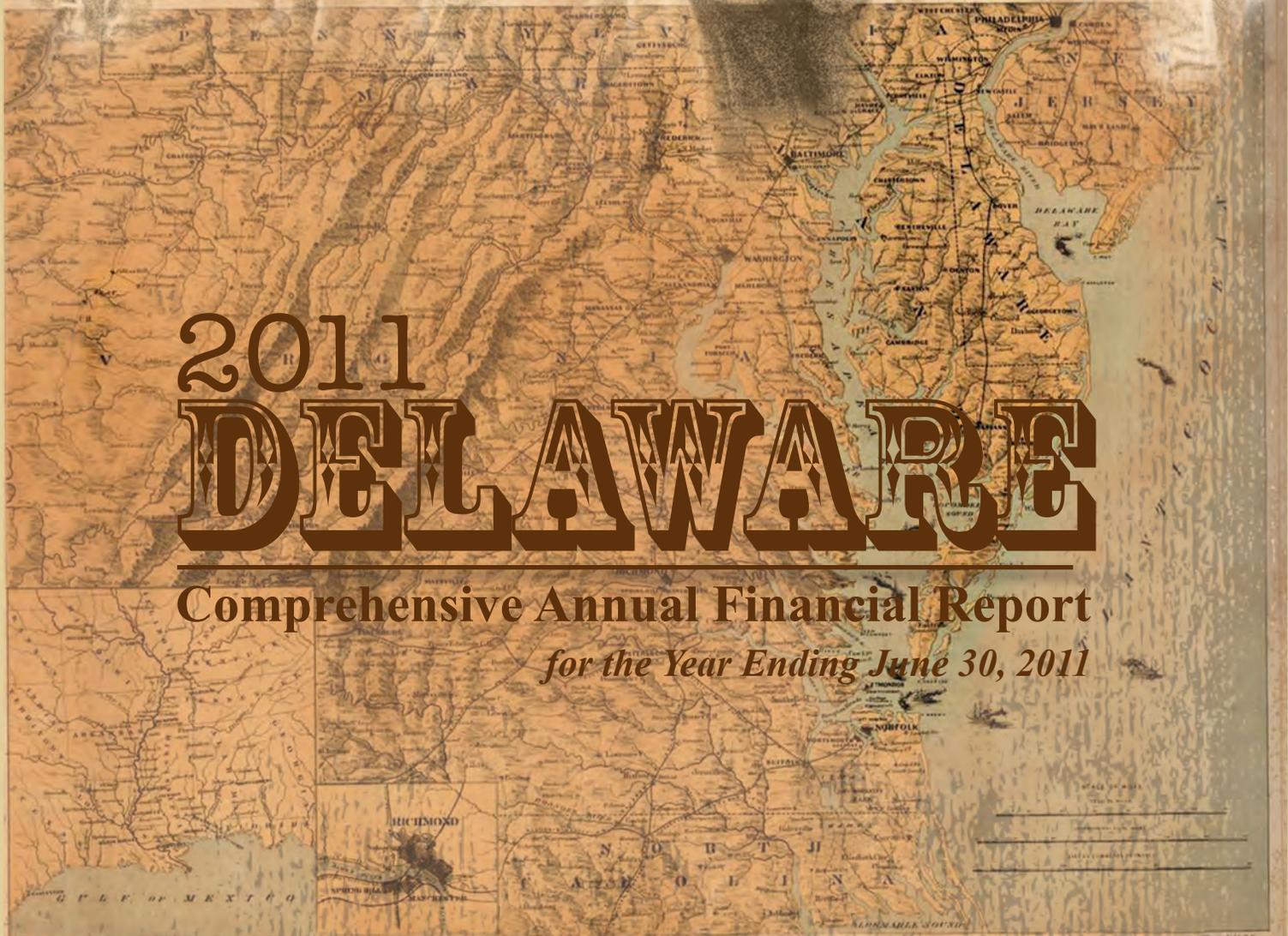


THE SEAT OF WAR



2011 DELAWARE

Comprehensive Annual Financial Report
for the Year Ending June 30, 2011

BIRDS EYE VIEW

OF VIRGINIA, MARYLAND, DELAWARE AND THE DISTRICT OF COLUMBIA.

NEW YORK Published by W. SCHAUS 629 Broadway.

PARIS, Francois Delarue

LONDON, H. Graves & Co



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

To the People of Delaware
and the Honorable Members of the
146th General Assembly:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the State of Delaware for the fiscal year ended June 30, 2011. The CAFR includes the State's Basic Financial Statements, prepared in conformity with generally accepted accounting principles and audited by the independent firm of KPMG LLP. This all-inclusive financial report, designed to assess the financial health of the State, accommodates the information needs of investors, policymakers, legislators and, especially, taxpayers.

Delaware's financial health can be measured by its credit rating. I am proud to say that Delaware's credit rating remains among the highest in the nation. While eight states continue to be rated triple-A by all three major rating agencies, Moody's Investor Service, Fitch Ratings and Standard & Poor's, Delaware is one of only six states that have not been affected by the federal government's downgrade.

Please review the financial statements and disclosures on the following pages.

Sincerely,

A handwritten signature in blue ink, appearing to read 'JdM'.

Jack A. Markell
Governor

State of Delaware

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

Jack A. Markell
Governor

Thomas J. Cook
Secretary, Department of Finance

Kristopher E. Knight, CPA
Director, Division of Accounting

Prepared by the Department of Finance, Division of Accounting

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

Acknowledgments

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

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State Accountant IV

Candice D. McMillan, MBA, 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, 2011
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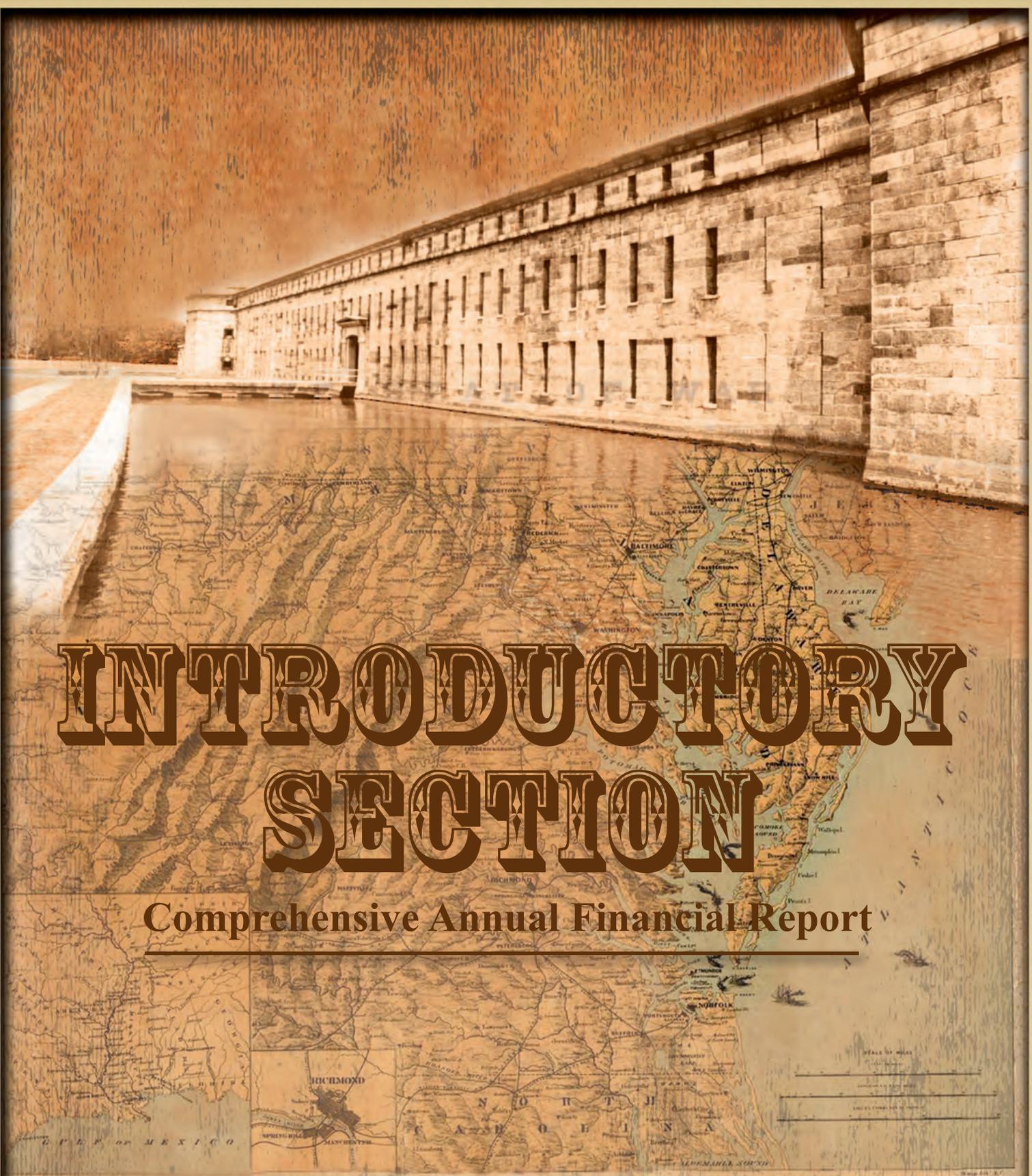
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INTRODUCTORY SECTION

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PARIS, François Delaune



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

**THOMAS J. COOK
SECRETARY OF FINANCE**

February 6, 2012

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

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the State of Delaware (the State) for the fiscal year ended June 30, 2011. This report has been prepared in accordance with U.S. generally accepted accounting principles (GAAP) applicable to state and local governments, as prescribed by the Governmental Accounting Standards Board (GASB). The State continues to follow the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for the form and content of government financial reports and participates in the GFOA's program for the Certificate of Achievement for Excellence in Financial Reporting.

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

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

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

PROFILE OF THE GOVERNMENT

The State is located on the eastern seaboard of the United States and is bordered by the Atlantic Ocean, the Delaware Bay and the states of New Jersey, Pennsylvania and Maryland. The State is 96 miles long and has a land area of 1,955 square miles. Over 897,000 people reside here. As the first state to ratify the United States Constitution on December 7, 1787, The State of Delaware is known as "The First State." The structure of the State's government, which is similar to other states, consists of three branches

that operate through a system of checks and balances. The executive branch is comprised of the Governor, Lt. Governor, State Treasurer, State Auditor, Attorney General and Insurance Commissioner. The legislative branch is bicameral and consists of a 21-member Senate and a 41-member House of Representatives. The judicial branch includes the Supreme Court, Superior Court, Court of Chancery, and other courts.

The State's reporting entity reflected in the CAFR, which is described more fully in Note 1 to the basic financial statements, conforms to the requirements of GASB Statement No. 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 33 members, appointed by the Governor, from the executive and legislative branches of State government and the private sector.

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

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

ECONOMIC CONDITION AND OUTLOOK

Since fiscal year 2004, the State's economic performance has largely mirrored national trends, although the State's income growth and employment growth has slightly lagged the U.S. growth rates. While the State's ties to the national economy are unmistakable, throughout the recent business cycle, the State consistently posted lower unemployment rates than the United States.

The State'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 recent industry turmoil. Despite this uncertainty, the State's major employers, Bank of America, JP Morgan Chase and Barclays Bank, for example, continue to maintain a major presence in the State and demonstrate the State's importance as a financial center. Most recently, Capital One has announced plans to add approximately 500 jobs in the State of Delaware by 2013.

The State's long-established manufacturing sectors, automobiles and fibers, have also suffered as a result of the worst economic downturn since World War II. In response to these setbacks, however, the State has made important strides to reinvigorate and modernize its manufacturing base. In June 2010, PBF Energy Partners marked final settlement on its \$220 million acquisition of the former Valero refinery in Delaware City. The plant, reopened in June 2011, is providing work for approximately 700 people. Fisker Automotive's purchase of the State's former General Motors assembly plant has given the facility new life. Fisker is expected to invest \$175 million in the facility in order to produce the Nina, a family sedan that will feature a plug-in hybrid powertrain. Fisker expects to begin production hiring in 2012 with full production the following year. In June 2011, Bloom Energy announced its intention to construct a new manufacturing facility on the site of the State's former Chrysler assembly plant. Expected to begin operations in late 2012, the electricity producing fuel cell manufacturer is expected to employ roughly 900 workers when fully operational.

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

In March 2010, the U.S. Department of Education announced that the State was one of only two recipients to be awarded "Race to the Top" federal funding. Race to the Top is a federal education funding program that is funded under the American Recovery and Reinvestment Act to reward states for aggressively reforming their education systems. The State will receive over \$100 million in Race to the Top funding to be paid out over the next four years. To date, \$18.8 million has been drawn from the grant which began in June 2010.

In May 2009, Governor Jack Markell signed a sports betting bill into law that reactivated a sports lottery in the State of Delaware, one of only four states exempt from the federal ban on sports betting under the Professional and Amateur Sports Protection Act enacted in 1992. The State's bill allows a sports lottery in the State's three existing racinos, using single game wagers on professional and certain collegiate athletic events. The State's position was challenged by the National Football League ("NFL") and other pro sports leagues, along with the NCAA, and in August 2009, a three-judge panel of the 3rd U.S. Circuit Court of Appeals (the "3rd Circuit") declared that Delaware's single-game bets and wagering on a variety of professional and collegiate sports violated the federal law. The State appealed the 3rd Circuit's decision to the United States Supreme Court which declined to hear the case. As such, the State's three racinos will continue to offer three-game parlay bets on NFL games. In January 2010, the State passed legislation permitting its racinos to operate table games such as blackjack, craps and roulette. In June 2010, all three of the State's racinos began offering table games. These games have enhanced the State's position in an increasingly competitive gaming market, increased employment, and added more than \$19 million in revenue, plus licensing fees, to the State's coffers.

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

The State's business-friendly legal system continues to attract new incorporations. In recent years, more than 70% of new U.S. initial public offerings ("IPO") have chosen the State of 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.

INDEPENDENT AUDIT

The accounting firm of KPMG LLP has audited the State's basic financial statements for the fiscal year ended June 30, 2011. 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 CAFR.

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the State of Delaware for its CAFR for the fiscal year ended June 30, 2010. 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.

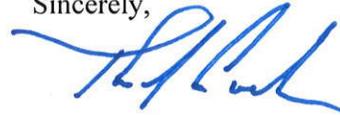
A Certificate of Achievement is valid for a period of one year. The State has received a Certificate of Achievement for the last 16 consecutive years (fiscal years 1995 – 2010). We believe that this year's report continues to conform to the Certificate of Achievement program's requirements and we are 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/cafrdefault.shtml>.

Sincerely,



Thomas J. Cook
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, 2010

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.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

**State of Delaware
Selected State Officials
As of June 30, 2011**

KEY ELECTED OFFICIALS:

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

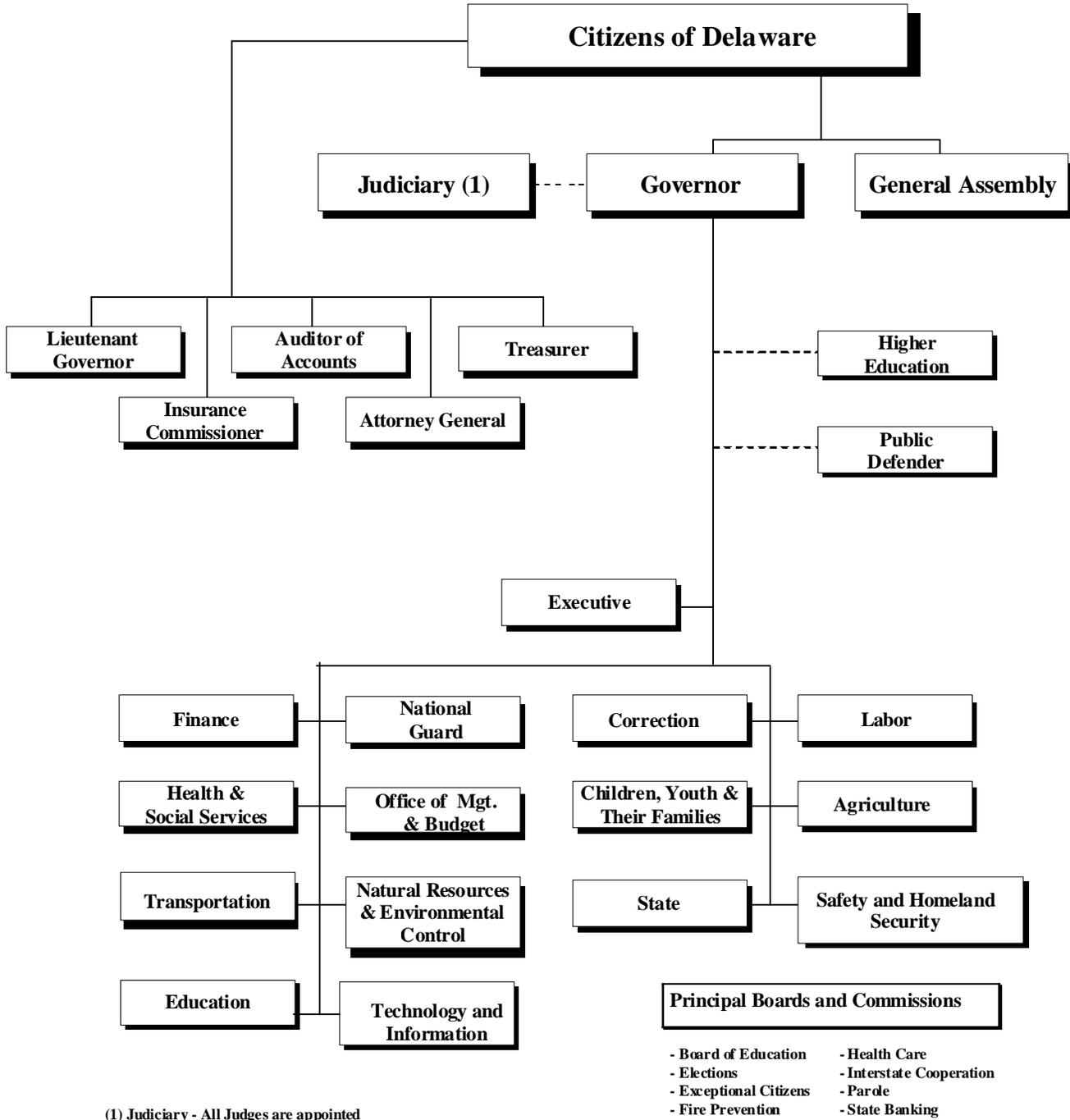
KEY LEGISLATIVE OFFICIALS:

