5,759,495</u>	<u>432</u>	<u>197,445</u>	<u>41,886</u>	<u>11,443</u>
Liabilities					
Investment purchases payable	361,833	27	12,388	2,626	-
Benefits payable	877	-	13	-	11
Accrued investment expenses	3,394	-	116	25	-
Accrued administrative expenses	731	-	9	1	-
Total liabilities	<u>366,835</u>	<u>27</u>	<u>12,526</u>	<u>2,652</u>	<u>11</u>
Assets held in trust for pension benefits and pool participants	<u>\$ 5,392,660</u>	<u>\$ 405</u>	<u>\$ 184,919</u>	<u>\$ 39,234</u>	<u>\$ 11,432</u>

Diamond State Port Corporation Plan	County and Municipal Police and Firefighters' Plans	County and Municipal Police and Firefighters' Cola Fund	County and Municipal Other Employees' Plan	DPERS Post Retirement Increase Fund	Closed State Police Plan	Totals
\$ 806	\$ 6,836	\$ 703	\$ 862	\$ 198	\$ 765	\$ 404,494
30	230	28	29	7	-	16,400
744	6,311	649	796	182	-	371,990
58	1,240	-	960	1,675	-	11,280
17	314	-	40	-	1	3,963
849	8,095	677	1,825	1,864	1	403,633
1,019	8,642	888	1,090	250	-	514,374
1,696	14,387	1,479	1,815	416	-	851,620
3,245	27,525	2,829	3,471	796	-	1,622,377
2,684	22,771	2,341	2,872	658	-	1,342,205
239	2,029	208	256	58	-	119,589
1,797	15,244	1,567	1,923	441	-	900,526
10,680	90,598	9,312	11,427	2,619	-	5,350,691
12,335	105,529	10,692	14,114	4,681	766	6,158,818
772	6,547	673	826	189	-	385,881
3	18	-	8	-	5	935
7	61	6	8	2	-	3,619
4	12	-	6	-	7	770
786	6,638	679	848	191	12	391,205
<u>\$ 11,549</u>	<u>\$ 98,891</u>	<u>\$ 10,013</u>	<u>\$ 13,266</u>	<u>\$ 4,490</u>	<u>\$ 754</u>	<u>\$ 5,767,613</u>

STATE OF DELAWARE
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	State Employees' Pension Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	Delaware Volunteer Firemen's Fund
Additions					
Contributions:					
Employer contributions	\$ 96,576	\$ -	\$ 6,791	\$ 2,549	\$ 1,108
Transfer of assets from post-retirement increase fund	38,835	-	205	294	-
Transfer of assets from outside the system	-	-	-	-	-
Member contributions	45,899	-	3,422	304	185
Other	-	-	40	-	-
Total contributions	181,310	-	10,458	3,147	1,293
Investments:					
Investment income	87,428	8	2,783	603	377
Net increase (decrease) in fair value	(1,120,066)	(103)	(35,658)	(7,723)	(1,714)
Total investment income (loss)	(1,032,638)	(95)	(32,875)	(7,120)	(1,337)
Less investment manager/ advisor/custody fees	(15,135)	(1)	(490)	(102)	-
Less investment administrative expenses	(490)	-	(17)	(3)	-
Net investment income (loss)	(1,048,263)	(96)	(33,382)	(7,225)	(1,337)
Deductions:					
Transfer of assets from post-retirement increase fund	-	-	-	-	-
Transfer of assets outside the system	-	-	-	-	-
Pension payments	369,243	78	3,662	2,643	1,487
Refunds of contributions to members	3,072	-	63	15	65
Burial benefit payments	4,966	35	14	-	-
Administrative expenses	6,148	3	71	8	45
Total deductions	383,429	116	3,810	2,666	1,597
Change in net assets	(1,250,382)	(212)	(26,734)	(6,744)	(1,641)
Net assets held in trust for pension benefits:					
Net assets - beginning of year	6,643,042	617	211,653	45,978	13,073
Net assets - end of year	\$ 5,392,660	\$ 405	\$ 184,919	\$ 39,234	\$ 11,432

Diamond State Port Corporation Plan	County and Municipal Police and Firefighters' Plans	County and Municipal Police and Firefighters' Cola Fund	County and Municipal Other Employees' Plan	DPERS Post Retirement Increase Fund	Closed State Police Plan	Totals
\$ 694	\$ 12,007	\$ -	\$ 2,293	\$ 37,692	\$ 21,775	\$ 181,485
-	-	-	-	-	-	39,334
-	-	2,963	-	-	-	2,963
211	3,852	-	481	-	20	54,374
-	-	-	-	-	-	40
<u>905</u>	<u>15,859</u>	<u>2,963</u>	<u>2,774</u>	<u>37,692</u>	<u>21,795</u>	<u>278,196</u>
169	1,300	157	166	42	24	93,057
<u>(2,166)</u>	<u>(16,658)</u>	<u>(2,010)</u>	<u>(2,122)</u>	<u>(533)</u>	<u>-</u>	<u>(1,188,753)</u>
<u>(1,997)</u>	<u>(15,358)</u>	<u>(1,853)</u>	<u>(1,956)</u>	<u>(491)</u>	<u>24</u>	<u>(1,095,696)</u>
(30)	(235)	(28)	(30)	(7)	-	(16,058)
<u>(1)</u>	<u>(8)</u>	<u>(1)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(521)</u>
<u>(2,028)</u>	<u>(15,601)</u>	<u>(1,882)</u>	<u>(1,987)</u>	<u>(498)</u>	<u>24</u>	<u>(1,112,275)</u>
-	-	-	-	39,334	-	39,334
-	-	3,045	-	-	-	3,045
270	1,054	-	164	-	21,605	400,206
24	177	-	34	-	-	3,450
-	-	-	-	-	70	5,085
<u>43</u>	<u>110</u>	<u>-</u>	<u>62</u>	<u>-</u>	<u>70</u>	<u>6,560</u>
<u>337</u>	<u>1,341</u>	<u>3,045</u>	<u>260</u>	<u>39,334</u>	<u>21,745</u>	<u>457,680</u>
(1,460)	(1,083)	(1,964)	527	(2,140)	74	(1,291,759)
<u>13,009</u>	<u>99,974</u>	<u>11,977</u>	<u>12,739</u>	<u>6,630</u>	<u>680</u>	<u>7,059,372</u>
<u>\$ 11,549</u>	<u>\$ 98,891</u>	<u>\$ 10,013</u>	<u>\$ 13,266</u>	<u>\$ 4,490</u>	<u>\$ 754</u>	<u>\$ 5,767,613</u>

STATE OF DELAWARE
COMBINING STATEMENT OF NET ASSETS
INVESTMENT TRUST FUNDS
JUNE 30, 2009
(Expressed in Thousands)

	Delaware Local Government Retirement Investment Pool	Delaware Local Government OPEB Investment Trust	Total Investment Trust Funds
Assets:			
Cash and cash equivalents	\$ 1,913	\$ 480	\$ 2,393
Receivables:			
Accrued interest	76	-	76
Investment sales pending	1,768	-	1,768
Investments, at fair value:			
Domestic fixed income	2,419	9,324	11,743
Domestic equities	4,028	9,358	13,386
Pooled equity and fixed income	7,705	-	7,705
Alternative investments	6,374	-	6,374
Foreign fixed income	567	-	567
Foreign equities	4,267	5,349	9,616
Total assets	29,117	24,511	53,628
Investment purchase payable	1,832	-	1,832
Accrued investment expense	18	9	27
Accrued administrative expenses	-	-	-
Total liabilities	1,850	9	1,859
Net assets:			
Assets held in trust for pension benefits and pool participants	<u>\$ 27,267</u>	<u>\$ 24,502</u>	<u>\$ 51,769</u>