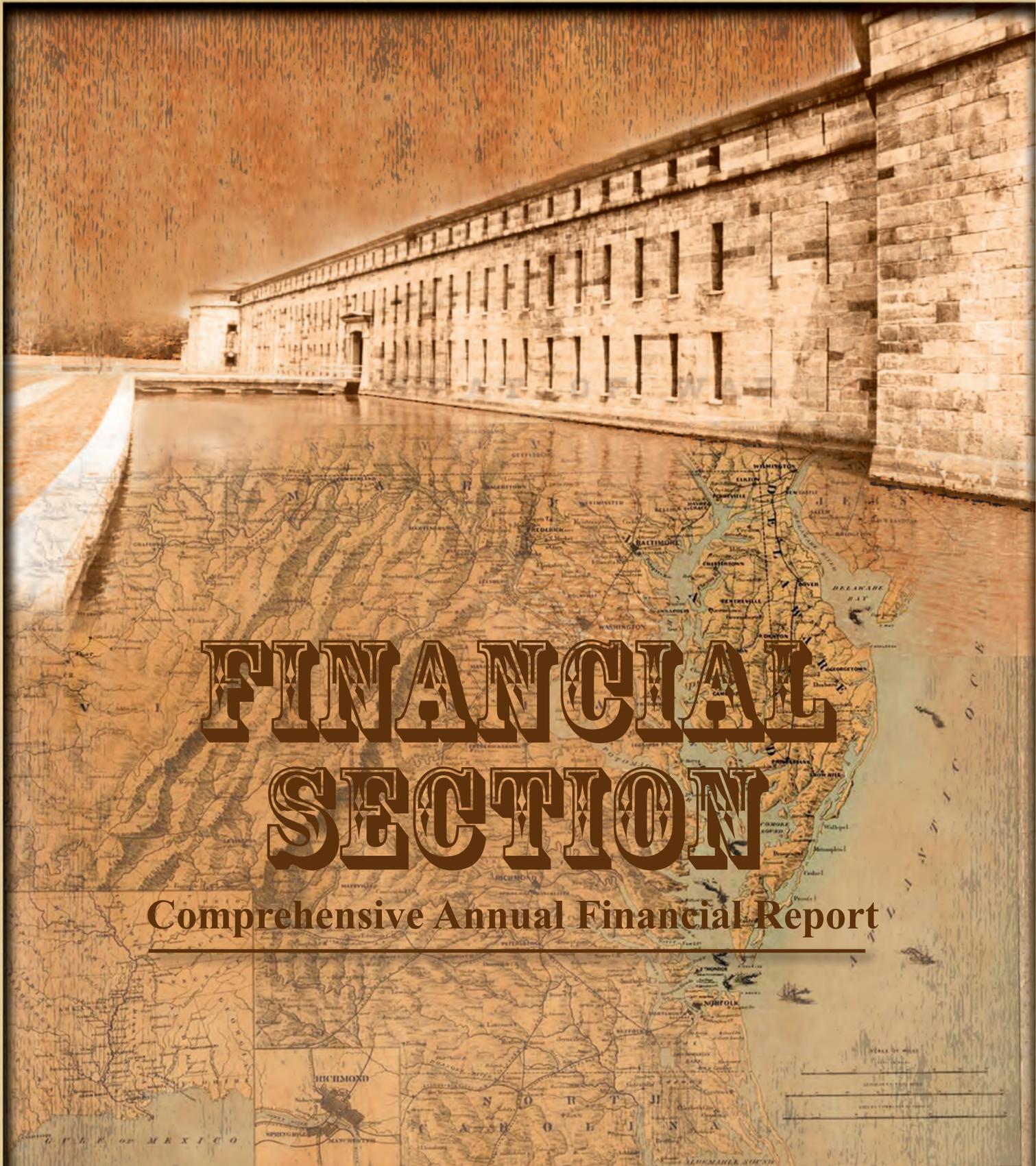
President Pro Tem of the Senate	Anthony J. DeLuca
Senate Majority Leader	Patricia M. Blevins
Senate Minority Leader	F. Gary Simpson
Speaker of the House of Representatives	Robert F. Gilligan
House of Representatives Majority Leader	Peter C. Schwartzkopf
House of Representatives Minority Leader	Gregory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

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	Shailen Bhatt

State of Delaware Organizational Chart





FINANCIAL SECTION

Comprehensive Annual Financial Report

BIRDS EYE VIEW

OF VIRGINIA, MARYLAND, DELAWARE AND THE DISTRICT OF COLUMBIA.

NEW YORK Published by W. SCHAUS 629 Broadway.

LONDON, II Graves & Co

PARIS, Francois Delarue



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, 2011, 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, 2011, 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. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during fiscal year 2011.



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

February 6, 2012

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, 2011. 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 \$5,378.7 million (net assets). Component units reported net assets of \$788.7 million, an increase of \$13.6 million from the previous year.
- As a result of its operations, the primary government's total net assets increased by \$176.1 million (3.4%) in fiscal year 2011 when compared to the previous year's ending net assets. Net assets of governmental activities increased by \$116.8 million (5.2%) from the previous year, while net assets of the business-type activities increased \$59.4 million (2.0%) from the previous year.
- The State's governmental funds reported combined ending fund balances of \$1,792.4 million, an increase of \$369.7 million (26.0%) in comparison with the prior year.
- The general fund reported unassigned fund balance of \$842.5 million which was 21.3% of total general fund expenditures.
- The State's total general obligation debt increased \$115.3 million (7.7%) during fiscal year 2011 to \$1,612.6 million. Of the State's outstanding debt, \$536.0 million (33.2%) has been issued on behalf of local school districts, which is 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 22 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 128 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 - 123 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 125 - 137 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 \$5,378.7 million at the close of the most recent fiscal year.

The largest portion of the State's net assets (86.8%) 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 6.7% 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 (6.5%), 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, 2011
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other non-current assets	\$ 2,964,936	\$ 2,406,051	\$ 644,226	\$ 532,782	\$ 3,609,162	\$ 2,938,833
Capital assets	3,528,015	3,416,605	3,943,634	3,899,468	7,471,649	7,316,073
Total assets	<u>6,492,951</u>	<u>5,822,656</u>	<u>4,587,860</u>	<u>4,432,250</u>	<u>11,080,811</u>	<u>10,254,906</u>
Long-term liabilities outstanding	3,274,314	2,823,441	1,296,406	1,239,200	4,570,720	4,062,641
Other liabilities	845,853	743,208	285,553	246,516	1,131,406	989,724
Total liabilities	<u>4,120,167</u>	<u>3,566,649</u>	<u>1,581,959</u>	<u>1,485,716</u>	<u>5,702,126</u>	<u>5,052,365</u>
Net assets:						
Invested in capital assets, net of related debt	1,831,490	1,799,599	2,840,595	2,803,634	4,672,085	4,603,233
Restricted	186,430	186,430	173,445	137,831	359,875	324,261
Unrestricted	354,864	269,978	(8,139)	5,069	346,725	275,047
Total net assets	<u>\$ 2,372,784</u>	<u>\$ 2,256,007</u>	<u>\$ 3,005,901</u>	<u>\$ 2,946,534</u>	<u>\$ 5,378,685</u>	<u>\$ 5,202,541</u>

The capital assets of the governmental activities increased \$111.4 million (3.3%) since June 30, 2010. Increases are a result of significant renovations to, and expansions of, existing school buildings across all counties to accommodate the rise in student population.

The increase in current and other non-current assets of governmental activities was primarily due to a decrease in capital projects fund spending and the October 28, 2010 bond issuance causing an increased balance for the cash and investments of about \$399.4 million. Receivables increased due to the issuance of more loans during the fiscal year and expected receipts from the federal government for a combined increase of \$202.3 million. These increases were partially offset by the release of the prepaid refunding payment to the escrow agent for \$34.6 million in defeased debt.

The increase in governmental activities long-term liabilities outstanding of \$450.9 million (16.0%) is primarily due to an increase in the other post employment benefits liability. At June 30, 2011, the long-term obligation for OPEB was \$1,204.1 million, an increase of \$298.0 million (32.9%) from fiscal year 2010. The OPEB obligation will increase each year as the State continues to defer full funding of its annual required contribution. Additional information for the OPEB obligation can be found in Note 14 of the financial statements.

In addition, the general obligation long term debt increased by \$123.3 million (8.4%) from fiscal year 2010. The State's debt as a percentage of the State's personal income was 7.5% in fiscal year 2010 and 8.0% in fiscal year 2011. The State's debt burden reflects its centralized role in financing facilities, such as schools and prisons, which in other states receive capital through local entities.

The increase in business-type current assets was primarily attributable to excess cash and cash equivalents on hand as a result of delays in DeIDOT's capital projects. The delays also resulted in a decrease in capital spending during fiscal year 2011. This information can be found on page 2 of the DeIDOT's financial statements as of and for the year ended June 30, 2011.

The cash and cash equivalents balance for the Unemployment trust fund also increased due to a decrease in benefits paid during the fiscal year.

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, 2011
(Expressed in Thousands)

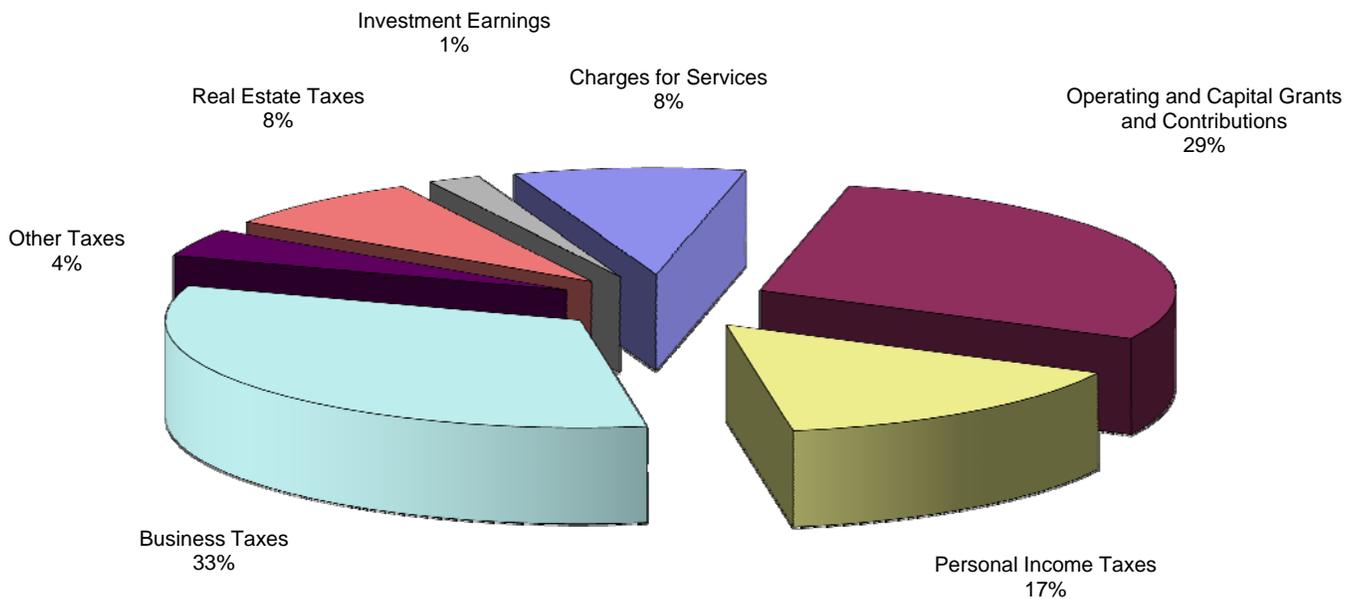
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 475,026	\$ 453,202	\$ 1,290,650	\$ 1,236,049	\$ 1,765,676	\$ 1,689,251
Operating grants and contributions	1,735,026	1,460,903	170,681	196,889	1,905,707	1,657,792
Capital grants and contributions	-	30,861	195,030	238,276	195,030	269,137
General revenues:						
Taxes:						
Personal income taxes	986,002	760,617	-	-	986,002	760,617
Business taxes	1,926,473	1,820,023	-	-	1,926,473	1,820,023
Real estate taxes	456,772	434,718	-	-	456,772	434,718
Other taxes	246,268	250,630	-	-	246,268	250,630
Investment income (loss)	28,356	20,185	2,815	(15,336)	31,171	4,849
Gain (loss) on sale of assets	-	-	587	(415)	587	(415)
Miscellaneous	29,201	15,546	(1,000)	(1,000)	28,201	14,546
Total revenues	<u>5,883,124</u>	<u>5,246,685</u>	<u>1,658,763</u>	<u>1,654,463</u>	<u>7,541,887</u>	<u>6,901,148</u>
Expenses:						
General Government	660,931	436,025	-	-	660,931	436,025
Health and Children's Services	2,186,189	2,059,215	-	-	2,186,189	2,059,215
Judicial and Public Safety	596,764	624,565	-	-	596,764	624,565
Natural Resources and Environmental Control	189,301	148,776	-	-	189,301	148,776
Labor	74,063	74,163	-	-	74,063	74,163
Education	2,304,468	2,146,258	-	-	2,304,468	2,146,258
Interest Expense	75,522	55,782	-	-	75,522	55,782
Lottery	-	-	384,611	353,449	384,611	353,449
Transportation	-	-	593,632	626,012	593,632	626,012
Unemployment	-	-	300,262	379,065	300,262	379,065
Total expenses	<u>6,087,238</u>	<u>5,544,784</u>	<u>1,278,505</u>	<u>1,358,526</u>	<u>7,365,743</u>	<u>6,903,310</u>
Increase (decrease) in net assets before transfers	(204,114)	(298,099)	380,258	295,937	176,144	(2,162)
Transfers	320,891	335,880	(320,891)	(335,880)	-	-
Increase (decrease) in net assets	116,777	37,781	59,367	(39,943)	176,144	(2,162)
Net assets - beginning of year	2,256,007	2,218,226	2,946,534	2,986,477	5,202,541	5,204,703
Net assets - end of year	<u>\$ 2,372,784</u>	<u>\$ 2,256,007</u>	<u>\$ 3,005,901</u>	<u>\$ 2,946,534</u>	<u>\$ 5,378,685</u>	<u>\$ 5,202,541</u>

Governmental activities Since fiscal year 2010, the net assets for governmental activities increased by \$116.8 million, while the net assets for business-type activities increased by \$59.4 million. A comparison of the cost of services by function for the State's governmental activities is shown in the following chart, along with the revenues used to cover the net expenses of the governmental activities. Key elements of the increase in the State's governmental activities net assets are as follows:

Total general revenues increased overall by \$356.4 million (9.8%) relating to increases in net personal income taxes of \$225.4 million, business taxes of \$102.1 million, real estate taxes of \$30.0 million and investment earnings of \$8.2 million. The increases in the tax revenue were primarily attributable to the first full year of an increase in the personal income tax rate, and the upswing in the economy which improved business profits and franchise taxes. Additionally, the business taxes increased due to improved tax administration and increased enforcement collections.

Program revenues increased by \$265.1 million (13.6%) from the prior year primarily due to an increase in operating grants of \$274.1 million. Health and Social Services received \$147.6 and Education received \$90.4 million more in operating grants due to awards of additional federal programs. Additionally, Natural Resources and Environmental Control (DNREC) received more federal energy program revenue over fiscal year 2010 which resulted in an increase of \$20.9 million in operating grant revenue. Also, charges for services increased by \$21.8 million over the prior fiscal year, of this increase, \$36.5 million was due to increased charges relating to licenses, fines, fees and permits at DNREC.

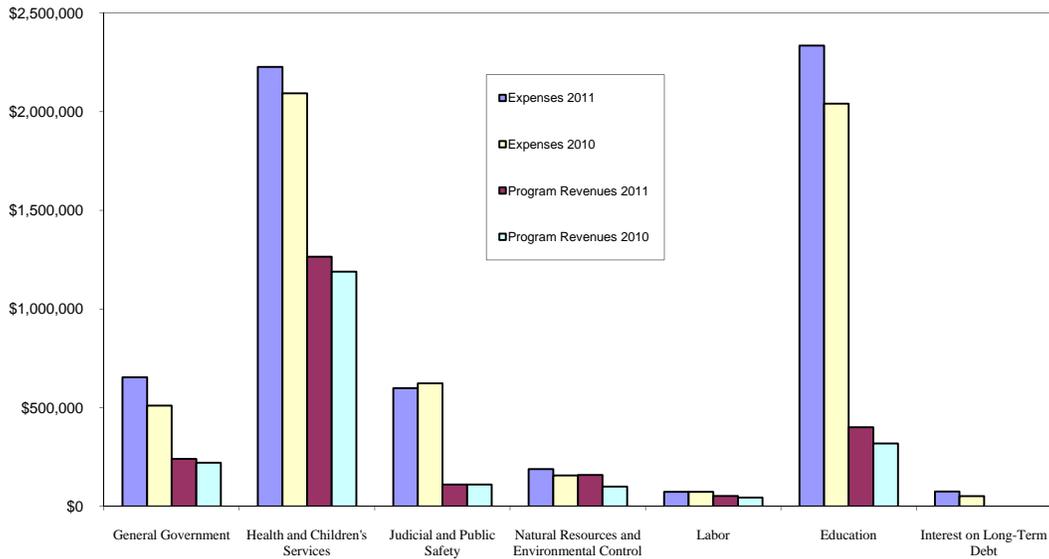
Revenues by Source – Governmental Activities



Expenses for governmental activities increased during fiscal year 2011 by \$542.5 million (9.8%). Approximately \$226.3 of the increase is due to the reinstatement of salary cuts from the previous fiscal year and payment to the refunding agent from the prior year’s prepayment of refunded debt as reflected in general government. The increase in governmental activities is also due to the increased spending of \$127.0 million at Health and Children’s Services as a result of a general increase in the population served and rising health care costs. Educational expenses also increased by \$158.2 million due to the continued increase in student population resulting in additional personnel and other operating costs.

Expenses and Program Revenues- Governmental Activities

(Expressed in Thousands)



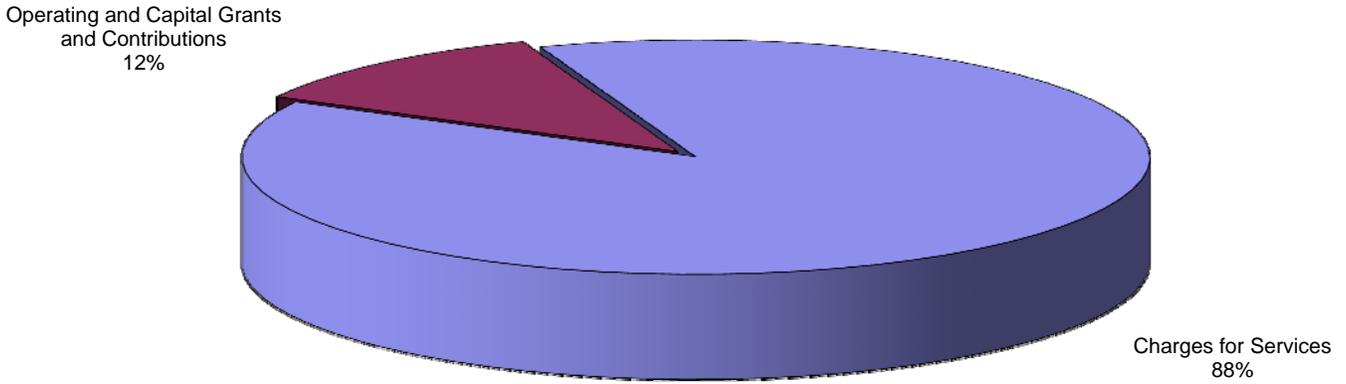
Business-type activities The net assets for business-type activities increased by \$77.8 million in fiscal year 2011. This increase is comprised of a \$65.4 million increase in net assets for DeIDOT and a \$12.4 million decrease in the Unemployment Insurance Trust Fund.

The decrease of \$12.4 million in Delaware Unemployment Insurance Trust Fund net assets is due to the expiration of certain limited benefits and is reflected in the decrease in benefits paid by the Trust Fund. There was a decrease in operating revenues and operating expenses of \$28.6 million and \$80.1 million, respectively.

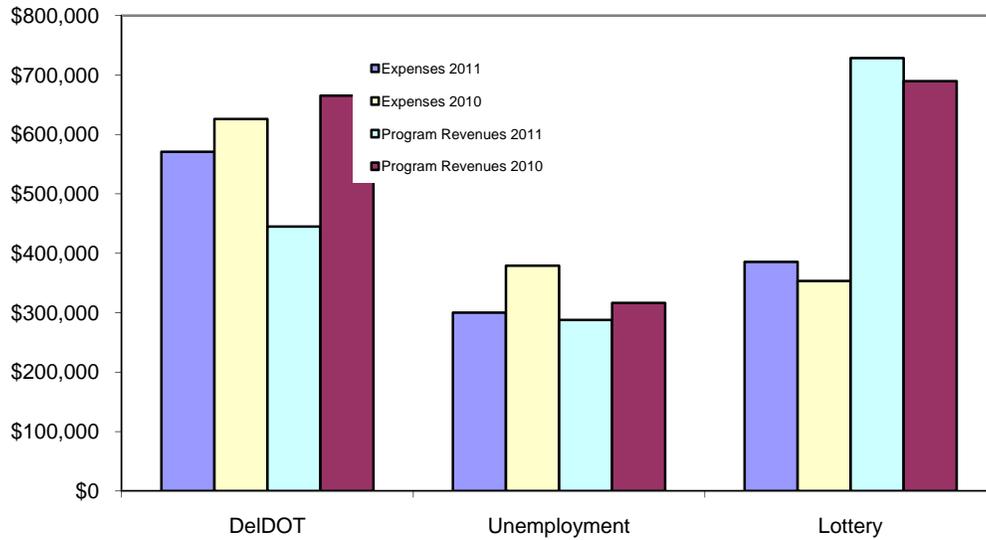
DeIDOT's net assets at June 30, 2011 were \$71.7 million higher than at June 30, 2010. DeIDOT's total operating revenues increased by \$18.2 million (4.3%) while operating expenses decreased by \$34.9 million (6.0%). The change in net assets is primarily attributable to an increase in motor vehicle and related revenues as a result of increased auto sales. The delay in capital spending has decreased total operating expenses.

There was no change in the Lottery's net assets. By law, the Lottery's net assets cannot exceed \$1.0 million. Revenue for the Lottery increased by \$38.9 million (5.6%) over last year mainly due to a \$71.2 million increase in table games and an increase in fees of \$13.5 million which were offset by a decrease in video lottery sales of \$48.2 million. The Lottery transferred \$342.9 million in gaming revenues to the State, an increase from fiscal year 2010 of \$8.3 million. The total costs of games and prizes increased by \$29.7 million (8.6%) over the previous year due to the increase in table game activity.

Revenues by Source – Business-type Activities



Expenses and Program Revenues – Business-type Activities



Financial Analysis of the State's Funds

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

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

During the current fiscal year, the State adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*. The 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 reporting in the governmental funds. This is further described in note 1 and note 16 of the financial statements.

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1,792.4 million, an increase of \$369.7 million over the prior year.

Of this amount, \$9.8 million is nonspendable (less than 1%), either due to its form or legal constraints, and \$738.3 million or 41.2 % is restricted for specific programs by external constraints, constitutional provision or contractual obligations. An additional \$201.8 million or 11.3 % has been assigned to specific purposes by management. The remaining \$842.5 million or 47.0% of fund balance is unassigned.

General fund The general fund accounts for the operation and administration of the State. Total general fund balance increased by \$200.9 million for the fiscal year.

Total general fund revenues increased by \$277.5 million (8.0%) due to several factors. The main increases were in personal taxes which increased by \$242.2 million and business taxes which increased by \$106.5 million. This was partially due to a full year of tax increases, upswing in the economy which increased business profits which then increased corporate taxes, and improved tax administration and improved enforcement efforts. Also, there was an \$85.7 million increase in rental and sales income due to an increase in tuition and other sales during the year. However, the increases were offset by the decrease in other revenue of \$99.9 million and licenses, permits, fines and fees of \$65.1 million.

Total general fund expenditures increased by \$218.8 million (5.8%). This was primarily due to decreases in Health and Children's Services of \$58.4 million, General Government of \$74.6 million, Public Safety of \$28.4 million, Education of \$36.0 million and Natural Resources and Environmental Control of \$16.3 million. The increase in expenditures for Health and Children's Services, General Government, Public Safety, Education, and Natural Resources and Environmental Control, were attributable to the decrease in the federal funding from the stimulus package.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$842.5 million, while total fund balance reached \$1,397.3 million.

Federal funds Federal funds represent pass through grants used for designated purposes. These funds report federal grant revenues and the related expenditures to support the State's grant programs. Total federal fund revenues and expenditures increased by \$221.9 million and \$71.4 million, respectively. The primary increase in federal revenues was due to the Race to the Top program administered by Education and additional funding for the Medicaid and supplemental program administered by Health and Children's Services. The largest portion of this increase in expenditures is in Health and Children's Services, which accounted for \$74.0 million (5.0%), resulting from increased costs in the Medical Assistance and the Temporary Assistance for Needy Families programs. Also, continued spending on energy programs by the Department of Natural Resources and Environmental Control increased expenditures by \$5.2 million.

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 \$29.9 million to \$338.3 million. Spending increased because of operating costs no longer covered by federal funds from the stimulus package funding fully utilized in the prior year.

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 \$195.4 million in fiscal year 2011, a decrease of \$45.6 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 part of the primary government and major funds of the State.

Total proprietary funds net assets increased in fiscal year 2011 by \$65.4 million as a result of operations. 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 increased by \$260.7 million (48.4%). Revenues were \$296.4 million (9.2%) higher than the previous fiscal year. This was primarily due to increases in personal income tax collections of \$144.1 million (16.9%), corporate income tax of \$80.3 million (91.4%), bank franchise tax of \$71.2 million (151.5%), and insurance tax of \$11.0 million (26.6%). Offsetting these revenue increases were decreases in abandoned property of \$67.9 million (14.2%), corporate franchise tax of \$18.6 million (2.9%) and hospital board and treatment of \$4.2 million (5.6%). While the State's revenue performance reflected a modest recovery in the U.S.

economy, collections were bolstered by the first full-year of rate increases in the personal income and gross receipts taxes as well as record business tax enforcement collections.

Expenditures were \$194.2 million (6.3%) more than the previous fiscal year. Salaries and wages increased by \$45.4 million (3.9%). Grants-in-Aid increased by \$50.7 million (18.3%) while Medicaid increased by \$37.6 million (8.8%). In addition, contractual services decreased by \$1.2 million (0.3%) and capital outlays increased by \$6.3 million (31.3%). Debt service payments decreased by \$4.8 million (2.8%).

The original budget authorizes current fiscal year operating and administrative expenditures. Included in the final budget are the original budget, prior year encumbrances, multi-year project budgetary carry-forwards from the prior fiscal years, and all modifications to the original budget. The most significant components are the original budget and carry-forwards 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. This was the case for the Medicaid program at Department of Health and Social Services and the Education services for Department of Education.

Actual expenditures were within the final budget in all departments, with significant favorable budget variances in the following departments:

- \$150.4 million in the Executive Department for funds budgeted, but not spent on an ongoing capital improvement projects, technology projects, and contingency items;
- \$30.0 million in the Department of Education for funds budgeted, but not spent on educational projects such as the statewide testing program to assist the State with compliance of the No Child Left Behind Act;
- \$15.1 million in Department of Corrections for expenditures authorized in the final budget but not spent on medical services and various minor capital projects;
- \$106.0 million in the Department of Health and Social Services, as well as \$10.9 million in the Department of Children, Youth and Their Families for programs that have been rendered but not yet billed such as Medicaid and Delaware Healthy Children Program costs.

Funded projects, which are not completed by year-end, may carry over unspent funds into fiscal year 2011. 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, 2011, amounted to \$7,471.6 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 \$111.4 million (3.2%) and the increase for business-type activities was \$44.2 million (1.1%).

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

- Completion of new schools and renovations of existing schools of \$188.7 million. In addition, construction-in-progress for governmental activities was \$201.0 million as of June 30, 2011. Approximately 60.9% 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 increased spending at DeIDOT for 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 4,360 center line miles of roads and 1,562 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 two years. Historically, road condition assessments were conducted every year. Recent changes to the road condition vendor contract have resulted in the inability to provide infrastructure ratings for fiscal year 2010. The Department's assessment plan will ensure that all infrastructure assets are assessed and evaluated within the three-year period, as required.

Of the State's 1,562 bridges that were rated in fiscal year 2010, 72.8% received a good or better Bridge Condition Rating (BCR) rating, 20.0% were rated fair, and 7.2% received a substandard rating. Of the 7,341,988 square feet of bridge deck that was rated, 91.1% or 6,685,282 square feet received an Overall Pavement Condition (OPC) condition rating of good or better, 8.8% received a fair rating, and 0.1% received a substandard deck rating. In 2009, 4,360 center line miles were rated; 91.7% received a fair or better OPC rating and 8.3% received a poor rating.

The fiscal year 2011 estimate to maintain and preserve DeIDOT's infrastructure was \$134.3 million, but the actual expenditures were \$252.6 million, which is \$118.3 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 39 - 47, Note 12 on pages 95 - 98 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, 2011
Net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 440,129	\$ 427,496	\$ 276,761	\$ 276,761	\$ 716,890	\$ 704,257
Land improvements	147,656	79,332	-	-	147,656	79,332
Buildings	2,383,096	2,215,317	70,029	65,749	2,453,125	2,281,066
Easements	274,871	256,653	-	-	274,871	256,653
Equipment and vehicles and computer software	81,243	37,963	115,768	124,279	197,011	162,242
Infrastructure	-	-	3,481,075	3,432,677	3,481,075	3,432,677
Construction-in-progress	<u>201,020</u>	<u>399,844</u>	<u>-</u>	<u>-</u>	<u>201,020</u>	<u>399,844</u>
Total	\$ <u>3,528,015</u>	\$ <u>3,416,605</u>	\$ <u>3,943,633</u>	\$ <u>3,899,466</u>	\$ <u>7,471,648</u>	\$ <u>7,316,071</u>

Long-term debt The State uses general obligation debt to finance capital projects. At the end of the current fiscal year, the State had total general obligation bond debt outstanding of \$1,612.6 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, 2011, \$535.9 million, or 33.2%, of the State's outstanding debt was issued on behalf of local school districts. Local school districts transferred \$59.6 million of property tax revenue to the State to cover related debt service during fiscal year 2011.

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

- A 5% test restricts new debt authorization to 5% of budgetary general fund revenue as projected by DEFAC in June for the next fiscal year. Should actual revenue collections increase during the year, no additional authorizations are made. For fiscal year 2011, debt issuance was limited to \$166.9 million.
- A 15% test restricts debt issuance if the annual payments on all outstanding debt exceed 15% of estimated budgetary general fund and Transportation Trust Fund Revenue for the next fiscal year. Currently, these annual payments represent approximately 8% of estimated general fund and Transportation Trust Fund revenues.
- Finally, a cash balance test restricts debt issuance if the debt service payment in any year exceeds the estimated cumulative cash balance for the following fiscal year. For fiscal year 2011, 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 2011. In October 2010, the State issued \$310.7 million fixed rate general obligation bonds including tax-exempt bonds, taxable Build America Bonds, and Qualified School Construction Bonds. The transaction included issuance 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 \$1,099.7 million to support its ongoing capital transportation program and \$111.2 million in Grant Anticipation Vehicle Bonds (GARVEEs), to finance a portion of the costs of completing the final design and right-of-way acquisition for a new U.S. 301.

Additional information on the State of Delaware's long-term debt can be found in Notes 5, 6 and 7 on pages 71 - 89 of this report.

Other Post-Employment Benefits

The State provides post-employment health care to its employees and accounts 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, 2011 and has been determined to be about \$6.6 billion using a discount rate of 4.3%. The State began pre-funding the obligation in 2002 with lump sum payments and contributions based on a percentage of payroll. For fiscal year 2011, the State has contributed \$19.7 million, \$10 million from abandoned property revenue and \$9.7 million from Medicare Part D subsidies received. The State has established an irrevocable trust and has accumulated \$144.0 million in net assets at June 30, 2011, which represents a funding ratio 2.1%. The State's fiscal year 2011 annual required contribution (ARC) was \$488.1 million, of which 37% was met through cash contributions and paid benefits. Its fiscal year 2012 ARC is expected to be \$490.5 million of which a portion is expected to be met with cash contributions and paid benefits. The State expects to manage this obligation over time with continued contributions, savings initiatives and a review of benefits. On May 2, 2011, the Governor signed House Bill 81, which made significant modifications to employee's health care insurance and pension plan programs. The legislation establishes a fixed cost share in the State's health insurance programs for both active employees and retirees and increases the time to vest for retiree health care benefits reducing the overall liability by an estimated \$49.3 million in fiscal 2012.

Economic Factors and Next Year's Budgets and Rates

DEFAC met on June 16, 2011, to prepare the final revenue and expenditure estimates upon which the fiscal year 2012 operating and capital budgets would be based. The Department of Finance estimated at that time that employment in the State had increased by 1.0% during fiscal year 2011. In June 2011, the Department of Finance projected a modest rebound in fiscal year 2012 employment as the State, like the nation, gradually recovers from the recession.