STATE OF DELAWARE
COMBINING STATEMENT OF CHANGES IN NET ASSETS
INVESTMENT TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	Delaware Local Government Retirement Investment Trust Funds	Delaware Local Government OPEB Investment Trust	Total Investment Trust Funds
Additions:			
Contributions:			
Transfer of assets from outside the trust	\$ 5	\$ 3,248	\$ 3,253
Total contributions	<u>5</u>	<u>3,248</u>	<u>3,253</u>
Investments:			
Investment earnings	432	766	1,198
Net increase (decrease) in fair value of investments	<u>(5,504)</u>	<u>(3,157)</u>	<u>(8,661)</u>
Total investment earnings (loss)	(5,072)	(2,391)	(7,463)
Less investment manager/advisor/custody fees	(75)	(20)	(95)
Less investment administrative expenses	<u>(2)</u>	<u>-</u>	<u>(2)</u>
Net investment earnings	<u>(5,149)</u>	<u>(2,411)</u>	<u>(7,560)</u>
Total additions	<u>(5,144)</u>	<u>837</u>	<u>(4,307)</u>
Deductions:			
Transfer of assets outside the trust	<u>4,326</u>	<u>-</u>	<u>4,326</u>
Total deductions	<u>4,326</u>	<u>-</u>	<u>4,326</u>
Change in net assets	<u>(9,470)</u>	<u>837</u>	<u>(8,633)</u>
Net assets - beginning of year	<u>36,737</u>	<u>23,665</u>	<u>60,402</u>
Net assets - end of year	<u>\$ 27,267</u>	<u>\$ 24,502</u>	<u>\$ 51,769</u>

STATE OF DELAWARE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

Child Support Collection	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Assets				
Cash and cash equivalents	\$ 1,350	\$ 286,092	\$ 285,784	\$ 1,658
Investments	-	1,269	1,063	206
Receivables, net	3,781	5,162	5,086	3,857
Total assets	<u>5,131</u>	<u>292,523</u>	<u>291,933</u>	<u>5,721</u>
Liabilities				
Accounts payable	5,131	292,523	291,933	5,721
Total liabilities	<u>5,131</u>	<u>292,523</u>	<u>291,933</u>	<u>5,721</u>
Court Fines and Restitution	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Assets				
Cash and cash equivalents	17,462	20,955	23,870	14,547
Investments	1,655	7,092	5,888	2,859
Receivables, net	30,790	27,317	24,967	33,140
Total assets	<u>49,907</u>	<u>55,364</u>	<u>54,725</u>	<u>50,546</u>
Liabilities				
Accounts payable	49,907	55,364	54,725	50,546
Total liabilities	<u>49,907</u>	<u>55,364</u>	<u>54,725</u>	<u>50,546</u>
All Other Agency Funds	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Assets				
Cash and cash equivalents	11,995	39,545	40,619	10,921
Investments	15,588	21,632	21,805	15,415
Receivables, net	-	-	-	-
Total assets	<u>27,583</u>	<u>61,177</u>	<u>62,424</u>	<u>26,336</u>
Liabilities				
Accounts payable	27,583	61,177	62,424	26,336
Total liabilities	<u>27,583</u>	<u>61,177</u>	<u>62,424</u>	<u>26,336</u>
Totals - All Agency Funds	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Assets				
Cash and cash equivalents	30,807	346,592	350,273	27,126
Investments	17,243	29,993	28,756	18,480
Receivables, net	34,571	32,479	30,053	36,997
Total assets	<u>82,621</u>	<u>409,064</u>	<u>409,082</u>	<u>82,603</u>
Liabilities				
Accounts payable	82,621	409,064	409,082	82,603
Total liabilities	<u>\$ 82,621</u>	<u>\$ 409,064</u>	<u>\$ 409,082</u>	<u>\$ 82,603</u>

STATE OF DELAWARE
 COMBINING BALANCE SHEET
 LOCAL SCHOOL DISTRICT FUNDS
 JUNE 30, 2009
 (Expressed in Thousands)

	Appoquinimink	Brandywine	Caesar Rodney	Cape Henlopen	Capital	Christina	Colonial	Delmar	Indian River	Lake Forest
Assets										
Cash and cash equivalents	\$ 4	\$ 770	\$ 871	\$ 609	\$ 1,135	\$ 141	\$ 280	\$ 32	\$ 620	\$ 405
Investments	13,895	10,040	11,657	22,222	16,502	44,609	29,513	2,066	20,896	8,201
Accounts receivable, net	-	-	-	62	-	211	-	-	-	-
Grants receivable	-	-	-	-	-	-	-	-	-	-
Taxes receivable, net	1,264	1,545	708	1,537	1,124	3,659	2,565	449	3,170	604
Inventories	-	-	-	-	-	-	-	-	-	-
Total assets	15,163	12,355	13,236	24,430	18,761	48,620	32,358	2,547	24,686	9,210
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	754	7,652	662	3,164	970	11,182	4,846	59	3,029	532
Due to general fund	-	-	-	-	-	5,472	-	-	-	-
Deferred revenue	302	1,372	671	1,459	992	3,398	2,351	438	2,995	587
Total liabilities	1,056	9,024	1,333	4,623	1,962	20,052	7,197	497	6,024	1,119
Fund balances (deficit)										
Reserved for:										
Encumbrances	466	1,227	588	605	318	774	1,954	31	859	279
Inventories	-	-	-	-	-	-	-	-	-	-
Unreserved (deficit)	13,641	2,104	11,315	19,202	16,481	27,794	23,207	2,019	17,803	7,812
Total fund balances	14,107	3,331	11,903	19,807	16,799	28,568	25,161	2,050	18,662	8,091
Total liabilities and fund balances	\$ 15,163	\$ 12,355	\$ 13,236	\$ 24,430	\$ 18,761	\$ 48,620	\$ 32,358	\$ 2,547	\$ 24,686	\$ 9,210

STATE OF DELAWARE
 COMBINING BALANCE SHEET - CONTINUED
 LOCAL SCHOOL DISTRICT FUNDS
 JUNE 30, 2009
 (Expressed in Thousands)

	Laurel	Milford	NCC Vo-Tech	Polytech	Red Clay	Seaford	Smyrna	Sussex Co Vo-Tech	Woodbridge	DOE Administration	Totals
Assets											
Cash and cash equivalents	\$ 329	\$ 251	\$ 38	\$ 2	\$ 1,145	\$ 863	\$ 17	\$ 8	\$ 234	\$ -	\$ 7,754
Investments	913	10,503	18,261	5,249	29,162	6,820	10,214	4,916	3,578	9	269,226
Accounts receivable, net	3	-	-	-	-	-	-	370	-	-	646
Grants receivable	-	-	-	-	-	-	-	-	-	-	-
Taxes receivable, net	903	790	1,222	304	2,593	1,655	456	827	1,039	-	26,414
Inventories	-	-	-	-	-	-	-	-	-	-	-
Total assets	2,148	11,544	19,521	5,555	32,900	9,338	10,687	6,121	4,851	9	304,040
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable	334	144	3,274	141	9,168	325	103	806	158	-	47,303
Due to general fund	-	-	-	-	-	-	-	-	-	-	5,472
Deferred revenue	871	757	1,056	280	2,222	1,577	419	1,151	1,004	-	23,902
Total liabilities	1,205	901	4,330	421	11,390	1,902	522	1,957	1,162	-	76,677
Fund balances (deficit)											
Reserved for:											
Encumbrances	24	297	1,805	5	4,310	185	349	42	85	-	14,203
Inventories	-	-	-	-	-	-	-	-	-	-	-
Unreserved (deficit)	919	10,346	13,386	5,129	17,200	7,251	9,816	4,122	3,604	9	213,160
Total fund balances	943	10,643	15,191	5,134	21,510	7,436	10,165	4,164	3,689	9	227,363
Total liabilities and fund balances	\$ 2,148	\$ 11,544	\$ 19,521	\$ 5,555	\$ 32,900	\$ 9,338	\$ 10,687	\$ 6,121	\$ 4,851	\$ 9	\$ 304,040