The fiscal year 2012 operating and capital budgets meet budgetary spending limitations imposed by law. The fiscal year 2012 operating budget is \$3,508.6 million, 6.2% more than fiscal year

2011. The fiscal year 2012 budget included \$115.3 million in supplemental appropriations (historically in the form of cash allocated to the capital budget), an increase of 26.7% over the fiscal year 2011 budget.

The primary objective of the State's Investment Policy is the safety of principal by minimizing credit risk and interest rate risk. While investment income has been less than expected 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 2011.

Requests for Information

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

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

STATE OF DELAWARE
STATEMENT OF NET ASSETS
JUNE 30, 2011
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 288,211	\$ 88,299	\$ 376,510	\$ 50,054
Cash and cash equivalents - restricted	-	66,198	66,198	29,313
Cash with fiscal agent	632	-	632	-
Investments	328,938	127,815	456,753	217,077
Investments - restricted	-	186,009	186,009	571
Investment trade receivable	20,605	-	20,605	-
Accrued interest receivable	6,137	-	6,137	-
Accounts and other receivables, net	345,546	77,375	422,921	55,368
Loans and notes receivable, net	18,541	-	18,541	15,052
Internal balances	633	(633)	-	-
Other post-employment benefits asset	-	-	-	3
Inventories	9,807	17,100	26,907	780
Prepaid items	-	684	684	12,530
Other current assets	-	276	276	468
Total current assets	1,019,050	563,123	1,582,173	381,216
Noncurrent assets:				
Investments	1,619,478	12,750	1,632,228	103,940
Investments - restricted	-	63,354	63,354	-
Accounts and other receivables, net	42,399	-	42,399	7,588
Loans and notes receivable, net	283,955	-	283,955	892,469
Capital assets:				
Non-depreciable	916,020	3,757,836	4,673,856	161,114
Depreciable capital assets, net	2,611,995	185,797	2,797,792	422,630
Deferred bond issuance costs	54	-	54	11,729
Other restricted assets	-	-	-	14,428
Other noncurrent assets	-	5,000	5,000	2,185
Total noncurrent assets	5,473,901	4,024,737	9,498,638	1,616,083
Total assets	6,492,951	4,587,860	11,080,811	1,997,299
LIABILITIES				
Current liabilities:				
Accounts payable	471,861	44,149	516,010	10,433
Accrued liabilities	38,421	49,828	88,249	22,239
Interest payable	28,749	29,728	58,477	-
Investment trade payable	71,588	-	71,588	-
Unearned revenues	16,294	-	16,294	3,149
Compensated absences	10,400	4,844	15,244	43
Claims and judgments	33,605	-	33,605	-
Escheat liabilities	17,500	-	17,500	-
Escrow deposits	-	5,711	5,711	2
Notes payable	38	-	38	72,511
Advances from federal government	-	62,523	62,523	-
Current portion of pollution remediation obligations	5,637	644	6,281	-
Current portion of insurance loss reserve	-	4,130	4,130	-
Current portion of general obligation long-term debt, net of unamortized premium	150,726	346	151,072	-
Current portion of revenue bonds, net of unamortized premium	-	83,650	83,650	118,642
Other current liabilities	1,034	-	1,034	38,300
Total current liabilities	845,853	285,553	1,131,406	265,319
Noncurrent liabilities:				
Pension obligation	117,768	-	117,768	-
Other post-employment benefits payable	1,204,101	112,998	1,317,099	-
Compensated absences	160,558	9,507	170,065	7,729
Claims and judgments	107,512	6,000	113,512	-
Escheat liabilities	70,000	-	70,000	-
Escrow deposits	-	-	-	31,828
Notes payable	39	-	39	54,769
Pollution remediation obligations	12,874	1,113	13,987	-
Insurance loss reserve	-	2,945	2,945	-
Liabilities payable from restricted assets	-	2,844	2,844	-
General obligation long-term debt, net of unamortized premium	1,597,728	441	1,598,169	-
Revenue bonds, net of unamortized premium	-	1,160,558	1,160,558	741,610
Other long-term obligations	3,734	-	3,734	107,346
Total noncurrent liabilities	3,274,314	1,296,406	4,570,720	943,282
Total liabilities	4,120,167	1,581,959	5,702,126	1,208,601
NET ASSETS				
Invested in capital assets, net of related debt	1,831,490	2,840,595	4,672,085	389,685
Restricted for:				
Debt service	-	173,445	173,445	-
Budgetary reserve	186,430	-	186,430	-
Federal and state regulations	-	-	-	264,737
Bond covenants	-	-	-	34,052
Capital projects	-	-	-	29,051
Other purposes	-	-	-	14,459
Unrestricted	354,864	(8,139)	346,725	56,714
Total net assets	\$ 2,372,784	\$ 3,005,901	\$ 5,378,685	\$ 788,698

STATE OF DELAWARE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

Function	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 660,931	\$ 214,996	\$ 24,056	\$ -
Health and children's services	2,186,189	67,485	1,199,641	-
Judicial and public safety	596,764	54,681	56,189	-
Natural resources and environmental control	189,301	95,460	62,312	-
Labor	74,063	6,370	46,817	-
Education	2,304,468	36,034	346,011	-
Interest	75,522	-	-	-
Total governmental activities	6,087,238	475,026	1,735,026	-
Business-type activities:				
Lottery	384,611	728,506	-	-
DelDOT	593,632	445,084	-	195,030
Unemployment	300,262	117,060	170,681	-
Total business-type activities	1,278,505	1,290,650	170,681	195,030
Total primary government	7,365,743	1,765,676	1,905,707	195,030
Component units:				
Delaware State Housing Authority	124,873	52,492	79,201	1,012
Diamond State Port Corporation	34,358	31,890	-	10,181
Riverfront Development Corporation	9,348	1,814	216	2,431
Delaware State University	111,297	45,955	32,452	8,875
Delaware Technical & Community College Educational Foundation	764	495	511	-
Delaware Charter Schools	113,802	7,358	5,155	181
Total component units	394,442	140,004	117,535	22,680
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				
Net assets - end of year				

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

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (421,879)		\$ (421,879)	
(919,063)		(919,063)	
(485,894)		(485,894)	
(31,529)		(31,529)	
(20,876)		(20,876)	
(1,922,423)		(1,922,423)	
(75,522)		(75,522)	
<u>(3,877,186)</u>		<u>(3,877,186)</u>	
	\$ 343,895	343,895	
	46,482	46,482	
	<u>(12,521)</u>	<u>(12,521)</u>	
	<u>377,856</u>	<u>377,856</u>	
			\$ 7,832
			7,713
			(4,887)
			(24,015)
			242
			<u>(101,108)</u>
			<u>(114,223)</u>
986,002	-	986,002	-
1,926,473	-	1,926,473	-
456,772	-	456,772	-
246,268	-	246,268	-
-	-	-	117,381
28,356	2,815	31,171	7,701
-	587	587	(143)
29,201	(1,000)	28,201	(1,571)
320,891	(320,891)	-	-
<u>3,993,963</u>	<u>(318,489)</u>	<u>3,675,474</u>	<u>123,368</u>
116,777	59,367	176,144	9,145
2,256,007	2,946,534	5,202,541	779,553
<u>\$ 2,372,784</u>	<u>\$ 3,005,901</u>	<u>\$ 5,378,685</u>	<u>\$ 788,698</u>

See Accompanying Notes to Financial Statements

**STATE OF DELAWARE
COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**
(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	\$ 270,332	\$ 7,024	\$ 10,855	\$ -	\$ 288,211
Investments	1,556,351	-	338,621	53,442	1,948,414
Investment trade receivable	19,920	-	-	685	20,605
Accrued interest receivable	5,933	-	-	204	6,137
Accounts receivable, net	67,851	10,554	1,503	-	79,908
Taxes receivable, net	67,350	-	32,648	-	99,998
Intergovernmental receivables, net	-	208,039	-	-	208,039
Loans and notes receivable	37,145	265,351	-	-	302,496
Due from other funds	53,201	-	-	-	53,201
Prepaid items	74	-	-	-	74
Inventories	9,807	-	-	-	9,807
Total assets	<u>2,087,964</u>	<u>490,968</u>	<u>383,627</u>	<u>54,331</u>	<u>3,016,890</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	363,828	78,206	17,943	11,884	471,861
Accrued liabilities	38,421	-	-	-	38,421
Investment trade payable	69,209	-	-	2,379	71,588
Claims and judgments	1,034	-	-	-	1,034
Escheat liability	87,500	-	-	-	87,500
Due to other funds	-	52,568	-	-	52,568
Deferred revenues	130,700	343,440	27,413	-	501,553
Total liabilities	<u>690,692</u>	<u>474,214</u>	<u>45,356</u>	<u>14,263</u>	<u>1,224,525</u>
Fund balances					
Nonspendable	9,807	-	-	-	9,807
Restricted	217,304	16,754	338,271	-	572,329
Committed	125,894	-	-	40,068	165,962
Assigned	201,808	-	-	-	201,808
Unassigned	842,459	-	-	-	842,459
Total fund balances	<u>1,397,272</u>	<u>16,754</u>	<u>338,271</u>	<u>40,068</u>	<u>1,792,365</u>
Total liabilities and fund balances	<u>\$ 2,087,964</u>	<u>\$ 490,968</u>	<u>\$ 383,627</u>	<u>\$ 54,331</u>	<u>\$ 3,016,890</u>

**STATE OF DELAWARE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2011

(Expressed in Thousands)

Total Fund Balances - Governmental Funds \$ 1,792,365

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	440,129	
Land improvements	147,656	
Buildings	2,383,096	
Easements	274,871	
Equipment and vehicles	81,243	
Construction in progress	201,020	
	<u>201,020</u>	3,528,015

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.

485,259

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	(28,749)	
Claims and judgments (current and long-term)	(141,117)	
Compensated absences (current and long-term)	(170,958)	
Other post employment benefits	(1,204,101)	
Pollution remediation obligations (current and long-term)	(18,511)	
Pension obligation	(117,768)	
General obligation long-term debt and related accounts	(1,747,840)	
Notes payable (current and long-term)	(77)	
Other long-term obligations	(3,734)	
	<u>(3,734)</u>	(3,432,855)

Net assets of governmental activities \$ 2,372,784

STATE OF DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	General	Federal	Local School District	Capital Projects	Total Governmental Funds
Revenues					
Personal taxes	\$ 986,002	\$ -	\$ -	\$ -	\$ 986,002
Business taxes	1,926,473	-	-	-	1,926,473
Other tax revenue	246,268	-	456,772	-	703,040
Licenses, fees, permits and fines	325,320	437	492	-	326,249
Rentals and sales	110,193	1,374	5,362	-	116,929
Grants	39,005	1,626,050	833	-	1,665,888
Interest and other investment income	25,184	109	3,063	-	28,356
Other	76,892	72	17,595	-	94,559
Total revenues	<u>3,735,337</u>	<u>1,628,042</u>	<u>484,117</u>	<u>-</u>	<u>5,847,496</u>
Expenditures					
Current:					
General government	533,048	17,582	-	-	550,630
Health and children's services	1,083,709	1,107,771	-	-	2,191,480
Judicial and public safety	550,939	49,972	-	-	600,911
Natural resources and environmental control	130,693	47,130	-	-	177,823
Labor	31,051	38,861	-	-	69,912
Education	1,277,237	276,404	401,354	-	1,954,995
Unrestricted payments to component unit - Education	95,630	-	21,751	-	117,381
Capital outlay	-	-	-	195,415	195,415
Debt service:					
Principal	140,750	-	-	-	140,750
Interest and other charges	65,725	-	-	-	65,725
Advance Refunding Escrow	54,644	-	-	-	54,644
Costs of issuance of debt	-	-	-	628	628
Total expenditures	<u>3,963,426</u>	<u>1,537,720</u>	<u>423,105</u>	<u>196,043</u>	<u>6,120,294</u>
Excess (deficiency) of of revenues over expenditures	<u>(228,089)</u>	<u>90,322</u>	<u>61,012</u>	<u>(196,043)</u>	<u>(272,798)</u>
Other Sources (Uses) of Financial Resources					
Transfers in	485,187	-	66,343	-	551,530
Transfers out	(56,193)	(25,163)	(97,451)	(51,832)	(230,639)
Issuance of general obligation bonds	-	-	-	310,665	310,665
Premiums on bond sales	-	-	-	10,910	10,910
Total other sources (uses) of financial resources	<u>428,994</u>	<u>(25,163)</u>	<u>(31,108)</u>	<u>269,743</u>	<u>642,466</u>
Net change in fund balances	<u>200,905</u>	<u>65,159</u>	<u>29,904</u>	<u>73,700</u>	<u>369,668</u>
Fund balances (deficits) - beginning	<u>1,196,367</u>	<u>(48,405)</u>	<u>308,367</u>	<u>(33,632)</u>	<u>1,422,697</u>
Fund balances - ending	<u>\$ 1,397,272</u>	<u>\$ 16,754</u>	<u>\$ 338,271</u>	<u>\$ 40,068</u>	<u>\$ 1,792,365</u>

See Accompanying Notes to 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, 2011
(Expressed in Thousands)

Net Changes in Fund Balances \$ 369,668

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	218,772	
Depreciation expense	<u>(107,362)</u>	111,410

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 122,048

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	140,750	
Advanced refunding payments	54,644	
New debt issued (face value)	(310,665)	
Premium received	(10,910)	
Issuance costs	628	
Prepaid items	(34,554)	
Amortization of premium/issuance costs	<u>(3,262)</u>	(163,369)

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	(7,139)
Claims and judgments	(11,210)
Compensated absences	(8,513)
Other post employment benefits	(298,016)
Pollution remediation obligation	4,896
Pension obligation	(2,199)
Notes payable	135
Other liabilities	<u>(934)</u>

Change in Net Assets of Governmental Activities \$ 116,777

STATE OF DELAWARE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DelDOT</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 30,145	\$ 6,184	\$ 51,970	\$ 88,299
Cash and cash equivalents - restricted	-	-	66,198	66,198
Investments	-	-	127,815	127,815
Investments - restricted	-	667	185,342	186,009
Accounts receivable, net	11,102	5,415	14,030	30,547
Taxes receivable, net	20,425	-	-	20,425
Intergovernmental receivables, net	4,216	-	21,492	25,708
Current portion of interest receivable	-	-	695	695
Inventories	-	-	17,100	17,100
Escrow insurance deposits	-	-	276	276
Prepaid items	-	-	684	684
Total current assets	<u>65,888</u>	<u>12,266</u>	<u>485,602</u>	<u>563,756</u>
Noncurrent assets:				
Investments	-	-	12,750	12,750
Investments - restricted	-	448	62,906	63,354
Other assets	-	2,396	-	2,396
Prepaid pension	-	-	2,604	2,604
Capital assets, non-depreciable	-	-	3,757,836	3,757,836
Capital assets, depreciable, net	-	1	185,796	185,797
Total noncurrent assets	<u>-</u>	<u>2,845</u>	<u>4,021,892</u>	<u>4,024,737</u>
Total assets	<u>65,888</u>	<u>15,111</u>	<u>4,507,494</u>	<u>4,588,493</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	4,679	35,214	39,893
Accrued liabilities	34,318	-	11,218	45,536
Interest payable	1,327	-	28,401	29,728
Compensated absences	-	-	4,844	4,844
Prizes liability	-	4,292	-	4,292
Escrow deposits	-	-	5,711	5,711
Pollution remediation obligations	-	-	644	644
Current portion of insurance loss reserve	-	-	4,130	4,130
Current portion of general obligation long-term debt	-	-	346	346
Current portion of revenue bonds, net of unamortized premium	-	-	83,650	83,650
Tax refunds payable	4,256	-	-	4,256
Advances from federal government	62,523	-	-	62,523
Due to other funds	-	633	-	633
Total current liabilities	<u>102,424</u>	<u>9,604</u>	<u>174,158</u>	<u>286,186</u>
Noncurrent liabilities:				
Other post-employment benefits payable	-	1,663	111,335	112,998
Compensated absences	-	-	9,507	9,507
Return of federal funds	-	-	6,000	6,000
Pollution remediation obligations	-	-	1,113	1,113
Insurance loss reserve	-	-	2,945	2,945
Liabilities payable from restricted assets	-	2,844	-	2,844
General obligation long-term debt	-	-	441	441
Revenue bonds, net of unamortized premium	-	-	1,160,558	1,160,558
Total noncurrent liabilities	<u>-</u>	<u>4,507</u>	<u>1,291,899</u>	<u>1,296,406</u>
Total liabilities	<u>102,424</u>	<u>14,111</u>	<u>1,466,057</u>	<u>1,582,592</u>
Net assets:				
Invested in capital assets, net of related debt	-	1	2,840,594	2,840,595
Restricted for:				
Debt service	-	-	173,445	173,445
Unrestricted	(36,536)	999	27,398	(8,139)
Total net assets	<u>\$ (36,536)</u>	<u>\$ 1,000</u>	<u>\$ 3,041,437</u>	<u>\$ 3,005,901</u>