STATE OF DELAWARE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
LOCAL SCHOOL DISTRICT FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	Appoquinimink	Brandywine	Caesar Rodney	Cape Henlopen	Capital	Christina	Colonial	Delmar	Indian River	Lake Forest
Revenues										
Business taxes										
Real estate taxes	\$ 25,814	\$ 56,344	\$ 8,140	\$ 26,211	\$ 16,521	\$ 79,033	\$ 39,958	\$ 1,353	\$ 30,021	\$ 4,889
Licenses, fees, permits and fines	-	18	-	1,027	-	1	1	-	2	-
Rentals and sales	3,079	1,455	112	111	53	152	86	73	726	1,894
Federal government	-	132	14	59	-	623	-	-	189	-
Interest & other investment income	423	770	221	536	468	1,268	905	61	634	205
Other	1,873	1,945	3,777	1,396	2,055	919	5,608	790	1,843	1,545
Total revenues	31,189	60,664	12,264	29,340	19,097	81,996	46,558	2,277	33,415	8,533
Expenditures										
Education	19,688	53,616	10,052	24,737	13,310	70,520	39,142	1,756	27,933	8,070
Unrestricted payments to component unit - Education	1,237	2,238	205	493	945	4,801	1,865	1	168	108
Total expenditures	20,925	55,854	10,257	25,230	14,255	75,321	41,007	1,757	28,101	8,178
Excess (deficiency) of revenues over expenditures	10,264	4,810	2,007	4,110	4,842	6,675	5,551	520	5,314	355
Other Sources (Uses) of Financial Resource:										
Transfers in	746	3,200	7,572	10,023	2,037	10,903	2,613	639	8,137	1,557
Transfers out	(7,333)	(9,234)	(4,318)	(10,092)	(3,064)	(12,209)	(8,756)	(1,572)	(9,288)	(1,931)
Total other sources (uses) of financial resources	(6,587)	(6,034)	3,254	(69)	(1,027)	(1,306)	(6,143)	(933)	(1,151)	(374)
Net change in fund balances	3,677	(1,224)	5,262	4,041	3,815	5,368	(592)	(413)	4,163	(19)
Fund balances - beginning	10,430	4,555	6,641	15,766	12,984	23,200	25,753	2,463	14,499	8,110
Fund balances - ending	14,107	3,331	11,903	19,807	16,799	28,568	25,161	2,050	18,662	8,091

STATE OF DELAWARE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) - CONTINUED
 LOCAL SCHOOL DISTRICT FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

(Expressed in Thousands,
 (continued))

	Laurel	Milford	NCC Vo-Tech	Polytech	Red Clay	Seaford	Smyrna	Sussex Co Vo-Tech	Woodbridge	DOE Administration	Totals
Revenues											
Business taxes	\$ 2,680	7,093	25,494	3,901	77,298	6,363	6,748	7,027	3,990	-	428,878
Real estate taxes	-	1	-	-	20	-	640	-	839	-	2,549
Licenses, fees, permits and fines	172	91	151	410	1,200	55	53	170	126	-	10,169
Rentals and sales	-	-	-	-	5	-	44	5	-	-	1,071
Federal government	35	366	421	119	801	156	348	124	86	4	7,951
Interest & other investment income	700	1,127	3,174	211	3,202	993	820	963	1,221	(328)	33,834
Other											
Total revenues	3,587	8,678	29,240	4,641	82,526	7,567	8,653	8,289	6,262	(324)	484,452
Expenditures											
Education	2,923	4,742	25,564	3,616	62,366	5,037	4,601	7,059	4,234	-	388,966
Unrestricted payments to component unit - Education	19	33	-	-	-	72	350	-	20	-	12,555
Total expenditures	2,942	4,775	25,564	3,616	62,366	5,109	4,951	7,059	4,254	-	401,521
Excess (deficiency) of revenues over expenditures	645	3,903	3,676	1,025	20,160	2,458	3,702	1,230	2,008	(324)	82,931
Other Sources (Uses) of Financial Resource											
Transfers in	334	646	626	949	5,590	1,344	515	584	374	323	58,712
Transfers out	(1,087)	(3,036)	(1,560)	(285)	(10,895)	(2,210)	(3,131)	(826)	(1,738)	-	(92,565)
Total other sources (uses) of financial resources	(753)	(2,390)	(934)	664	(5,305)	(866)	(2,616)	(242)	(1,364)	323	(33,853)
Net change in fund balances	(108)	1,513	2,742	1,689	14,855	1,592	1,086	988	644	(1)	49,078
Fund balances - beginning	1,051	9,130	12,449	3,445	6,655	5,844	9,079	3,176	3,045	10	178,285
Fund balances - ending	\$ 943	\$ 10,643	\$ 15,191	\$ 5,134	\$ 21,510	\$ 7,436	\$ 10,165	\$ 4,164	\$ 3,689	\$ 9	\$ 227,363



Comprehensive Annual Financial Report
Statistical Section

Statistical Section

This part of the State of Delaware's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

	<u>Pages</u>
Financial Trends Information.....	
These schedules contain trend information to assist the reader in understanding how the State's financial performance and fiscal health have changed over time.	149 - 154
Revenue Capacity Information.....	
These schedules contain information to assist the reader in assessing the State's most significant source of revenue, personal income taxes.	155 - 158
Debt Capacity Information.....	
These schedules present information to assist the reader in assessing the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	159 - 162
Demographic and Economic Information.....	
These schedules offer demographic and economic indicators to assist the reader in understanding the environment in which the State's financial activities take place.	163 - 166
Operating Information.....	
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.	167 - 169

Source: Unless otherwise noted, the information in these schedules is derived from the State's Comprehensive Annual Financial Report for the relevant fiscal year. In fiscal year 2002, the State implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; schedules presenting government-wide information include information beginning in that year. Fund schedules are presented for the last ten years, except where noted.

STATE OF DELAWARE
Net Assets by Component
Last Eight Fiscal Years

(Accrual basis of accounting, expressed in thousands)

	2002	2003	2004	2005	2006	2007	2008 *	2009
Governmental activities								
Invested in capital assets, net of related debt	\$ 680,717	\$ 762,239	\$ 767,977	\$ 983,693	\$ 1,244,073	\$ 1,385,413	\$ 1,515,272	\$ 1,665,199
Restricted	128,930	136,460	148,150	161,050	175,365	182,750	186,430	186,430
Unrestricted	676,829	734,589	1,112,774	1,159,119	1,089,100	1,183,671	884,060	366,597
Total governmental activities net assets	<u>\$ 1,486,476</u>	<u>\$ 1,633,288</u>	<u>\$ 2,028,901</u>	<u>\$ 2,303,862</u>	<u>\$ 2,508,538</u>	<u>\$ 2,751,834</u>	<u>\$ 2,585,762</u>	<u>\$ 2,218,226</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 2,651,025	\$ 2,464,049	\$ 2,561,502	\$ 2,530,183	\$ 2,616,971	\$ 2,653,221	\$ 2,731,901	\$ 2,727,661
Restricted	310,619	256,792	219,844	341,895	358,547	342,263	308,738	202,220
Unrestricted	153,418	299,855	172,428	75,335	76,907	89,806	64,577	56,596
Total business-type activities net assets	<u>\$ 3,115,062</u>	<u>\$ 3,020,696</u>	<u>\$ 2,953,774</u>	<u>\$ 2,947,413</u>	<u>\$ 3,052,425</u>	<u>\$ 3,085,290</u>	<u>\$ 3,105,216</u>	<u>\$ 2,986,477</u>
Primary government								
Invested in capital assets, net of related debt	\$ 3,331,742	\$ 3,226,288	\$ 3,329,479	\$ 3,513,876	\$ 3,861,044	\$ 4,038,634	\$ 4,247,173	\$ 4,392,860
Restricted	439,549	393,252	367,994	502,945	533,912	525,013	495,168	388,650
Unrestricted	830,247	1,034,444	1,285,202	1,234,454	1,166,007	1,273,477	948,637	423,193
Total primary government net assets	<u>\$ 4,601,538</u>	<u>\$ 4,653,984</u>	<u>\$ 4,982,675</u>	<u>\$ 5,251,275</u>	<u>\$ 5,560,963</u>	<u>\$ 5,837,124</u>	<u>\$ 5,690,978</u>	<u>\$ 5,204,703</u>

Source: Delaware Comprehensive Annual Financial Reports (fiscal years 2002-2009)

Note: The State implemented GASB Statement No. 34 in fiscal year 2002. Therefore, ten years of data is not available, but will be accumulated over time

* The State implemented GASB Statement No. 49 during fiscal year 2009. The provisions of GASB Statement No. 49 require the measurement of pollution remediation liabilities at July 1, 2008; therefore, the State's ending net assets for fiscal year 2008 have been restated.

STATE OF DELAWARE
Changes in Net Assets
Last Eight Fiscal Years

(Accrual basis of accounting, expressed in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009
Expenses								
Governmental activities:								
General government	\$ 477,142	\$ 341,054	\$ 339,945	\$ 404,190	\$ 480,490	\$ 513,326	\$ 549,263	\$ 551,390
Health and children's services	1,240,332	1,363,289	1,399,354	1,450,505	1,619,176	1,699,475	1,869,754	1,980,118
Judicial and public safety	389,806	422,921	442,345	477,691	539,365	574,809	640,380	641,296
Natural resources and environmental control	111,443	100,171	113,189	95,622	114,287	173,331	164,446	154,871
Labor	60,650	59,521	61,963	61,360	61,013	74,194	68,172	77,911
Education	1,410,708	1,422,820	1,422,046	1,592,035	1,719,901	1,774,528	2,031,009	2,002,158
Payment to component unit:								
General government	-	10,107	1,952	-	-	-	-	-
Education	-	64,670	73,361	73,279	81,575	89,945	99,969	100,139
Interest	31,576	42,000	50,201	44,003	46,051	50,560	52,224	57,570
Total governmental activities expenses	3,721,657	3,826,553	3,904,356	4,198,685	4,661,858	4,950,168	5,475,217	5,565,453
Business-type activities:								
Lottery	380,084	353,840	357,011	388,062	408,997	424,111	419,223	388,260
Transportation	448,839	505,409	506,351	526,234	485,169	504,466	535,150	602,296
Unemployment	116,538	125,270	114,136	92,284	92,025	108,851	113,955	203,817
Total business-type activities expenses	945,461	984,519	977,498	1,006,580	986,191	1,037,428	1,068,328	1,194,373
Total primary government expenses	4,667,118	4,811,072	4,881,854	5,205,265	5,648,049	5,987,596	6,543,545	6,759,826
Program Revenues								
Governmental activities:								
Charges for services:								
General government	348,378	166,077	131,470	130,493	148,056	223,600	172,093	104,268
Health and children's services	108,695	142,245	138,056	117,708	83,445	110,168	99,438	87,548
Judicial and public safety	41,417	49,809	42,086	55,026	46,762	49,535	53,803	52,681
Natural resources and environmental control	20,662	53,009	36,491	20,806	66,354	56,559	47,374	42,555
Labor	77	4,726	3,241	2,910	-	10,918	-	-
Education	10,450	96,179	76,862	78,577	65,552	40,317	28,235	57,101
Operating grants and contributions	718,815	772,470	894,779	905,737	959,567	1,001,981	1,094,610	1,199,961
Capital grants and contributions	-	-	-	5,000	3,334	1,740	16,142	9,936
Total governmental activities program revenues	1,248,494	1,284,515	1,322,985	1,316,257	1,373,070	1,494,818	1,511,695	1,554,050

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

(Modified accrual basis of accounting, expressed in thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes (1)	\$ 2,141,475	\$ 2,257,952	\$ 2,271,259	\$ 2,352,666	\$ 2,673,622	\$ 2,836,555	\$ 3,187,378	\$ 3,322,523	\$ 3,366,308	\$ 3,238,062
Licenses, fees, permits and fines (9)	733,851	728,414	228,599	241,663	296,238	296,011	319,768	339,347	355,604	356,228
Rentals and sales	118,422	353,747	49,576	43,461	51,793	57,246	51,047	59,547	34,294	37,736
Federal government	790,201	664,263	731,918	775,725	913,880	929,703	976,143	1,016,215	1,111,247	1,220,072
Interest and other investment income	81,843	111,374	58,624	73,911	36,109	35,624	49,577	82,701	84,313	41,140
Other revenues (9)	231,997	153,234	230,241	260,270	295,087	266,657	340,827	313,765	109,385	146,967
Total revenues	4,097,789	4,248,984	3,570,217	3,747,696	4,266,729	4,421,796	4,924,740	5,134,098	5,061,151	5,040,205
Expenditures										
General government (2) (9)	865,673	938,328	466,848	413,096	422,785	503,097	633,784	681,609	568,408	577,079
Health and children's services (3)	1,050,181	1,175,376	1,261,128	1,372,705	1,407,976	1,480,000	1,674,907	1,751,795	1,880,828	1,996,677
Judicial and public safety (4)	372,274	398,293	407,608	410,084	439,640	472,406	543,684	580,707	585,648	572,830
Natural resources and environmental control	128,222	128,272	125,301	116,399	165,960	160,840	192,706	212,296	174,823	157,669
Labor (6)	45,347	49,228	60,572	59,500	62,716	68,156	66,646	66,785	65,656	75,804
Transportation (7)	429,447	293,358	-	-	-	-	-	-	-	-
Education (5)	1,297,611	1,446,986	1,440,044	1,432,937	1,501,237	1,633,834	1,773,371	1,821,210	1,836,092	1,851,336
Payment to Component Unit:										
General government (9)	-	-	8,821	5,927	1,952	-	-	-	-	-
Education (9)	-	-	40,571	68,850	73,361	73,279	81,575	89,945	99,969	100,139
Other (6)	-	-	-	-	-	-	-	-	-	-
Capital outlay (8)	-	-	168,418	189,713	162,154	173,561	223,779	220,635	277,754	270,847
Debt service:										
Principal (7)	115,961	120,281	79,757	84,079	94,522	107,890	113,781	116,617	151,650	142,069
Interest (7)	67,881	70,012	34,134	33,676	39,246	46,160	49,037	50,609	57,673	60,827
Costs of issuance of debt (10)	-	-	-	-	515	533	343	764	415	841
Total expenditures	4,372,597	4,620,134	4,093,202	4,186,966	4,372,064	4,719,756	5,353,613	5,592,972	5,698,916	5,806,118
Revenues over (under) expenditures	(274,808)	(371,150)	(522,985)	(439,270)	(105,335)	(297,960)	(428,873)	(458,874)	(637,765)	(765,913)

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

(Modified accrual basis of accounting, expressed in thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 272,137	\$ 315,386	\$ 341,391	\$ 305,592	\$ 286,755	\$ 314,533	\$ 331,388	\$ 383,719	\$ 369,058	\$ 311,745
Unreserved	640,218	447,175	580,248	643,461	929,157	999,231	1,039,370	956,073	856,479	744,435
Total General Fund	\$ 912,355	\$ 762,561	\$ 921,639	\$ 949,053	\$ 1,215,912	\$ 1,313,764	\$ 1,370,758	\$ 1,339,792	\$ 1,225,537	\$ 1,056,180
All other governmental funds:										
Unreserved, reported in:	\$ 83,388	\$ 121,893	\$ 125,936	\$ 129,226	\$ 178,201	\$ 156,212	\$ 196,502	\$ 224,018	\$ 189,794	\$ 176,122
Federal fund	23,095	8,268	(33,705)	(47,878)	(43,422)	(40,172)	(60,841)	(41,060)	14,000	(15,916)
Local school district fund	112,559	114,232	110,560	101,445	101,361	101,052	74,206	106,083	168,077	213,160
Debt service fund	102,365	107,904	-	-	-	-	-	-	-	-
Capital projects fund	117,096	72,499	(189,822)	(149,345)	(62,942)	(86,660)	(205,898)	(62,353)	(108,940)	(118,479)
Total all other governmental funds	\$ 438,503	\$ 424,796	\$ 12,969	\$ 33,448	\$ 173,198	\$ 130,432	\$ 3,969	\$ 226,688	\$ 262,931	\$ 254,887

Source: Delaware Comprehensive Annual Financial Reports (fiscal years 2000-2009)

Note: The State changed its fund structure when it implemented GASB Statement No. 34 in fiscal year 2002. Prior to fiscal year 2002, the State considered federal and local school district funds to be special revenue funds.