See Accompanying Notes to Financial Statements

STATE OF DELAWARE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DelDOT</u>	<u>Total</u>
Operating revenues:				
Unemployment taxes-state funded	\$ 93,757	\$ -	\$ -	\$ 93,757
Unemployment taxes-federal funded	170,681	-	-	170,681
Gaming revenue	-	728,506	-	728,506
Pledged revenues:				
Turnpike revenue	-	-	115,895	115,895
Motor vehicle and related revenue	-	-	256,718	256,718
Turnpike revenue	-	-	44,429	44,429
Passenger fares	-	-	13,963	13,963
Miscellaneous	23,303	-	14,079	37,382
	<u>287,741</u>	<u>728,506</u>	<u>445,084</u>	<u>1,461,331</u>
Operating expenses:				
Unemployment benefits-state funded	133,882	-	-	133,882
Unemployment benefits-federal funded	165,053	-	-	165,053
Cost of sales	-	297,710	-	297,710
Prizes	-	75,846	-	75,846
Transportation	-	-	512,792	512,792
Depreciation	-	2	24,523	24,525
General and administrative	-	11,053	9,847	20,900
	<u>298,935</u>	<u>384,611</u>	<u>547,162</u>	<u>1,230,708</u>
Operating income (loss)	<u>(11,194)</u>	<u>343,895</u>	<u>(102,078)</u>	<u>230,623</u>
Nonoperating revenues (expenses):				
Investment income	153	-	2,662	2,815
Interest expense	(1,327)	-	(46,470)	(47,797)
Loss on note receivable	-	-	-	-
Contributions to thoroughbred program	-	(1,000)	-	(1,000)
Loss on disposal of assets	-	-	587	587
	<u>(1,174)</u>	<u>(1,000)</u>	<u>(43,221)</u>	<u>(45,395)</u>
Total nonoperating revenues (expenses)	<u>(1,174)</u>	<u>(1,000)</u>	<u>(43,221)</u>	<u>(45,395)</u>
Income (loss) before transfers and capital contributions	(12,368)	342,895	(145,299)	185,228
Capital contributions	-	-	195,030	195,030
Transfers in	-	-	27,233	27,233
Transfers out	-	(342,895)	(5,229)	(348,124)
Increase (decrease) in net assets	(12,368)	-	71,735	59,367
Net assets - beginning of year	<u>(24,168)</u>	<u>1,000</u>	<u>2,969,702</u>	<u>2,946,534</u>
Net assets - end of year	<u>\$ (36,536)</u>	<u>\$ 1,000</u>	<u>\$ 3,041,437</u>	<u>\$ 3,005,901</u>

STATE OF DELAWARE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	<u>Unemployment</u>	<u>Lottery</u>	<u>DelDOT</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from employers	\$ 89,419	\$ -	\$ -	\$ 89,419
Receipts from federal government	168,591	-	-	168,591
Payments for insurance claims	(311,166)	-	(4,027)	(315,193)
Receipts from customers and users	-	729,306	437,179	1,166,485
Other operating receipts	23,303	-	2,179	25,482
Payments to suppliers for goods and services	-	(43,326)	(360,333)	(403,659)
Payments to employees for services	-	(5,454)	(119,041)	(124,495)
Payments for prizes	-	(76,718)	-	(76,718)
Payment for commissions	-	(264,790)	-	(264,790)
Net cash provided (used) by operating activities	<u>(29,853)</u>	<u>339,018</u>	<u>(44,043)</u>	<u>265,122</u>
Cash flows from noncapital financing activities:				
Transfers in	-	-	27,233	27,233
Transfers out	-	(349,774)	(5,229)	(355,003)
Net cash used by noncapital financing activities	<u>-</u>	<u>(349,774)</u>	<u>22,004</u>	<u>(327,770)</u>
Cash flows from capital and related financing activities:				
Capital grants	-	-	180,174	180,174
Purchases of capital assets	-	-	(68,817)	(68,817)
Advances from federal government	49,621	-	-	49,621
Principal paid on capital debt	-	-	(72,423)	(72,423)
Interest paid on capital debt	-	-	(52,835)	(52,835)
Proceeds from sale of land and equipment	-	-	716	716
Proceeds from issuance of debt	-	-	119,835	119,835
Premium from bond sale	-	-	6,626	6,626
Payment to escrow agent for refunding of debt	-	-	(21,057)	(21,057)
Federal reimbursement of debt service	-	-	7,801	7,801
Net cash used by capital and related financing activities	<u>49,621</u>	<u>-</u>	<u>100,020</u>	<u>149,641</u>
Cash flows from investing activities:				
Interest and investment revenues	153	-	3,428	3,581
Repayment on loan receivable	-	-	789	789
Escrow deposits received	-	-	35	35
Purchase of investments	-	-	4,119,491	4,119,491
Proceeds from sales and maturities of investments	-	902	(4,126,922)	(4,126,020)
Net cash provided by investing activities	<u>153</u>	<u>902</u>	<u>(3,179)</u>	<u>(2,124)</u>
Net increase (decrease) in cash and cash equivalents	19,921	(9,854)	74,802	84,869
Cash and cash equivalents - beginning of year	10,224	16,038	43,366	69,628
Cash and cash equivalents - end of year	30,145	6,184	118,168	154,497
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(11,194)	343,895	(102,078)	230,623
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	-	2	24,523	24,525
Decrease (increase) in assets:				
Receivables, net	(3,197)	800	(2,743)	(5,140)
Inventories	-	-	(1,093)	(1,093)
Prepaid items	-	-	(948)	(948)
Increase (decrease) in liabilities:				
Accounts and other payables	585	-	(3,887)	(3,302)
Accrued liabilities	(12,816)	(104)	(4,021)	(16,941)
Accrued expenses	-	(872)	13,324	12,452
Accrued payroll and related expenses	-	(5,280)	1,243	(4,037)
Post-employment benefits	-	577	31,637	32,214
Due to/from federal government	(3,231)	-	-	(3,231)
Net cash provided (used) by operating activities:	<u>\$ (29,853)</u>	<u>\$ 339,018</u>	<u>\$ (44,043)</u>	<u>\$ 265,122</u>

See Accompanying Notes to Financial Statements

STATE OF DELAWARE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011
(Expressed in Thousands)

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>Investment Trust</u>	<u>Agency</u>
Assets:				
Cash and cash equivalents	\$ 452,827	\$ 25,515	\$ 4,065	\$ 23,951
Receivables:				
Accrued interest	19,629	-	99	-
Investment sales pending	21,194	-	106	-
Employer contributions	13,177	10,999	-	-
Member contributions	4,251	54	-	-
Other receivables	-	-	-	42,384
Investments, at fair value:				
Domestic fixed income	720,422	48,770	7,038	-
Domestic equities	1,549,817	45,868	11,014	-
Pooled equity and fixed income	1,579,700	-	7,961	-
Alternative investments	1,856,736	-	-	-
Short term investments	-	-	9,357	26,848
Foreign fixed income	189,902	-	956	-
Foreign equities	1,234,701	24,185	7,913	-
	<u>7,642,356</u>	<u>155,391</u>	<u>48,509</u>	<u>93,183</u>
Total assets				
	<u>7,642,356</u>	<u>155,391</u>	<u>48,509</u>	<u>93,183</u>
Liabilities:				
Accounts payable	-	-	-	93,183
Investment purchase payable	24,998	11,898	125	-
Benefits/claims payable	1,409	-	-	-
Accrued investment expense	5,004	5	26	-
Accrued administrative expenses	356	-	-	-
	<u>31,767</u>	<u>11,903</u>	<u>151</u>	<u>93,183</u>
Total liabilities				
	<u>31,767</u>	<u>11,903</u>	<u>151</u>	<u>93,183</u>
Net assets:				
Assets held in trust for benefits and pool participants	<u>\$ 7,610,589</u>	<u>\$ 143,488</u>	<u>\$ 48,358</u>	<u>\$ -</u>

STATE OF DELAWARE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>Investment Trust</u>
Additions:			
Contributions:			
Employer contributions	\$ 186,418	\$ 162,603	\$ -
Transfer from post-retirement increase fund	13,825	-	-
Transfer of assets from outside the system	3,108	19,695	631
Member contributions	<u>55,003</u>	<u>6,219</u>	<u>-</u>
Total contributions	<u>258,354</u>	<u>188,517</u>	<u>631</u>
Investments:			
Investment earnings	144,533	2,552	1,222
Net increase in fair value of investments	<u>1,371,795</u>	<u>14,860</u>	<u>10,402</u>
Total investment earnings	1,516,328	17,412	11,624
Less investment manager/advisor/custody fees	(21,592)	(54)	(116)
Less investment administrative expenses	<u>(603)</u>	<u>-</u>	<u>-</u>
Net investment earnings	<u>1,494,133</u>	<u>17,358</u>	<u>11,508</u>
Total additions	<u>1,752,487</u>	<u>205,875</u>	<u>12,139</u>
Deductions:			
Transfer of assets from post-retirement increase fund	13,825	-	-
Transfer of assets from outside the system	1,822	-	21,359
Pension/claim payments	454,217	166,644	-
Refunds of contributions to members	3,278	-	-
Group life payments	4,927	-	-
Administrative expenses	<u>5,383</u>	<u>108</u>	<u>1</u>
Total deductions	<u>483,452</u>	<u>166,752</u>	<u>21,360</u>
Change in net assets	1,269,035	39,123	(9,221)
Net assets - beginning of year	<u>6,341,554</u>	<u>104,365</u>	<u>57,579</u>
Net assets - end of year	<u>\$ 7,610,589</u>	<u>\$ 143,488</u>	<u>\$ 48,358</u>

STATE OF DELAWARE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2011
(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	\$ 5,446	\$ 1,885	\$ 134	\$ 17,346	\$ 1,207	\$ 24,036	\$ 50,054
Cash and cash equivalents - restricted	-	16,835	-	11,267	-	1,211	29,313
Investments	206,571	-	117	-	10,386	3	217,077
Investments - restricted	-	-	-	571	-	-	571
Accounts and other receivables, net	36,379	2,748	105	15,907	-	229	55,368
Loans and notes receivable, net	14,413	-	639	-	-	-	15,052
Other post-employment benefits (OPEB) asset	3	-	-	-	-	-	3
Inventories	-	780	-	-	-	-	780
Prepaid items	3,434	547	33	-	-	7,981	11,995
Deferred bond issuance costs	535	-	-	-	-	-	535
Other restricted assets	-	-	-	-	74	-	74
Other current assets	-	-	-	374	-	20	394
Total current assets	266,781	22,795	1,028	45,465	11,667	33,480	381,216
Noncurrent assets:							
Long-term investments	81,559	-	-	22,325	56	-	103,940
Accounts and other receivables, net	7,588	-	-	-	-	-	7,588
Loans and notes receivable, net	891,285	-	417	67	-	700	892,469
Capital assets - non-depreciable	4,532	25,687	107,526	16,976	-	6,393	161,114
Capital assets - depreciable, net	15,047	140,797	16,479	191,205	-	59,102	422,630
Deferred bond issuance costs	7,976	-	-	1,626	-	2,127	11,729
Other restricted assets	-	-	-	6,974	7,454	-	14,428
Other noncurrent assets	-	-	1,817	368	-	-	2,185
Total noncurrent assets	1,007,987	166,484	126,239	239,541	7,510	68,322	1,616,083
Total assets	1,274,768	189,279	127,267	285,006	19,177	101,802	1,997,299
LIABILITIES							
Current liabilities:							
Accounts payable	1,404	245	619	6,083	34	2,048	10,433
Accrued liability:	240	3,547	60	9,073	-	9,319	22,239
Deferred revenue	-	-	60	3,089	-	-	3,149
Compensated absences	30	-	-	-	-	13	43
Escrow deposits	-	-	2	-	-	-	2
Notes payable	69,720	2,308	-	-	-	483	72,511
Current portion of revenue bonds	117,449	-	385	-	-	808	118,642
Current portion of other long- term debt	-	-	1,935	34,964	-	1,193	38,092
Other current liabilities	206	-	-	-	2	-	208
Total current liabilities	189,049	6,100	3,061	53,209	36	13,864	265,319
Noncurrent liabilities:							
Compensated absences	947	-	-	5,408	-	1,374	7,729
Escrow deposits	31,749	-	-	-	-	79	31,828
Notes payable	-	28,674	-	-	-	26,095	54,769
Revenue bonds	712,643	-	2,875	-	-	26,092	741,610
Long-term debt	-	-	12,055	70,028	-	24,283	106,366
Other noncurrent liabilities	723	-	-	-	64	193	980
Total noncurrent liabilities	746,062	28,674	14,930	75,436	64	78,116	943,282
Total liabilities	935,111	34,774	17,991	128,645	100	91,980	1,208,601
NET ASSETS							
Invested in capital assets, net of related debt	19,578	135,502	106,755	120,545	-	7,305	389,685
Restricted for:							
Federal and state regulations	253,738	-	-	424	10,575	-	264,737
Bond covenants	34,052	-	-	-	-	-	34,052
Capital projects	2,925	16,835	-	7,795	-	1,496	29,051
Other purposes	-	-	-	14,336	-	123	14,459
Unrestricted	29,364	2,168	2,521	13,261	8,502	898	56,714
Total net assets	\$ 339,657	\$ 154,505	\$ 109,276	\$ 156,361	\$ 19,077	\$ 9,822	\$ 788,698

* Fiscal year-end December 31, 2010

STATE OF DELAWARE
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011
 (Expressed in Thousands)

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component units:				
Delaware State Housing Authority	\$ 124,873	\$ 52,492	\$ 79,201	\$ 1,012
Diamond State Port Corporation	34,358	31,890	-	10,181
Riverfront Development Corporation	9,348	1,814	216	2,431
Delaware State University	111,297	45,955	32,452	8,875
Delaware Technical and Community College (DTCC) Educational Foundation	764	495	511	-
Delaware Charter Schools	113,802	7,358	5,155	181
Total component units	<u>\$ 394,442</u>	<u>\$ 140,004</u>	<u>\$ 117,535</u>	<u>\$ 22,680</u>

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, 2010

**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>
\$ 7,832						\$ 7,832
	\$ 7,713					7,713
		\$ (4,887)				(4,887)
			\$ (24,015)			(24,015)
				\$ 242		242
					\$ (101,108)	(101,108)
						(114,223)
-	-	-	32,840	-	84,541	117,381
4,548	(1,347)	88	3,189	1,023	200	7,701
-	-	(90)	-	(53)	-	(143)
-	-	600	(2,258)	-	87	(1,571)
4,548	(1,347)	598	33,771	970	84,828	123,368
12,380	6,366	(4,289)	9,756	1,212	(16,280)	9,145
327,277	148,139	113,565	146,605	17,865	26,102	779,553
<u>\$ 339,657</u>	<u>\$ 154,505</u>	<u>\$ 109,276</u>	<u>\$ 156,361</u>	<u>\$ 19,077</u>	<u>\$ 9,822</u>	<u>\$ 788,698</u>

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

The accompanying financial statements present the State's primary government and include all funds, elected officials, departments and organizations, bureaus, boards, commissions, and authorities that comprise the State's legal entity. The State's 19 local school districts are fiscally dependent and not legally separate from the State. As per the interpretation of Article X, Section 2 of the State's Constitution, the local school districts 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, 2011 may be obtained in writing to the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

The Delaware 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 an OPEB trust fund.

The Sustainable Energy Utility (SEU) is a 501(c)3 nonprofit organization, which was established to reduce energy waste and foster a sustainable energy future for the State. It provides benefits almost exclusively to the primary government. The SEU is considered a blended component unit and is shown as part of the Natural Resources and Environmental Control function throughout the financial statements for the primary government.

Discretely Presented Component Units

The following component units are entities that are legally separate from the State, but are financially accountable to the State for reporting purposes or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading 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, 2010, each discretely presented component unit has a June 30, 2011 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, 2010.

Delaware Charter Schools

The State's 22 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. 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 segments 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 is used to account for aggregate financial activity of the State’s local school districts that is funded by locally-raised real estate taxes, interest, and minor miscellaneous revenue. The aggregate financial activity is funded from other sources, such as federal grant programs, major and minor capital project programs, and subsidized government programs are accounted for in the general fund, federal fund, and capital project fund.

Capital Projects Fund – Transactions related to resources obtained and used for the acquisition or construction of major capital facilities (other than those financed by proprietary and fiduciary funds), are accounted for in the capital projects fund. Such resources are derived principally from proceeds of general obligation bond issues, federal grants, and 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 public on a continuing basis are financed by or recovered primarily through user charges.

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

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

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

The State reports the following major proprietary funds:

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

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, 2011, 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, 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 DPERS's external investment pool and for the Delaware Other Post Employment Benefit Trust Fund (OPEB) Investment Trust fund.

OPEB Trust Fund – The 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 ending June 30, 2011, the state adopted GASB 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 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 on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. Details on the State's fund balance classifications and policies are reflected in note 16.

However, during the implementation the prior year's reserved balance for long term portion of loans receivable of \$39.4 million was transferred from the general fund to the federal fund. This had no impact on the statement of revenues, expenditures, and changes in fund balances for the current fiscal year.

During fiscal year ending June 30, 2011 the state adopted GASB Statement No. 59 *Financial Instruments Omnibus*. Statement No. 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. There was no impact on the adoption of this standard due to existing state reporting and disclosure practices compliance with the requirements of Statement No. 59.