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Farm earnings	\$ 122.1	\$ 183.5	\$ 138.9	\$ 206.4	\$ 242.3	\$ 266.5	\$ 169.0	\$ 210.6	\$ 216.2	\$ 213.0
Agricultural/forestry, fishing and other	28.1	5.0	18.2	20.5	19.2	20.4	20.8	21.7	22.7	26.0
Mining	16.4	N/A	17.7	17.2	22.8	N/A	29.3	32.2	39.4	41.0
Construction/utilities	1,517.5	1,541.0	1,609.5	1,640.4	1,854.8	244.3	2,228.2	2,096.0	2,010.4	1,909.0
Manufacturing	2,640.5	2,420.0	2,466.3	2,756.7	2,747.9	2,661.2	2,881.1	3,115.8	2,873.5	2,747.0
Wholesale trade	842.6	867.2	922.4	1,044.5	1,158.1	1,207.1	1,380.0	1,329.8	1,322.5	1,319.0
Retail trade	1,373.6	1,403.0	1,471.6	1,545.0	1,614.4	1,697.2	1,748.0	1,797.4	1,772.8	1,710.0
Transportation and warehousing	455.6	484.7	477.8	477.7	570.4	579.0	597.1	618.8	616.1	609.0
Information	509.4	524.5	483.5	480.5	477.5	498.7	525.0	553.9	590.5	584.0
Finance, insurance and real estate	2,815.4	3,811.3	3,810.2	3,521.6	4,018.4	4,717.5	4,754.0	4,518.0	4,462.0	4,136.0
Professional and business services	4,191.5	4,263.0	4,309.0	4,295.9	4,637.3	4,766.6	4,988.3	5,192.5	5,517.5	5,416.0
Education and health services	1,961.6	2,117.2	2,267.3	2,429.1	2,657.6	2,865.8	3,010.7	3,250.4	3,531.5	3,671.0
Entertainment, accommodation, food service	736.5	734.9	789.5	828.6	887.2	924.0	977.5	1,018.7	1,043.9	1,034.0
Federal, civilian	372.7	372.6	382.4	375.8	408.9	417.4	438.3	472.8	493.7	509.0
Military	276.1	297.2	371.0	439.4	458.2	469.6	442.4	467.5	515.6	564.0
State and local government	2,102.9	2,194.7	2,456.5	2,549.6	2,729.3	2,936.1	3,111.7	3,254.9	3,310.5	3,350.0
Other	4,314.5	4,272.6	4,538.1	4,511.2	4,826.6	4,738.8	5,645.7	6,623.7	7,328.6	7,612.0
Total personal income	\$ 24,277.0	\$ 25,492.4	\$ 26,529.9	\$ 27,140.1	\$ 29,330.9	\$ 29,010.2	\$ 32,947.1	\$ 34,574.7	\$ 35,667.4	\$ 35,450.0

Source: U.S. Bureau of Economic Analysis, U.S. Department of Commerce

Notes: Other includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

All amounts were updated with most current amount totals as of October 12, 2009.

Fiscal Year 2009 totals were rounded by source.

Fiscal Years 2001, 2003, and 2005 amounts do not foot.

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

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Personal Income Tax Revenue (1)	\$732.8	\$718.3	\$713.8	\$711.3	\$782.4	\$878.2	\$1,013.2	\$1,012.7	\$1,008.5	\$914.5
Personal Income (2)	\$24,277.0	\$25,492.4	\$26,529.9	\$27,140.1	\$29,330.9	\$29,010.2	\$32,947.1	\$34,574.7	\$35,667.4	\$35,450.0
Average Effective Rate (3)	3.02%	2.82%	2.69%	2.62%	2.67%	3.03%	3.08%	2.93%	2.83%	2.58%

Tax Rates on the Portion of Taxable Income in Ranges

Tax Year	2000-2009	2000-2009	2000-2009	2000-2009	2000-2009	2000-2009	2000-2009	2000-2009
Tax Rate	0.0%	2.2%	3.9%	4.8%	5.2%	5.55%	5.95%	5.95%
Income Bracket (in thousands)	\$0-2	\$2-5	\$5-10	\$10-20	\$20-25	\$25-60	\$60+	\$60+

As an example, for tax years 2000-2009, a taxable income over \$60,000, pays a tax of \$2,943.50 plus 5.95% of the taxable income in excess of \$60,000.

Sources: Delaware Division of Revenue state tax tables
 Bureau of Economic Analysis, Department of Commerce

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. All amounts were updated with most current data totals as of October 12, 2009.
 (3) The total direct rate for personal income is not available. Average effective rate equals personal income tax revenue divided by personal income

State of Delaware
 Personal Income Tax Filers and Liability by Income Level
 Calendar Year 2007 and Nine Years Prior

Taxpayer Percentile	Tax Year 1998					Tax Year 2007				
	Delaware AGI		Liability Net of Credits		Number of Filers	Delaware AGI		Liability Net of Credits		Percentage of Total
	Average DE AGI	Percentage of Total	Total Liability	Percentage of Total		Average DE AGI	Percentage of Total ⁽¹⁾	Total Liability		
From: 0	44,558	3,269	0.8%	0	0.0%	50,259	3,885	0.7%	86,028	0.1%
10	44,558	8,151	2.1%	477,835	0.1%	50,260	10,414	1.9%	1,990,134	0.2%
20	44,558	13,168	3.4%	9,129,924	1.3%	50,259	17,041	3.2%	8,673,233	0.9%
30	44,558	18,225	4.7%	20,465,811	2.8%	50,260	23,695	4.4%	18,970,023	2.1%
40	44,559	23,425	6.0%	31,606,969	4.3%	50,259	30,432	5.7%	33,594,641	3.6%
50	44,558	29,029	7.5%	44,282,444	6.1%	50,260	37,902	7.1%	50,668,807	5.5%
60	44,558	35,654	9.2%	59,352,473	8.1%	50,260	46,877	8.7%	69,484,145	7.5%
70	44,558	44,054	11.3%	78,699,770	10.8%	50,259	58,934	11.0%	93,866,832	10.2%
80	44,558	57,616	14.8%	110,569,875	15.2%	50,260	78,590	14.7%	134,417,487	14.6%
90	22,280	80,699	10.4%	83,327,504	11.4%	25,130	111,561	10.4%	105,325,308	11.4%
95	17,823	133,533	13.7%	123,575,064	17.0%	20,104	191,351	14.3%	165,356,271	17.9%
99	4,457	626,657	16.1%	167,082,284	22.9%	5,027	957,811	17.9%	239,832,869	26.0%
			100.0%		100.0%			100.0%		100.0%

Source: Delaware Division of Revenue

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

⁽¹⁾ Percentage of total is that of Delaware AGI by class for tax year 2007 forward.