Impact of Future Accounting Pronouncements

In November of 2010, the GASB issued Statement No. 61 "*Financial Reporting Entity: Omnibus an amendment of FSB Statements No. 14 and No. 34.*" This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. 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

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

Inventories and Prepaid Items

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

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the State’s policy to use restricted resources first, and then unrestricted resources as 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 asset:

- The Authority restricts revenue bond proceeds that are accounted for in the Transportation Fund.

The component units have the following restricted assets:

- Diamond State Port Corporation has restricted investments for capital project outlays.
- Delaware State University has restricted assets for capital project outlays, grants, and college endowment funds.
- Charter schools have restricted assets to cover debt service payments.
- Delaware Technical and Community College has restricted assets based on donor stipulations.
- Delaware State Housing Authority has restricted assets used for the specific purpose of housing development fund activities per enabling legislation.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (which are normally immovable and of value only to the State, such as roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities

columns in the government-wide financial statements, the proprietary funds and component units.

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

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

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.

Advance from Federal Government

During the fiscal years ended June 30, 2011, the amount of unemployment insurance taxes collected by the Division from Delaware employers was not sufficient to cover the amount of benefits paid to Delaware residents. As a result, the unemployment fund received advances from the federal government to be used for benefit payments. Pursuant to Subchapter XII – *Advances to State Unemployment Funds, 42 U.S.C. §1321*, advances are made to the unemployment fund once all funds in the trust have been extinguished, and amounts borrowed must be no more than the aggregate amount necessary to provide benefit payments in any three-month period, as certified by the Secretary of Labor. These advances must be repaid as the unemployment fund is able. The *American Recovery and Reinvestment Act, Public Law 111-5, §2004*, provides that no interest shall accrue on advances to states covered by *Subchapter XII* during the period from the enactment of the law (February 11, 2009) through December 31, 2010. Interest on the outstanding balance began to accrue on January 1, 2011, and accrued interest totaled \$1.3 million as of June 30, 2011. The outstanding advance balance totaled \$62.5 million as of June 30, 2011.

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 governmental fund type accounts, fund equity is called “fund balance.” The fund balance amounts for governmental funds have been reclassified in accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned in note 16, Governmental Fund Balances.

When resources meeting more than one of the classifications (excluding nonspendable) are comingled in an account, assuming that expenditure meets the constraints of the classification, the assumed order of spending is restricted first, committed second, and finally assigned.

In proprietary funds, fund equity is called net assets. Net assets are comprised of three components; invested in capital assets, net of related debt; restricted; and unrestricted.

(d) Grants

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

(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 \$26.4 million are recorded in the general fund as part of other revenue and as miscellaneous general revenue on the government-wide statement of activities. Expenditures of monies received under the Master Settlement Agreement are authorized by legislation and are dedicated to health care and related programs.

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, 2011, investments of the primary government were primarily in commercial paper, corporate obligations, government agency bonds and notes, and municipal obligations. All of these meet the objectives defined by the Policy. The State's Cash Management Policy Board *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* is available by request through the State of Delaware Treasury.

Risks

The following deposits and investments disclosure of the primary government excludes the OPEB Trust and DPERs, which are described on pages 57 - 64.

Custodial Credit Risk***Deposits***

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

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

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

At June 30, 2011, the carrying amount of the primary government's deposits was \$443.3 million and the bank balance was \$493.7 million. Of the \$493.7 million bank balance, \$171.2 million was fully insured; \$30.2 million represents unemployment insurance taxes collected from Delaware employers that are held in escrow by the U.S. Treasury; and the remaining \$322.5 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 \$24.0 million and the bank balance was \$29.9 million. Of the \$29.9 million bank balance, \$19.3 million was fully insured and the remaining \$10.6 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, 2011, the primary government's investments were \$2,319.0 million. Of the primary government's investments, \$390.6 million was fully insured and collateralized. Included in the primary government's investments of \$2,319.0 million are agency funds. The amount of the agency funds' investments was \$26.9 million.

The following table provides information on \$1,928.4 million of the primary government's investments that are exposed to custodial credit risk; \$917,451 of this amount represents the agency funds' investments:

Investment Type	Fair Value (Expressed in Thousands)
Corporate obligations	\$ 489,169
Municipal obligations	18,342
U.S. government obligations	935,902
Other obligations	235,874
Commercial paper	87,588
Certificates of deposit	161,523
Total	<u>\$ 1,928,398</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, 2011:

Investment Type	(Expressed in Thousands)	(in years)
Corporate obligations	\$ 489,169	1.22
Municipal obligations	18,342	1.40
U.S. government obligations	1,089,537	1.05
Other obligations	236,625	1.62
Commercial paper	322,932	0.24
Certificates of deposit	162,380	0.60
	<u>\$ 2,318,985</u>	

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

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

As of June 30, 2011, 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	\$ 422,678	\$ 118,682	\$ 289,986	\$ 13,904	\$ 105
Asset-backed securities	66,491	254	66,237	-	-
Municipal obligations	18,342	6,445	7,386	3,108	1,402
U.S. government obligations					
U.S. Treasury bonds, notes	104,453	-	97,057	7,397	-
U.S. Agency bonds, notes	520,317	-	461,698	24,162	34,457
Non US Gov't Obligations	30,593	16,618	11,195	2,780	-
Other obligations					
Private placements	222,789	56,727	166,061	-	-
Miscellaneous bonds				-	-
Pooled investments	13,837	13,837	-	-	-
<u>Short Term Investments</u>					
Commercial paper	322,931	322,832	100	-	-
Certificate of deposit	162,379	119,074	43,306	-	-
U.S. government obligations					
U.S. Treasury bonds, notes	214,977	202,593	11,200	1,183	-
U.S. Agency bonds, notes	219,198	156,026	33,989	29,184	-
Total Investments	\$ 2,318,985	\$ 1,013,088	\$ 1,188,215	\$ 81,718	\$ 35,964

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, 2011 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	\$ -	-	\$ 92,772	\$ 289,076	\$ 40,829	-	-	\$ -
Asset-backed securities	-	-	44,724	-	-	-	-	21,767
Municipal obligations	-	-	5,173	10,646	313	1,184	-	1,025
U.S. government obligations	-	-	-	-	-	-	-	-
U.S. Treasury bonds, notes	104,452	-	-	-	-	-	-	-
U.S. Agency bonds, notes	-	520,314	3	-	-	-	-	-
Other obligations	-	-	15,174	9,841	-	-	-	5,578
Canadian	-	-	-	-	-	-	-	-
Private placements	611	-	161,047	53,593	4,141	-	-	3,397
Miscellaneous Bonds	-	-	-	-	-	-	-	-
Pooled investments	-	-	-	-	-	-	-	13,837
<u>Short Term Investments</u>								
Commercial paper	-	-	-	-	-	-	304,938	17,994
Certificate of deposit	-	-	-	21,669	-	-	60,320	80,391
U.S. government obligations	-	-	-	-	-	-	-	-
U.S. Treasury bonds, notes	214,976	-	-	-	-	-	-	-
U.S. Agency bonds, notes	-	219,198	-	-	-	-	-	-
Total Investments	\$ 320,039	\$ 739,512	\$ 318,893	\$ 384,825	\$ 45,283	\$ 1,184	\$ 365,258	\$ 143,989

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, 2011, 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, 2011, the State did not enter into any commitment agreements with any investment managers for future funding of various asset classes.

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, 2011, management of the System has operated in accordance with these policies, in all material respects.

Securities Lending

The System entered into a contract with its custodian to allow participation in its securities lending program. The objective of securities lending is to earn income and through a conservatively operated and well-controlled program. The System elected not to participate in the program during fiscal years 2011 and 2010, but may elect to participate at some time in the future.

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, 2011. It is the System's policy to classify corporate convertible bonds as equity securities because those securities generally convert to preferred equity interests upon maturity. Corporate convertible bonds in the amount of \$648.0 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	\$ 905	\$ -	\$ -	\$ 192	\$ 713
Cash equivalents	372,016	372,016	-	-	-
Commercial mortgage-backed	1,897	-	-	-	1,897
Corporate bonds	782,815	156,162	242,976	228,810	154,867
Corporate convertible bonds	647,989	12,285	477,583	64,905	93,216
Government agencies	30,799	6,319	7,727	16,753	-
Government bonds	81,983	23,828	34,022	6,182	17,951
Municipal/provincial bonds	16,484	10,965	1,363	-	4,156
Pooled investments	714,939	-	-	714,939	-
Total	<u>\$ 2,649,827</u>	<u>\$ 581,575</u>	<u>\$ 763,671</u>	<u>\$ 1,031,781</u>	<u>\$ 272,800</u>

Interest Rate Risk

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

Credit Risk

The System's general investment policy is to apply the prudent-person rule to all risks incurred by the fund: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The System has no investment policy that would further limit its investment choices related to credit risk. As of June 30, 2011, 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	16.6%	\$ 1,271,265
BBB to B	11.1%	844,098
CCC to C	1.3%	97,674
Less than C	0.0%	419
Less than C	0.1%	6,499
Not Rated	5.6%	429,872
Total:	34.7%	\$ 2,649,827

Custodial Credit Risk

For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party. At June 30, 2011, the \$455.1 million carrying amount of the System's cash and cash equivalents was comprised of \$450.9 million of short-term investments and \$4.2 million in deposits. The \$4.2 million bank balance of deposits was subject to custodial credit risk because it was uninsured and uncollateralized. This amount includes pooled deposits of \$239,000 which were held by the State Treasurer's Office.

Investment Concentration Risk

As of June 30, 2011, 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 \$25.7 million in management fees to the alternative investment funds and partnerships for the fiscal year ended June 30, 2011. 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 \$642.4 million in venture capital limited partnerships in varying amounts as of June 30, 2011, to be drawn down, as called upon at any time during the term of each partnership, which is usually a ten-year period. Generally, these commitments are self-funding, in that the capital calls are met using cash flows generated by the existing venture capital/limited partnerships as managers in this asset class realize the proceeds of their investments.

Foreign Investments

Foreign investments include equity securities, bonds, cash, and cash equivalents. The following is a listing of the System's foreign assets as of June 30, 2011. The listing includes \$4.9 million of investments of domestic issuers which have been classified as domestic, but are denominated in a foreign currency.

Currency	Investment Types (Expressed in Thousands)			
	Fair Value in U.S. Dollars	Equities	Fixed Income	Cash and Cash Equivalents
Australian dollar	\$ 42,589	\$ 30,163	\$ 12,248	\$ 178
Brazilian real	39,752	29,418	10,334	-
British pound sterling	111,599	110,716	855	28
Canadian dollar	69,995	33,018	36,878	99
Chinese yuan renminbi	4,868	4,868	-	-
Danish krone	13,818	13,818	-	-
Euro	272,496	256,236	14,739	1,521
Hong Kong dollar	68,627	68,581	-	46
Indonesian rupiah	22,156	13,507	8,581	68
Japanese yen	71,497	71,269	-	228
Mexican peso	9,447	-	9,447	-
New Zealand dollar	21,681	-	21,681	-
Norwegian krone	19,857	3,491	16,366	-
Philippine peso	6,866	6,866	-	-
Singapore dollar	14,581	8,953	4,138	1,490
South Korean won	14,001	14,001	-	-
Swedish krona	30,856	30,856	-	-
Swiss franc	27,679	27,417	-	262
Thai baht	6,551	6,551	-	-
Turkish lira	7,209	7,209	-	-
Total foreign currencies	\$ 876,125	\$ 736,938	\$ 135,267	\$ 3,920
Foreign issued investments denominated in U.S. dollars	564,491	503,972	60,519	-
Pooled international investments denominated in U.S. dollars	207,221	207,221	-	-
Total	\$ 1,647,837	\$ 1,448,131	\$ 195,786	\$ 3,920

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. If the use of derivatives in a portfolio strategy results in some leverage, that leverage is never permitted to expose the Fund to a loss greater than the amount committed to that strategy.

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

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

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

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

The Investment Committee monitors the System's derivative holdings on a regular basis to ensure that the derivatives used by managers of the System will not have a material adverse impact on its financial condition. Total derivative instruments at June 30, 2011 were not material to the system.

Risk and Uncertainty

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

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, 2011, the carrying value and the bank balances of the DSPC's deposits were \$1.9 million and \$2.2 million, respectively. Of the bank balances, \$2.2 million is insured by the Federal Deposit Insurance Corporation (FDIC).

Riverfront Development Corporation (RDC)

At June 30, 2011, the book balance of RDC's deposits was \$251,185 and the bank balance was \$272,403. As of June 30, 2011 and 2010, the RDC had cash and cash equivalents of \$32,667 and \$4,642, respectively, held by the State of Delaware Treasurer's Office in Dover, Delaware. Deposits include \$116,677 and \$170,465, respectively, 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. The deposits held by the State investment pool are uninsured and uncollateralized.

Delaware State University (DSU)

At June 30, 2011, the carrying value and bank balance of DSU's deposits were \$20.4 million and \$25.6 million, respectively. Of the bank balances, \$1.0 million is insured by the FDIC and \$24.6 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 \$8.0 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, 2010, the DTCC Foundation's carrying value and bank balance was \$1,207,311 and \$250,000, respectively. 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, 2011, the Delaware Charter Schools deposits carrying value was \$26.7 million. Deposits include \$24.3 million held in the State Investment Pool. Carrying value of the remainder of deposits was \$2.3 million. Bank balances totaled \$2.3 million, consisting of \$1.1 million insured by FDIC and \$1.2 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 Subchapter II, Section 4013, Chapter 40, 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 DSHA.

Certain federal funds administered by 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) (Expressed in Thousands)						
	Fair Value	Less than 1	1 - 5	5 - 10	10 - 20	20 - 30	More than 30
U.S. treasury notes	\$ 26,436	\$ 21,723	\$ 4,353	\$ -	\$ 334	\$ -	\$ -
US treasury strips	1,197	301	831	-	133	-	-
U.S. treasury bonds	24	-	-	-	-	19	-
U.S. treasury bills	4,894	4,900	-	-	-	-	-
U.S. agencies	90,209	73,209	16,765	-	-	-	-
Certificates of deposit	39	-	39	-	-	-	-
Commercial paper	141	141	-	-	-	-	-
Corporate notes	852	250	567	-	-	-	-
Investment agreements	116,661	101,198	10,983	-	1,147	3,333	-
Money market savings accounts	7,597	7,597	-	-	-	-	-
Bank money market accounts	32,851	32,851	-	-	-	-	-
State of Delaware investment pool	7,231	7,231	-	-	-	-	-
Total Investments:	\$ 288,132	\$ 249,401	\$ 33,538	\$ -	\$ 1,614	\$ 3,352	\$ -

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:

- 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.
- Federal Program Funds: HUD funds held by DSHA should have a maximum maturity of one year. HUD-related funds held by DSHA (escrows, replacement reserves, residual receipts) shall have a maximum maturity of three years.
- 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. DSHA may further reduce the maximum maturity of the operating reserve investments from time to time.
- 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. 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 DSHA's Single and Multi-Family Programs, the investment rating must be equal or exceed the bond rating. 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, 2011, 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	\$ 18,396	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Notes	-	441	-	411	-	-	-
Commercial Paper	-	-	-	-	-	-	141
Total	\$ 18,396	\$ 441	\$ -	\$ 411	\$ -	\$ -	\$ 141

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 DSHA's \$288.1 million investment balance, \$116.7 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.

Diamond State Port Corporation (DSPC)

Assets restricted for capital improvements totaled \$16.8 million as of June 30, 2011. These assets are invested in a mutual funds account with a Moody's rating of AAA.

Delaware State University (DSU)

Investments of DSU totaled \$34.5 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 \$10.4 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, 2011. 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 Fund	Federal Funds	Local School District Funds	Total Receivables
Receivables:				
Taxes	\$ 229,533	\$ -	\$ 32,813	\$ 262,346
Interest	-	-	-	-
Accounts	914,014	132,493	1,502	1,048,009
Loans and notes	39,000	265,351	-	304,351
Intergovernmental	-	208,039	-	208,039
Total receivables	1,182,547	605,883	34,315	1,822,745
Allowance for doubtful accounts	(1,010,201)	(121,939)	(164)	(1,132,304)
Total receivables, net	\$ 172,346	\$ 483,944	\$ 34,151	\$ 690,441
Amounts not scheduled for collection during the subsequent year	\$ 59,375	\$ 248,421	\$ 18,558	\$ 326,354

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

	Unemployment	Lottery	DelDOT	Total Receivables
Receivables:				
Taxes	\$ 42,762	\$ -	\$ -	\$ 42,762
Interest	-	-	695	695
Accounts	16,869	6,149	14,030	37,048
Loans and notes	-	-	-	-
Intergovernmental	4,216	-	21,492	25,708
Total receivables	63,847	6,149	36,217	106,213
Allowance for doubtful accounts	(28,104)	(734)	-	(28,838)
Total receivables, net	\$ 35,743	\$ 5,415	\$ 36,217	\$ 77,375
Amounts not scheduled for collection during the subsequent year	\$ -	\$ -	\$ -	\$ -

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

	Receivables					Total
	Component Unit Activities					
	(Expressed in Thousands)					
	Delaware	Diamond	Riverfront	Delaware	Delaware	Total
	State	State	Development	State	Charter	Receivables
	Housing	Port	Corporation	University	Schools	
	Authority	Corporation	Corporation	University	Schools	Receivables
Receivables:						
Interest	\$ 42,280	\$ -	\$ 9	\$ -	\$ -	\$ 42,289
Accounts	1,361	2,807	383	15,571	229	20,351
Loans and Notes	906,650	-	1,056	67	700	908,473
Intergovernmental	515	-	-	5,404	-	5,919
Total receivables	950,806	2,807	1,448	21,042	929	977,032
Less: Allowance for doubtful accounts	(1,141)	(59)	(287)	(5,068)	-	(6,555)
Total receivables, net	\$ 949,665	\$ 2,748	\$ 1,161	\$ 15,974	\$ 929	\$ 970,477
Amounts not scheduled for collection during the subsequent year	\$ 898,874	\$ -	\$ 417	\$ 67	\$ -	\$ 899,358

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 drawdown's 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:	\$ 68,491
Intergovernmental Receivables	53,901
Loans and notes receivables	301,074
Accounts receivables	<u>61,793</u>
Subtotal unavailable	<u>485,259</u>

Unearned

Advance park reservation fees	946
Federal grant advance drawdowns	<u>15,348</u>
Subtotal unearned	<u>16,294</u>
Total deferred revenue	<u>\$ 501,553</u>

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, 2011, expressed in thousands, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Federal	\$ 52,568
	Enterprise Fund	
	Lottery	<u>633</u>
	Total	<u>\$ 53,201</u>

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

The amount due from the Lottery fund (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, 2011 is presented below (expressed in thousands):

	Transfers In	Transfers Out
Governmental funds		
General	\$ 485,187	\$ 56,193
Federal	-	25,163
Local school district	64,454	95,562
Capital projects fund	-	51,832
Proprietary funds		
Lottery	-	342,895
DelDOT	27,233	5,229
Total of all funds	\$ 576,874	\$ 576,874

NOTE 5 GENERAL OBLIGATION BONDS

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

The State Constitution provides that the State may issue general obligation bonds for specific purposes in amounts approved by the General Assembly. The enabling acts pursuant to which the bonds are issued provide that all bonds issued shall be direct obligations of the State; that is, the bonds are secured by the pledge of the full faith and credit of the State. General obligation bonds are redeemed over a period not to exceed 20 years, generally from available resources in the general fund. Accordingly, the State has generally issued 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 October 28, 2010, the State issued \$310.7 million of its general obligation bonds maturing

between July 1, 2011 and July 1, 2030. The bonds consist of Series 2010B, \$135.3 million traditional tax-exempt bonds; Series 2010C, \$115.8 million federally taxable Build America Bonds; and Series 2010D, \$59.6 million federally taxable Qualified School Construction Bonds. Series 2010B bonds included \$51.1 million in principal issued to refund higher priced bonds resulting in a net present value savings of \$3.4 million, or 6.3% of the principal refunded. The refunding bonds, together with \$84.3 million issued for new projects, were sold to retail and institutional investors, will mature between July 2011 and July 2024 and bore coupons between 2% and 5%. The Series 2010C and 2010D bonds, which were designated as Build America Bonds and Qualified School Construction Bonds for the purposes of the American Recovery and Reinvestment Act of 2009, are federally taxable bonds. As such, the State will elect to receive a cash subsidy from the U.S. Treasury of 35% of the interest payable on the Series 2010C bonds and a cash subsidy of 100% of the interest payable on the Series 2010D bonds. The coupons on the taxable bonds ranged from 3.1% to 4.6% and matured between July 2019 and July 2030.

Bonds issued and outstanding totaled \$1,612.6 million at June 30, 2011. Of this amount, \$535.9 million is supported by property taxes collected by the local school districts. During fiscal year 2011, the local school district funds transferred \$59.6 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 \$190.5 million of general obligation bonds at June 30, 2011. 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, 2011</u>
211	GO 2010D	4.550%	2029	\$ 59,580
213	GO 2010C	3.100%-4.600%	2030	115,775
212	GO 2010B2	5.000%	2023	95,570
211	GO 2010B1	2.000%-4.000%	2024	39,740
210	GO 2010A2	2.000%-3.000%	2018	26,250
209	GO 2010A1	1.500%-5.000%	2024	123,375
208	GO 2009D	3.700%-5.300%	2029	179,315
207	GO 2009C2	2.000%-3.000%	2024	44,685
206	GO 2009C1	3.000%-5.000%	2027	268,980
205	GO 2009B	4.750%-5.000%	2026	92,650
204	GO 2009A2	4.750%-5.000%	2017	5,275
203	GO 2009A1	4.750%-5.000%	2029	77,525
202	GO 2008B	4.750%-5.000%	2016	64,260
201	GO 2008A	3.000%-5.000%	2016	6,100
200	GO 2007A	4.000%-5.000%	2027	108,950
199	GO 2006C	0%	2022	1,433
198	GO 2006B	4.000%-5.500%	2026	88,875
197	GO 2006A	3.75%-4.500%	2026	14,630
196	GO 2005D	3.50%-5.0%	2025	66,600
195	GO 2005C	5%	2023	45,335
194	GO 2005B	2.625%-5.0%	2024	16,080
193	GO 2005A	2.25%-4.25%	2025	2,670
192	QZAB 2004B	0%	2020	224
191	GO 2004A	3.0%-6.0%	2024	53,310
190	QZAB 2003D	0%	2018	908
189	GO 2003C	4.0%-6.0%	2011	9,000
188	GO 2003B	4.0%-5.0%	2011	2,350
186	QZAB 2002B	0%	2016	760
184	QZAB 2001B	0%	2011	649
170	GO 1992B	4.7%-6.1%	2012	1,771
	Total, gross			1,612,625
	Plus: unamortized bond premium			136,670
	Less deferred bond issuance costs			(54)
	Total general obligation bonds			<u>\$ 1,749,241</u>

The following table sets forth the future debt service requirements on outstanding general obligation bonds at June 30, 2011:

Total General Obligation Bonds (Expressed in Thousands)			
Year Ending June 30	Principal	Interest	Total
2012	\$ 139,671	\$ 73,320	\$ 212,991
2013	144,659	66,367	211,026
2014	142,700	57,647	200,347
2015	128,715	51,332	180,047
2016	122,745	45,276	168,021
2017-2021	449,647	154,612	604,259
2022-2026	295,903	76,412	372,315
2027-2031	188,585	21,399	209,984
Total	<u>\$ 1,612,625</u>	<u>\$ 546,365</u>	<u>\$ 2,158,990</u>

Changes in general obligation bonded debt during the year ended June 30, 2011 are summarized in Note 10.

In prior years, the State has defeased certain 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, 2011, a total of \$355.8 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 (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, 2011, the amount of defeased debt outstanding amounted to \$62.1 million.

The Authority had a total of \$235.6 million in authorized but unissued revenue bonds at June 30, 2011. Bonds outstanding at June 30, 2011 amounted to \$1,209.2 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, 2011
Transportation System Senior Revenue Bonds - Series			
2002	4.0% - 5.25%	2022	\$ 94,215
2003	4.5% - 5.0%	2023	126,955
2004	4.0% - 5.0%	2024	145,205
2005	4.25% - 5.0%	2025	134,245
2006	3.5% - 5.0%	2026	111,600
2007	4.0% - 5.0%	2021	70,945
2008	4.0% - 5.0%	2028	77,275
2008	4.0% - 5.0%	2029	114,135
2009	5.00%	2029	105,315
2010	2.5% - 5.0%	2019	47,715
2010	3.95% - 5.80%	2030	72,120
Transportation System Grant Anticipation Bonds 2010 Series	5.00%	2025	111,155
	Total, gross		1,210,880
	Less: deferred amount on refunding		(1,628)
	Total, net		1,209,252
	Less: current portion of debt outstanding		(75,960)
	Long term portion of debt outstanding		\$ 1,133,292

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

Delaware Transportation Authority Revenue Bonds

(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2012	\$ 76,320	\$ 56,411	\$ 132,731
2013	83,230	52,212	135,442
2014	82,160	48,135	130,295
2015	82,650	44,187	126,837
2016	80,450	40,294	120,744
2017-2021	380,170	145,797	525,967
2022-2026	308,335	63,458	371,793
2027-2031	117,565	12,550	130,115
Total	\$ 1,210,880	\$ 463,044	\$ 1,673,924

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, 2011 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	\$ 403,223
Capital assets	1,165,201
Other assets	77,839
Total assets	<u>\$ 1,646,263</u>
Liabilities:	
Current liabilities	133,648
Noncurrent liabilities	1,169,443
Total liabilities	<u>1,303,091</u>
Net Assets:	
Invested in capital assets, Net of related debt	62,164
Unrestricted	110,225
Restricted	170,783
Total net assets	<u>343,172</u>
Total liabilities and net assets	<u>\$ 1,646,263</u>

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

(Expressed in Thousands)

Operating revenues (pledged against bonds)	\$ 372,613
Other operating revenues	52,990
Depreciation expense	(192)
Other operating expenses	(340,282)
Operating income	<u>85,129</u>
Nonoperating revenues (expenses):	
Investment income (pledging against bonds)	3,574
Other investment income (loss)	7,618
Interest expense	(46,470)
Transfer from State General Fund	27,233
Change in net assets	<u>77,084</u>
Beginning net assets	266,088
Ending net assets	<u>\$ 343,172</u>

Condensed Statements of Cash Flows

(Expressed in Thousands)

Net cash provided by (used in):	
Operating activities	\$ 87,289
Noncapital financing activities	27,233
Capital and related financing activities	(41,402)
Investing activities	<u>(902)</u>
Net increase (decrease)	72,218
Beginning cash and cash equivalents	<u>9,326</u>
Ending cash and cash equivalents	<u><u>\$ 81,544</u></u>

Component Units

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

Delaware State Housing Authority (DSHA)

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

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 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 1.80% to 7.75% with maturities of such bonds up through January 1, 2049.

On October 27, 2010, the Authority issued \$85.0 million of Single Family Mortgage Revenue Bonds 2010 Series A pursuant to the New Issue Bond Program (NIBP) established jointly by Fannie Mae, Freddie Mac, the Federal Housing Finance Agency, and the U.S. Department of the Treasury (US Treasury) under which the US Treasury provides funding for bond issuance. The proceeds from the sale were used to provide low rate mortgages to first-time homebuyers.

Revenue bonds payable decreased by \$94,915 due to accretion on capital appreciation bonds, netted by deferred amounts on refunding and bond forgiveness.

Outstanding bonds at June 30, 2011 amounted to \$830.0 million. Future debt service requirements for 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
2012	\$ 117,448	\$ 34,941	\$ 152,389
2013	15,790	34,138	49,928
2014	16,080	33,385	49,465
2015	16,040	32,604	48,644
2016	16,471	31,820	48,291
2017-2021	90,795	146,177	236,972
2022-2026	112,328	120,808	233,136
2027-2031	129,311	90,921	220,232
2032-2036	160,371	55,595	215,966
2037-2041	113,406	15,499	128,905
2042-2046	21,145	5,373	26,518
2047-2049	20,907	582	21,489
Total	\$ 830,092	\$ 601,843	\$ 1,431,935

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, 2011 was 5.125%. The bonds mature December 1, 2017.

Estimated future annual debt service requirements are as follows:

Riverfront Development Corporation Revenue Bonds

(Expressed in Thousands)

Year June 30	Principal	Interest	Total
2012	\$ 385	\$ 157	\$ 542
2013	420	137	557
2014	470	114	584
2015	505	89	594
2016	550	62	612
2017-2018	930	41	971
Total	\$ 3,260	\$ 600	\$ 3,860

Delaware State University (DSU)

Revenue bonds payable at June 30, 2011 are as follows:

Delaware State University	
Revenue Bonds Payable	
(Expressed in Thousands)	
Revenue Bonds	\$ 6,661
Revenue Refunding Bonds	47,861
Student Housing Foundation Bonds	49,685
	Total
	\$ 104,207

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

The Bond Trust Indenture requires DSU to maintain a debt service reserve fund equal to the maximum annual debt service on all bonds outstanding under the Indenture. DSU meets this requirement by providing for the deposit through a surety bond in the debt service reserve fund. This bond was obtained from MBIA Insurance Corporation in the amount of \$1.6 million. DSU has pledged all operating and non-operating revenues, except State appropriations and restricted gifts, grants and bequests, for each academic year during which any of the bonds remain outstanding. It was noted that the 1999 bonds were backed by MBIA who had no letter of credit expiration date.

Interest rates and remaining maturities of the 1999 bonds are as follows:

Delaware State University Revenue Refunding Bonds				
(Expressed In Thousands)				
Year Ending	Interest Rate	Principal	Interest	Total
June 30				
2012	4.00	\$ 835	\$ 290	\$ 1,125
2013	4.00	875	254	1,129
2014	4.40	905	216	1,121
2015	4.40	945	175	1,120
2016	5.25	990	125	1,115
2017-2018	5.25	2,140	85	2,225
		6,690	\$ 1,145	\$ 7,835
Less Unamortized bond discount:		(29)		
Total bonds payable at June 30, 2011		\$ 6,661		

On December 20, 2007, 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 DSU. The 2007 bonds are being issued as “Additional Bonds” under the Indenture, secured equally and ratable with all other Bonds issued and outstanding under the Indenture and any Alternative Indebtedness as provided in the Indenture and in the Loan Agreement. Pursuant to the Indenture, the Delaware EDA issued for the benefit of 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 rooms and administrative offices. The primary function of the pool is to provide a recreational environment. The student wellness/recreation center will serve 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. It was noted that the 2007 bonds were backed by MBIA who had no letter of credit expiration date.

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>
2012	4.00	\$ -	\$ 2,208	\$ 2,208
2013	4.00	-	2,208	2,208
2014	4.00	-	2,208	2,208
2015	4.00	-	2,208	2,208
2016	4.00	-	2,208	2,208
2017-2021	4.00 - 5.00	3,995	10,761	14,756
2022-2026	4.00 - 5.00	8,025	9,233	17,258
2027-2031	4.00 - 5.00	10,135	7,041	17,176
2032-2036	4.00 - 5.00	12,700	4,217	16,917
2037-2040	4.00 - 5.00	12,725	1,018	13,743
Total, gross		<u>47,580</u>	<u>\$ 43,310</u>	<u>\$ 90,890</u>
Plus unamortized bond premium		<u>281</u>		
Total bonds payable at June 30, 2011		<u>\$ 47,861</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, 2011. 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 refinanced the Series 2000A and 2002A Bonds (the Prior Bonds) with a loan payable in an aggregate amount of \$18.4 million funded with proceeds from the issuance of student housing revenue bonds, Series 2004A (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 for the Series 2004A Bonds, and to pay a portion of the costs of issuance of the Series 2004A Bonds. Effective February 21, 2004, the Foundation defeased the tax-exempt Series 2000A and the tax exempt Series 2002A term bonds at face value. It was further noted that the letter of credit for the 2004A bonds were backed by ACA with no letter of credit expiration, whereas the 2004B bonds were backed by Wachovia, who provided a letter of credit extension through January 2012. The letter of credit supporting the 2004 B Bonds expires on January 20, 2012. As a result, the principal amount of \$33.6 million has been classified as a current liability on the Housing Foundation's Statements of Net Assets. This does not constitute a violation of the financial covenants contained in the Reimbursement Agreement between the Housing Foundation and Wells Fargo, the letter of credit bank.

The Foundation financed development and construction of Phase III 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 and 2004C. 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. The first monthly interest payment on the Series 2004 Bonds began on July 1, 2004. Total accrued interest on all bonds as of June 30, 2011 is \$0.4 million.

Maturities of long-term debt at June 30, 2011 are as follows:

**Delaware State University
Student Housing Foundation
Revenue Bonds**

(Expressed in Thousands)

Year Ending June 30	Principal
2012	\$ 1,090
2013	1,140
2014	1,185
2015	1,235
2016	1,295
2017-2021	7,405
2022-2027	9,315
2028-2032	11,745
2033-2036	13,635
2037	2,160
Subtotal	\$ 50,205
Less bond discount (net of accumulated amortization)	(520)
Total	\$ 49,685

In February 2010, the University entered into an interest rate swap agreement in order to hedge interest rate exposure on the underlying bonds. The swap agreement had a fair value liability of \$0 at June 30, 2011. The interest rate swap agreement expired on January 22, 2011 and Wells Fargo issued a waiver through June 30, 2011 because the University was in the process of refinancing the debt.

NOTE 7 LOANS AND NOTES PAYABLE

Component Units

Diamond State Port Corporation (DSPC)

Loan and notes payable of the DSPC at June 30, 2011 are shown below:

Diamond State Port Corporation Loans and Notes Payable	
(Expressed in Thousands)	
Transportation Trust Fund Loan	\$ 20,253
City of Wilmington Port Debt Service Notes	7,130
Delaware River and Bay Authority	3,170
Wilmington Trust Company	207
Bank of America	222
Total	\$ 30,982

Transportation Trust Fund Loan

On November 30, 2001, DSPC entered into a loan agreement with DeIDOT. DSPC borrowed \$27.5 million. The funds were used to repay the balances in full of the original Delaware River and Bay Authority Note and the Wilmington Trust Company Note, and, at a discount, the City of Wilmington Deferred Payment Note.

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 on July 1, 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 3.99% during 2011 and 2010. The loan matures March 2029.

Interest expense charged to operations in 2011 was \$0.8 million.