STATE OF DELAWARE
Franchise Taxes
Last Ten Calendar Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Franchise tax (in millions)	\$ 471.5	\$ 533.6	\$ 492.5	\$ 448.2	\$ 515.8	\$ 508.1	\$ 524.8	\$ 539.7	\$ 566.3	\$ 574.2
Number of filers	241,029	254,538	240,618	243,564	240,304	239,106	239,824	231,376	233,447	219,808
Average amount per filer	\$ 1,956.2	\$ 2,096.3	\$ 2,046.8	\$ 1,840.2	\$ 2,146.4	\$ 2,125.0	\$ 2,188.3	\$ 2,332.6	\$ 2,425.8	\$ 2,609.7

Authorized Share Method	Tax Year 2000-2002	Tax Year 2003-2007	Tax Year 2008-2009
3,000 shares or less, minimum tax	\$30.00	\$35.00	\$75.00
3,001-5,000 shares	\$50.00	\$62.50	\$75.00
5,001-10,000 shares	\$90.00	\$112.50	\$150.00
Each additional 10,000 shares, add	\$50.00	\$62.50	\$150.00
Maximum yearly tax	\$150,000	\$165,000	\$165,000

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 is \$350.

Sources: Secretary of State, Delaware Division of Corporations
Department of Finance, Revenue by Category

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Governmental Activities										
General obligation bonds	\$ 738,176	\$ 653,701	\$ 709,958	\$ 854,262	\$ 1,012,544	\$ 1,026,947	\$ 1,045,166	\$ 1,307,487	\$ 1,373,212	\$ 1,467,143
Revenue bonds	940	515	408	-	-	4,754	3,746	4,882	8,563	3,006
Notes payable	-	-	-	-	-	-	-	-	-	-
Total governmental activities	739,116	654,216	710,366	854,262	1,012,544	1,031,701	1,048,912	1,312,369	1,381,775	1,470,149
Business-type Activities										
General obligation bonds	669,685	634,385	675,735	863,145	815,505	861,710	953,265	3,383	2,783	2,107
Revenue bonds	-	-	-	-	-	40,000	-	1,018,815	992,636	1,142,613
Notes payable	-	-	-	-	-	-	-	-	-	-
Total business-type activities	669,685	634,385	675,735	863,145	815,505	901,710	953,265	1,022,198	995,419	1,144,720
Total primary government	\$ 1,408,801	\$ 1,288,601	\$ 1,386,101	\$ 1,717,407	\$ 1,828,049	\$ 1,933,411	\$ 2,002,177	\$ 2,334,567	\$ 2,377,194	\$ 2,614,869
Personal income	\$24,276,962	\$25,537,078	\$26,529,967	\$27,395,308	\$29,330,872	\$30,851,637	\$32,947,056	\$34,574,839	\$35,667,454	\$35,450,000
Debt as a percentage of personal income	5.80%	5.05%	5.22%	6.27%	6.23%	6.27%	6.08%	6.75%	6.66%	7.38%
Population	786	795	806	818	830	844	853	864	873	N/A
Amount of debt per capita (expressed in thousands)	\$1,791	\$1,620	\$1,720	\$2,100	\$2,202	\$2,292	\$2,347	\$2,702	\$2,723	N/A

Sources: Personal Income - U.S. Bureau of Labor Statistics
Population - U.S. Department of Commerce

Notes: Details regarding the State's outstanding debt can be found in the notes to the financial statements.
Personal income information has been updated for prior years to adjust for tax returns received.
N/A - Data is not available at this time.

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Estimated General Fund Revenue	\$ 2,213.1	\$ 2,348.2	\$ 2,364.5	\$ 2,364.8	\$ 2,514.0	\$ 2,765.1	\$ 3,006.4	\$ 3,274.3	\$ 3,366.1	\$ 3,147.0
Projected New Tax-Supported Debt Authorizations (5%)	\$ 110.7	\$ 117.2	\$ 118.2	\$ 118.2	\$ 125.7	\$ 138.3	\$ 150.3	\$ 163.8	\$ 168.3	\$ 157.4

Source: Delaware House of Representatives 145th General Assembly

Notes:

There is no constitutional debt limit for the State.

In 1991, the General Assembly passed legislation to replace prior statutory debt limits with 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 1.5% 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 Eight Fiscal Years
(Expressed in Millions)

	2002	2003	2004	2005	2006	2007	2008	2009
General obligation debt supported by budgetary general fund revenue								
State facilities	\$ 415.8	\$ 482.1	\$ 490.6	\$ 428.3	\$ 373.8	\$ 360.9	\$ 334.1	\$ 343.2
School facilities (state share)	124.3	124.2	247.1	260.6	264.8	464.0	522.5	608.7
Miscellaneous	3.4	4.2	-	-	-	-	-	-
Subtotal	543.5	610.5	737.7	688.9	638.6	824.9	856.6	951.9
General obligation debt supported by budgetary special fund revenue								
Highway and other transportation improvements	5.2	3.3	3.7	4.8	4.2	3.4	2.8	2.1
School facilities (local share)	158.8	240.2	270.6	332.6	401.8	482.1	516.2	514.9
Housing authority loans	2.4	0.3	0.6	0.6	0.6	0.5	0.4	0.4
Subtotal	166.4	243.8	274.9	338.0	406.6	486.0	519.4	517.4
Total general obligation debt outstanding	\$ 709.9	\$ 854.3	\$ 1,012.6	\$ 1,026.9	\$ 1,045.2	\$ 1,310.9	\$ 1,376.0	\$ 1,469.3
Population (in thousands)	806	818	830	844	853	864	873	N/A
Debt per capita (in thousands)	0.88	1.04	1.22	1.22	1.23	1.52	1.58	N/A

Source: State Treasurer's Office

Notes: This table reflects the portion of general obligation debt supported by budgetary general fund and budgetary special fund revenue.

Population and Debt per capita line added to conform to GFOA comments and suggestions.

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

The State implemented GASB Statement No. 34 in fiscal year 2002. Therefore, ten years of data is not available, but will be accumulated over time.

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenue Bonds - DelDOT										
Revenue - Turnpike and Motor Vehicles	\$ 284,167	\$ 299,962	\$ 297,894	\$ 298,536	\$ 314,205	\$ 324,962	\$ 337,350	\$ 346,954	\$ 381,590	\$ 367,399
Debt Service:										
Principal	\$ 35,330	\$ 35,315	\$ 39,565	\$ 41,490	\$ 47,640	\$ 53,920	\$ 58,445	\$ 61,370	\$ 67,640	\$ 73,510
Interest	30,809	37,537	35,269	44,957	38,176	39,370	40,573	45,534	46,210	43,619
Debt Service Requirements	\$ 66,139	\$ 72,852	\$ 74,834	\$ 86,447	\$ 85,816	\$ 93,290	\$ 99,018	\$ 106,904	\$ 113,850	\$ 117,129
Coverage	4.30	4.12	3.98	3.45	3.66	3.48	3.41	3.25	3.35	3.14
Revenue Bonds - DSU										
Revenue - Student tuition and fees	\$ 29,899	\$ 28,858	\$ 32,170	\$ 34,504	\$ 39,191	\$ 43,695	\$ 50,551	\$ 51,836	\$ 56,381	\$ 57,036
Less: Operating expenses	(14,757)	(14,689)	(15,447)	(20,992)	(24,104)	(26,227)	(32,089)	(40,683)	(41,855)	(41,224)
Net available revenue	\$ 15,142	\$ 14,169	\$ 16,723	\$ 13,512	\$ 15,087	\$ 17,468	\$ 18,462	\$ 11,153	\$ 14,526	\$ 15,812
Debt Service:										
Principal	280	785	965	990	1,653	1,617	2,078	1,440	1,480	1,585
Interest	584	761	649	622	737	763	505	2,279	2,814	4,381
Debt Service Requirements	\$ 864	\$ 1,546	\$ 1,614	\$ 1,612	\$ 2,390	\$ 2,380	\$ 2,583	\$ 3,719	\$ 4,294	\$ 5,966
Coverage	17.53	9.16	10.36	8.38	6.31	7.34	7.15	3.00	3.38	2.65
Revenue Bonds - DSHA										
Gross Revenues	\$ 94,532	\$ 68,718	\$ 151,538	\$ 103,713	\$ 150,211	\$ 89,697	\$ 81,632	\$ 82,689	\$ 134,059	\$ 144,322
Less: Operating expenses	(2,015)	(1,864)	(2,030)	(6,355)	(1,794)	(1,995)	(1,137)	(660)	(849)	(962)
Net available revenue	\$ 92,517	\$ 66,854	\$ 149,508	\$ 97,358	\$ 148,417	\$ 87,702	\$ 80,495	\$ 82,029	\$ 133,210	\$ 143,360
Debt Service:										
Principal	44,427	42,460	107,463	66,189	128,665	73,964	58,956	51,517	84,578	79,687
Interest *	24,513	24,535	23,868	22,597	18,929	16,163	18,120	28,791	45,172	52,251
Debt Service Requirements	\$ 68,940	\$ 66,995	\$ 131,331	\$ 88,786	\$ 147,594	\$ 90,127	\$ 77,076	\$ 80,308	\$ 129,750	\$ 131,938
Coverage	1.34	1.00	1.14	1.10	1.01	0.97	1.04	1.02	1.03	1.09

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

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

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

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

STATE OF DELAWARE
Demographic and Economic Statistics
Last Ten Calendar Years
(Expressed in Thousands, unless otherwise stated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Population										
State	775	786	796	806	818	830	844	853	864	873
Percentage change	1.6%	1.4%	1.3%	1.3%	1.5%	1.5%	1.7%	1.1%	1.3%	1.0%
National	279,040	282,193	285,108	287,985	290,850	293,657	296,410	299,398	301,621	304,060
Percentage change	1.2%	1.1%	1.0%	1.0%	1.0%	1.0%	0.9%	1.0%	0.7%	0.8%
Total personal income										
State (in millions)	\$22,530.4	\$24,277.0	\$25,492.4	\$26,529.9	\$27,140.1	\$29,330.9	\$29,010.2	\$32,947.1	\$34,574.7	\$35,667.4
Percentage change	3.9%	7.8%	5.0%	4.1%	2.3%	8.1%	-1.1%	13.6%	4.9%	3.2%
National (in billions)	\$7,906	\$8,555	\$8,879	\$9,055	\$9,369	\$9,929	\$10,477	\$11,257	\$11,880	\$12,226
Percentage change	5.1%	8.2%	3.8%	2.0%	3.5%	6.0%	5.5%	7.4%	5.5%	2.9%
Per capita personal income										
State	\$29,072	\$30,871	\$32,142	\$33,007	\$33,644	\$35,523	\$36,793	\$38,745	\$40,112	\$40,852
Percentage change	2.3%	6.2%	4.1%	2.7%	1.9%	5.6%	3.6%	5.3%	3.5%	1.8%
National	\$28,333	\$30,318	\$31,149	\$31,470	\$32,284	\$33,899	\$35,447	\$37,728	\$39,430	\$40,208
Percentage change	3.9%	7.0%	2.7%	1.0%	2.6%	5.0%	4.6%	6.4%	4.5%	2.0%
Resident civilian labor force and employment										
Civilian labor force	401,100	416,500	418,700	420,500	424,500	428,900	438,000	440,300	442,700	442,902
Employed	387,800	402,800	404,100	403,800	406,700	411,600	419,500	424,500	427,800	421,838
Unemployed	13,300	13,700	14,600	16,700	17,800	17,300	18,500	15,800	14,900	21,064
Unemployment rate	3.3%	3.3%	3.5%	4.0%	4.2%	4.0%	4.2%	3.6%	3.4%	4.8%

Sources: U.S. Department of Commerce, Bureau of Economic Analysis
Delaware Department of Labor

Note: All amounts were updated with most current amount totals as of October 12, 2009.

STATE OF DELAWARE
Largest Private Employers
Latest Completed Calendar Year and Nine Years Prior

	1998			2006		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
MBNA America Bank	10,900	2	2.98%			
Bank of America				9,117	1	2.06%
E. I. duPont	12,950	1	3.54%	8,869	2	2.00%
Christina Care, Inc	5,500	3	1.50%	7,289	3	1.66%
J.P. Morgan Chase & Co.				5,147	4	1.16%
AstraZeneca, Inc.	2,800	5	0.77%	4,759	5	1.07%
Wal-Mart Inc.				3,932	6	0.89%
Mountaineer Farms of Delmarva				3,513	7	0.79%
Dover Downs				2,929	8	0.66%
Alfred I. duPont Institute				2,745	9	0.62%
Perdue Farms, Inc	2,300	8	0.63%	2,672	10	0.60%
Chrysler Corporation	3,000	4	0.82%			
General Motors	2,700	6	0.74%			
Wilmington Trust Company	2,500	7	0.68%			
First USA Bank	1,900	10	0.52%			
Connectiv Power Delivery	2,200	9	0.60%			
Total	46,750		12.78%	50,972		11.51%

Source: Delaware Department of Labor

Note: Fiscal year 2006 is the most recent data available.

STATE OF DELAWARE
Largest Public Employers
Latest Completed Calendar Year and Nine Years Prior

	1998			2006		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
State of Delaware (Non-Education)	17,100	1	4.67%	18,855	1	4.44%
University of Delaware	5,138	2	1.40%	5,566	2	1.31%
Christina School District	2,857	3	0.78%	3,097	3	0.73%
U.S. Postal Service	2,051	4	0.56%	2,198	4	0.52%
Red Clay School District	1,996	5	0.55%	2,014	5	0.47%
New Castle County Government	1,927	6	0.53%	1,981	6	0.47%
Delaware Technical and Community College	1,263	9	0.35%	1,639	7	0.39%
Brandywine School District	1,703	7	0.47%	1,585	8	0.37%
U.S. Department of Defense	1,141	10	0.31%	1,437	9	0.34%
Colonial School District	1,383	8	0.38%	1,268	10	0.30%
Total	36,559		10.00%	39,640		9.34%

Source: Delaware Department of Labor

Note: Fiscal year 2006 is the most recent data available.

STATE OF DELAWARE
State Employees by Function
Last Eight Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009
Full-Time Employees								
General Government	1,868	1,850	1,885	1,956	1,989	2,162	2,170	2,201
Health and Children's Services	5,895	5,536	5,552	5,770	5,888	6,000	6,113	5,761
Judicial and Public Safety	5,433	5,133	5,121	5,164	5,325	5,517	5,849	5,496
Natural Resources and Environmental Control	1,200	1,174	1,221	1,238	1,293	1,348	855	1,302
Transportation	1,618	1,793	1,839	1,950	1,997	1,994	1,843	1,997
Department of Labor	469	455	470	457	426	439	516	454
Education	15,075	15,259	15,538	15,940	16,493	16,555	16,655	16,530
State total	31,558	31,200	31,626	32,475	33,411	34,015	34,001	33,741

Source: Delaware Payroll Human Resources Statewide Technology System

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

The State implemented GASB Statement No. 34 in fiscal year 2002. Therefore, ten years of data is not available, but will be accumulated over time.

STATE OF DELAWARE
Operating Indicators by Function
Last Seven Fiscal Years

Department/Agency	2003	2004	2005	2006	2007	2008	2009
Children, Youth and Their Families							
Number of Youths in Care	7,949	8,130	7,885	8,882	9,129	8,115	7,532
Corrections							
Average Daily Inmate Population	6,568	6,672	6,655	6,837	7,088	7,156	7,018
Department of Natural Resources and Environmental Control							
Number of visitors to State Parks	N/A	N/A	5,341,852	4,556,931	5,513,777	4,812,961	4,650,000
Education							
Public School Enrollment, Grades K-12	116,288	117,777	119,109	120,491	121,856	123,615	125,430
Delaware State University - Students enrolled	3,367	3,270	3,270	3,722	3,690	3,756	3,534
Delaware Technical & Community College - enrolled	17,501	18,783	19,462	19,593	19,565	20,349	19,976
Health and Social Services							
Medicaid eligibles	118,775	130,411	136,885	142,515	143,386	148,827	156,266
Prescription assistance program	5,150	5,837	6,609	9,065	8,515	7,003	6,267
Childcare caseloads	13,334	13,813	13,926	14,769	15,039	14,009	13,549
Client visits to Service Centers	610,190	538,503	612,170	406,487	441,196	452,554	605,991
Judicial							
Court of Common Pleas - filings	82,719	87,834	85,867	90,964	99,345	128,372	136,631
Superior Court - civil case filings	10,696	10,922	10,878	11,041	12,869	13,177	14,137
Labor							
Workers' compensations petitions filed	6,609	7,031	7,488	7,619	7,414	7,545	8,196
Safety and Homeland Security							
Number of criminal histories requested	29,027	29,770	38,382	35,263	37,321	38,289	37,384
Calls to 911 centers	209,388	617,769	346,044	605,194	395,701	434,562	596,691
Transportation							
Licensed Drivers	591,713	604,124	614,410	619,877	622,027	632,304	636,580
Registered Motor Vehicles	778,016	803,942	821,716	847,692	862,473	871,010	845,802
Bus Ridership - Fixed Routes	7,493,214	7,792,570	8,052,452	8,472,093	8,313,800	8,628,149	9,146,869
Train Ridership - Newark to Philadelphia	732,210	783,663	838,578	974,890	1,028,631	1,073,296	1,137,709

Source: Delaware Office of Management and Budget

Notes: Transportation - Licensed drivers and registered motor vehicles are tracked on a calendar year.
N/A - Data is not available at this time.
Ten years of data is not available, but will be accumulated over time.

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

	2003	2004	2005	2006	2007	2008	2009
General Government							
Acres of farmland permanently preserved	5,886	5,360	2,770	3,216	1,094	2,948	2,896
Health and Children's Services							
Hospitals	5	5	5	5	5	6	6
Service centers	14	14	14	14	14	15	15
Natural Resources and Environmental Control							
Acres of wildlife habitat actively managed	6,817	6,910	7,250	7,975	8,911	8,150	8,557
Transportation							
Centerline miles	4,464	4,464	4,453	4,454	4,454	4,447	N/A
Centerline miles rated good	3,459	3,296	3,070	3,055	3,071	3,007	N/A
Number of bridges	1,360	1,371	1,374	1,417	1,457	1,509	N/A
Structural rating of good	1,012	1,029	1,048	1,112	1,131	1,118	N/A
Square feet of bridge deck	7,145,202	7,163,000	7,241,809	7,267,932	7,289,913	7,311,730	N/A
Square feet of bridge deck rated good	6,932,464	6,731,463	6,808,227	6,860,141	6,809,939	6,799,842	N/A
National Guard							
Number of armory facilities	15	14	14	14	14	13	12
Education							
Local school districts							
Number of elementary schools	101	102	102	105	105	108	102
Number of middle schools	31	33	33	35	35	36	38
Number of high schools	29	29	31	33	33	32	31
Number of special schools	14	14	14	14	14	14	13
Number of administration buildings	19	19	19	19	19	19	20

Source: Delaware Department of Transportation

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

Ten years of data is not available, but will be accumulated over time.

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

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Buildings										
General Government	\$ 279,788	\$ 399,497	\$ 163,140	\$ 332,079	\$ 344,179	\$ 373,127	\$ 405,941	\$ 444,439	\$ 460,711	\$ 459,906
Health and Children's Services	71,777	64,363	61,733	29,329	123,800	145,342	149,535	151,888	158,691	190,450
Judicial and Public Safety	144,242	193,957	181,777	311,261	349,902	350,393	353,106	353,315	358,662	359,135
Natural Resources and Environmental Control	2,364	3,851	4,032	6,180	6,521	7,522	10,892	23,773	27,538	29,149
Transportation	43,271	56,332	50,658	51,971	53,415	60,820	54,857	55,051	77,471	89,564
Education	513,131	576,096	615,108	758,520	946,668	1,162,450	1,251,807	1,479,998	1,705,323	1,890,709
Other (1)	50,772	-	-	-	-	-	-	-	-	-
Total Buildings	\$ 1,105,345	\$ 1,294,096	\$ 1,076,448	\$ 1,489,340	\$ 1,824,485	\$ 2,099,654	\$ 2,226,138	\$ 2,508,464	\$ 2,788,396	\$ 3,018,913
Land and Land Improvements										
General Government	\$ 25,513	\$ 44,486	\$ 110,247	\$ 113,283	\$ 139,444	\$ 171,809	\$ 184,916	\$ 211,040	\$ 252,200	\$ 274,853
Health and Children's Services	3,542	3,333	2,436	753	3,894	10,282	10,620	11,469	11,993	13,667
Judicial and Public Safety	483	14,358	13,454	11,430	22,502	25,521	25,521	26,102	25,971	25,971
Natural Resources and Environmental Control	155,832	184,224	192,378	213,635	239,717	263,703	284,814	300,525	309,158	323,370
Transportation	5,834	13,949	11,230	11,230	113,673	164,703	211,272	206,411	222,986	249,775
Education	28,698	33,158	45,219	47,775	47,214	60,491	64,374	75,910	84,728	100,968
Other (1)	24,925	-	-	-	-	-	-	-	-	-
Total Land and Land Improvements	\$ 244,827	\$ 293,508	\$ 374,964	\$ 398,106	\$ 566,444	\$ 696,509	\$ 781,517	\$ 831,457	\$ 907,036	\$ 988,604
Equipment and Vehicles										
General Government	\$ 20,073	\$ 27,073	\$ 25,442	\$ 25,947	\$ 32,084	\$ 36,248	\$ 38,801	\$ 33,825	\$ 34,380	\$ 26,339
Health and Children's Services	11,254	11,517	12,614	6,065	14,385	13,740	14,639	18,209	19,684	20,876
Judicial and Public Safety	24,683	26,871	27,087	29,457	31,693	33,825	33,761	37,183	34,091	33,488
Natural Resources and Environmental Control	11,148	12,173	12,673	14,005	15,467	18,445	19,963	21,035	21,500	21,412
Transportation	126,052	130,930	143,377	152,567	149,831	158,779	161,945	179,466	218,606	220,630
Labor (1)	-	830	807	807	715	730	712	875	875	806
Education	54,964	54,362	46,430	43,325	46,326	50,422	49,955	56,486	60,185	63,787
Other (1)	7,956	-	-	-	-	-	-	-	-	-
Total Equipment and Vehicles	\$ 256,130	\$ 263,756	\$ 268,430	\$ 272,173	\$ 290,501	\$ 312,189	\$ 319,776	\$ 347,079	\$ 389,321	\$ 387,338
Infrastructure										
Transportation (2)			\$ 3,201,814	\$ 3,226,811	\$ 3,157,072	\$ 3,201,817	\$ 3,255,998	\$ 3,283,783	\$ 3,345,399	\$ 3,385,364

Source: Delaware Department of Finance

Notes: (1) "Other" summarizes capital assets of the following departments: Labor, Agriculture, Elections, Fire Prevention, the National Guard and the Advisory Council of Exceptional Citizens. Effective with fiscal year category "Other" was eliminated and the departments were grouped with similar or related functions.

(2) Reflects changes as a result of GASB Statement No. 34. Information regarding Infrastructure can be found in the Required Supplementary Information contained on page 128. 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.



STATE OF DELAWARE
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009 • DOC. ID# 25-05-09-12-01