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
2012	\$ 821	\$ 807	\$ 1,628
2013	853	774	1,627
2014	888	740	1,628
2015	923	704	1,627
2016	960	667	1,627
2017-2021	5,412	2,727	8,139
2022-2026	6,588	1,551	8,139
2027-2029	3,808	262	4,070
Total	<u>\$ 20,253</u>	<u>\$ 8,232</u>	<u>\$ 28,485</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, DSPC issued to the City two separate notes consisting of a Port Deferred Payment Note in the amount of \$39.9 million and Port Debt Service Notes with an original face amount of \$51.1 million. These notes are secured by a first lien on substantially all of the DSPC's assets. These notes obligate DSPC to pay the City amounts that generally represent the outstanding principal balance of certain DSPC-related City general obligation bonds. The interest rates on the City bonds range from 3.2% to 6.4%.

On October 20, 2001, the City issued \$22.2 million of general obligation bonds with an average interest rate of 3.70% 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%. DSPC-related portions of the new bonds issued and old bonds redeemed were \$7.2 million and \$6.9 million, respectively, passed through to DSPC. Although the effect of the City's advance refunding on the Port Debt Service Note resulted in a deferred accounting loss of \$0.3 million for the year ended June 30, 2002, it reduced DSPC's debt service payments by \$0.3 million over eleven years resulting in an economic gain. The deferred loss on the refunding is accreted over the eleven year life of the debt.

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 \$0.2 million due January 1, 2005. DSPC-related portions of the new bonds issued and old bonds redeemed were \$4.0 million and \$3.6 million, respectively, passed through to DSPC. Although the effect of the City's advance refunding on the Port Debt Service Note resulted in a deferred accounting loss of \$0.4 million it reduces DSPC's debt service payments by \$0.3 million 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, 2011 was \$0.3 million.

On June 30, 2006, the State of Delaware paid the City, on behalf of DSPC, \$5.0 million in lieu of amounts due for the DSPC-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 \$5.0 million, a reduction of accrued interest due July 1, 2006 in the amount of \$0.3 million, and a resulting gain of \$0.4 million.

On June 26, 2008, the City of Wilmington refunded Series 1996B bonds, and those bonds were replaced by Series 2008A bonds, which DSPC has correlating notes with the City. Overall, DSPC will pay an additional \$60,000 in principal over the next nine years; however, DSPC will save \$0.3 million in interest during the same period. In summary, DSPC will pay \$0.3 million less on the City notes due to the refunding/financing. Maturity for these bonds occurs on July 1, 2022.

On April 19, 2010, the City of Wilmington refunded Series 1993B, 2004B, and 2008A bonds, and those bonds were replaced by Series 2010A bonds, which the Corporation has correlating notes with the City. The immediate impact is a reduction in debt service of \$1.06 million for 2011 and 2012. Overall, the Corporation will save \$0.1 million in principal, resulting in an economic gain; however, the Corporation will pay an additional \$0.9 million in interest over the next 13 years.

Total deferred loss balance as of June 30, 2011 was \$0.3 million. The amortization of deferred loss is \$0.1 million.

Principal and interest payments made on the note during 2011 were each \$0.4 million. Interest expense on the note in 2011 was less than a million.

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

Port Debt Service Note (Expressed in Thousands)			
Year Ending June 30	Principal	Interest	Total
2012	\$ 1,183	\$ 320	\$ 1,503
2013	610	291	901
2014	661	264	925
2015	701	233	934
2016	742	195	937
2017-2021	2,473	593	3,066
2022-2023	1,055	53	1,108
Subtotal	7,425	1,949	9,374
Deferred loss on refunding	(295)	-	(295)
Total	<u>\$ 7,130</u>	<u>\$ 1,949</u>	<u>\$ 9,079</u>

Delaware River and Bay Authority (DRBA) Obligation

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

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

Interest expense incurred on this obligation was less than a million during 2011.

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

Delaware River and Bay Authority Obligation
(Expressed in Thousands)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 215	\$ 46	\$ 261
2013	175	86	261
2014	181	81	262
2015	186	75	261
2016	192	70	262
2017-2021	881	426	1,307
2022-2026	1,086	221	1,307
2027-2027	254	7	261
Total	<u>\$ 3,170</u>	<u>\$ 1,012</u>	<u>\$ 4,182</u>

Wilmington Trust Company (WTC) Loan

DSPC entered into a loan agreement with WTC on August 17, 2007 for \$0.4 million 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 7.40%.

Interest expense incurred on this obligation was less than a million during 2011.

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

Wilmington Trust Company Loan
(Expressed in Thousands)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 61	\$ 13	\$ 74
2013	65	9	74
2014	70	4	74
2015	11	-	11
Total	<u>\$ 207</u>	<u>\$ 26</u>	<u>\$ 233</u>

Bank of America Master (BOA) Lease

In 2008, DSPC utilized the State of Delaware's Master Lease program (as administered by BOA) to purchase the twelve forklifts for \$0.3 million using two loans. 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 less than a million during 2011.

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
2012	\$ 30	\$ 6	\$ 36
2013	30	5	\$ 35
2014	31	4	\$ 35
2015	32	4	\$ 36
2016	33	3	\$ 36
2017-2018	66	2	\$ 68
Total	<u>\$ 222</u>	<u>\$ 24</u>	<u>\$ 246</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 \$14.0 million at June 30, 2011. Interest rates for the mortgages vary between 5.455% and 8.00% and mature between June 2011 and November 2014.

Estimated future annual debt service requirements are shown as follows:

Riverfront Development Mortgage Debt
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,935	\$ 494	\$ 2,429
2013	513	447	960
2014	468	435	903
2015	8,868	171	9,039
2016	168	46	214
Thereafter	2,038	7	2,045
Total	<u>\$ 13,990</u>	<u>\$ 1,600</u>	<u>\$ 15,590</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 \$175.9 million, of which \$158.8 million relates to property leases and \$17.1 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 2011 were approximately \$34.4 million, of which \$23.9 million was for office space and \$10.4 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 \$4.2 million for fleet vehicles and data processing equipment for the Office of Management and Budget and \$1.6 million for data processing equipment for the Department of Education. Significant annual real estate rentals include \$6.2 million for leases for Health and Social Services facilities, \$2.0 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, 2011 are shown in the following table:

Lease Commitments	
(Expressed in Thousands)	
Year Ending June 30	Operating Leases
2012	\$ 29,870
2013	25,903
2014	19,974
2015	17,619
2016	17,332
2017-2021	47,311
2022-2026	13,945
2027-2031	2,998
2032-2036	687
2037-2041	258
Total	<u>\$ 175,897</u>

Component Units

Delaware Charter Schools have entered into various property and equipment operating leases (terms in excess of one year) with aggregate future rentals approximating \$20.8 million, of which \$20.4 million relates to property leases and \$0.4 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 2011 were approximately \$3.6 million, of which \$3.5 million was for office space and \$0.1 million, was for equipment.

Future minimum lease commitments for operating leases as of June 30, 2011 are shown in the following table:

Lease Commitments
(Expressed in Thousands)

Year Ending June 30	Operating Leases
2012	\$ 5,696
2013	3,913
2014	3,170
2015	2,788
2016	1,483
2017-2021	3,711
Total	\$ 20,761

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, 2011. 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. \$171.0 million has been accrued for the Governmental Activities and \$14.4 million in the Business-type Activities for the total compensated absences liability. The current portion of the long-term obligation for compensated absences is \$10.2 million in the Governmental Activities and \$4.8 million in the Business-type Activities. Approximately \$143.7 million (84.1%) of the long-term obligation for compensated absences will be liquidated by the General Fund. Of the remainder, approximately \$10.7 million (6.3%) and \$16.4 million (9.6%) will be paid with Federal Funds and Local School District Funds, respectively.

The State has recorded \$87.5 million relating to the accrual of the obligation for escheated (abandoned) property of which \$17.5 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 \$4.8 million, of which \$1.0 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, 2011:

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)	\$ 115.6	\$ 12.5	\$ (10.3)	\$ 117.8	\$ -
Other postemployment benefits	906.1	506.6	(208.6)	1,204.1	-
Compensated absences	162.4	18.8	(10.2)	171.0	10.4
Claims and judgments (nodes 13 and 17)	129.9	48.5	(37.3)	141.1	33.6
Escheat payable	75.0	29.9	(17.4)	87.5	17.5
Notes payable	0.2	-	(0.1)	0.1	-
Pollution remediation obligations	23.4	-	(4.9)	18.5	5.6
Bonds payable:					
General obligation bonds	1,495.9	256.0	(140.1)	1,611.8	139.6
Bond issue premium, net of accumulated amortization	127.9	19.8	(11.1)	136.6	11.1
Physician and scholarship programs	4.2	0.9	(0.3)	4.8	1.0
Governmental activities long-term liabilities total:	<u>\$ 3,040.6</u>	<u>\$ 893.0</u>	<u>\$ (440.3)</u>	<u>\$ 3,493.3</u>	<u>\$ 218.8</u>
Business-type activities:					
Other postemployment benefits	\$ 80.7	\$ 32.3	\$ -	\$ 113.0	\$ -
Compensated absences	14.2	5.0	(4.8)	14.4	4.8
Claims and judgments (nodes 13 and 17)	3.2	5.5	(2.7)	6.0	-
Pollution remediation obligations	2.8	-	(1.0)	1.8	0.6
Liabilities payable from restricted assets	6.6	3.3	-	9.9	4.1
Bonds payable:					
General obligation bonds	1.4	-	(0.6)	0.8	0.3
Revenue bonds	1,179.7	119.0	(91.9)	1,206.8	76.3
Bond issue premium, net of accumulated amortization	39.8	7.0	(9.4)	37.4	7.4
Business-type activities long-term liabilities total:	<u>\$ 1,328.4</u>	<u>\$ 172.1</u>	<u>\$ (110.4)</u>	<u>\$ 1,390.1</u>	<u>\$ 93.5</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	\$ (0.5)	\$ 1.0	\$ -
Escrow deposits	29.3	2.4	-	31.7	-
Notes payable	1.1	179.8	(111.2)	69.7	69.7
Revenue bonds	964.3	87.8	(222.0)	830.1	117.4
Other long-term obligations	1.3	0.1	(0.2)	1.2	0.2
Total long-term obligations	<u>\$ 997.0</u>	<u>\$ 270.6</u>	<u>\$ (333.9)</u>	<u>\$ 933.7</u>	<u>\$ 187.3</u>
Diamond State Port Corporation					
Notes and loans payable	\$ 32.4	\$ -	\$ (1.4)	\$ 31.0	\$ 2.3
Total long-term obligations	<u>\$ 32.4</u>	<u>\$ -</u>	<u>\$ (1.4)</u>	<u>\$ 31.0</u>	<u>\$ 2.3</u>
Riverfront Development Corporation					
Revenue bonds	\$ 3.6	\$ -	\$ (0.4)	\$ 3.2	\$ 0.4
Long-term debt	14.1	0.3	(0.3)	14.0	1.9
Total long-term obligations	<u>\$ 17.7</u>	<u>\$ 0.3</u>	<u>\$ (0.7)</u>	<u>\$ 17.2</u>	<u>\$ 2.3</u>
Delaware State University					
Revenue bonds	\$ 106.0	\$ -	\$ (1.8)	\$ 104.2	\$ 32.8
Other long-term obligations	0.9	-	(0.1)	0.8	0.1
Total long-term obligations	<u>\$ 106.9</u>	<u>\$ -</u>	<u>\$ (1.9)</u>	<u>\$ 105.0</u>	<u>\$ 32.9</u>
Delaware Charter Schools					
Compensated absences	\$ 1.0	\$ 0.5	\$ (0.1)	\$ 1.4	\$ -
Notes payable	32.9	0.3	(6.6)	26.6	0.5
Revenue bonds	19.1	8.0	(0.2)	26.9	0.8
Long-term debt	11.0	16.1	(1.6)	25.5	1.2
Total long-term obligations	<u>\$ 64.0</u>	<u>\$ 24.9</u>	<u>\$ (8.5)</u>	<u>\$ 80.4</u>	<u>\$ 2.5</u>

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, 2011 for these entities amounted to \$1,205.1 million and \$625.6 million, respectively.

NOTE 12 CAPITAL ASSETS

(a) Primary Government

Capital asset activities for the fiscal year ended June 30, 2011 were as follows:

Governmental Activities	Capital Assets (Expressed in Thousands)			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets, not being depreciated				
Land	\$ 427,496	\$ 15,485	\$ (2,852)	\$ 440,129
Easements	256,653	20,630	(2,412)	274,871
Construction-in-progress	399,844	184,183	(383,007)	201,020
Total capital assets, not being depreciated	<u>1,083,993</u>	<u>220,298</u>	<u>(388,271)</u>	<u>916,020</u>
Capital assets, being depreciated				
Vehicles	73,643	5,899	(3,809)	75,733
Buildings	3,161,201	253,282	(8,734)	3,405,749
Equipment	87,114	6,045	(2,595)	90,564
Land Improvements	126,526	77,334	-	203,860
Computer Software	3,817	54,354	-	58,171
Total capital assets being depreciated	<u>3,452,301</u>	<u>396,914</u>	<u>(15,138)</u>	<u>3,834,077</u>
Less accumulated depreciation for:				
Vehicles	(58,008)	(6,131)	3,545	(60,594)
Buildings	(945,884)	(76,904)	135	(1,022,653)
Equipment	(65,694)	(4,459)	1,145	(69,008)
Land Improvements	(47,194)	(9,010)	-	(56,204)
Computer Software	(2,909)	(10,714)	-	(13,623)
Total accumulated depreciation	<u>(1,119,689)</u>	<u>(107,218)</u>	<u>4,825</u>	<u>(1,222,082)</u>
Total capital assets, being depreciated, net	<u>2,332,612</u>	<u>289,696</u>	<u>(10,313)</u>	<u>2,611,995</u>
Governmental activities capital assets, net	<u>\$ 3,416,605</u>	<u>\$ 509,994</u>	<u>\$ (398,584)</u>	<u>\$ 3,528,015</u>

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	(1,393)	(1)	-	(1,394)
Total capital assets, being depreciated, net	\$ 2	\$ (1)	\$ -	\$ 1

Capital Assets

(Expressed in Thousands)

Business-type Activities	Beginning			Ending
DelDOT	Balance	Increases	Decreases	Balance
Capital assets, not being depreciated				
Land	\$ 276,761	\$ -	\$ -	\$ 276,761
Infrastructure	3,432,677	48,398	-	3,481,075
Total capital assets, not being depreciated	3,709,438	48,398	-	3,757,836
Capital assets, being depreciated				
Buildings & improvements	91,065	6,992	-	98,057
Furniture & equipment	237,416	13,428	(11,429)	239,415
Total capital assets being depreciated	328,481	20,420	(11,429)	337,472
Less accumulated depreciation for:				
Buildings & improvements	(25,315)	(2,713)	-	(28,028)
Furniture & equipment	(113,138)	(21,811)	11,301	(123,648)
Total accumulated depreciation	(138,453)	(24,524)	11,301	(151,676)
Total capital assets, being depreciated, net	190,028	(4,104)	(128,345)	185,796
Total capital assets	\$ 3,899,466	\$ 44,294	\$ (128,345)	\$ 3,943,633
Business-type activities capital assets, net	\$ 3,899,466	\$ 44,294	\$ (128,345)	\$ 3,943,634

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

Depreciation Expense	
(Expressed in Thousands)	
Governmental activities:	
General government	\$ 23,354
Health and children's services	6,958
Judicial and public safety	12,265
Natural resources and environmental control	5,328
Labor	79
Education	59,234
Total depreciation expense - governmental activities	<u>\$ 107,218</u>
Business-type activities:	
DelDOT	\$ 24,524
Lottery	1
Total depreciation expense - business-type activities	<u>\$ 24,525</u>

(b) Component Units

Capital asset activities for the fiscal year ended June 30, 2011 were as follows:

Component Units				
(Expressed in Thousands)				
	Beginning Balance	Increases	Decreases	Ending Balance
Delaware State Housing Authority				
Capital assets, not being depreciated	\$ 4,567	\$ 889	\$ (924)	\$ 4,532
Capital assets, being depreciated	42,119	1,043	-	43,162
Accumulated depreciation	(26,479)	(1,636)	-	(28,115)
Total capital assets, net	<u>\$ 20,207</u>	<u>\$ 296</u>	<u>\$ (924)</u>	<u>\$ 19,579</u>
Diamond State Port Corporation				
Capital assets, not being depreciated	\$ 36,385	\$ 7,933	\$ (18,631)	\$ 25,687
Capital assets, being depreciated	183,591	18,449	-	202,040
Accumulated depreciation	(55,782)	(5,460)	-	(61,242)
Total capital assets, net	<u>\$ 164,194</u>	<u>\$ 20,922</u>	<u>\$ (18,631)</u>	<u>\$ 166,485</u>
Riverfront Development Corporation				
Capital assets, not being depreciated	\$ 103,619	\$ 858	\$ (10,932)	\$ 93,545
Capital assets, being depreciated	58,916	10,441	(519)	68,838
Accumulated depreciation	(33,893)	(5,004)	519	(38,378)
Total capital assets, net	<u>\$ 128,642</u>	<u>\$ 6,295</u>	<u>\$ (10,932)</u>	<u>\$ 124,005</u>
Delaware State University				
Capital assets, not being depreciated	\$ 16,976	\$ -	\$ -	\$ 16,976
Capital assets, being depreciated	291,432	6,203	-	297,635
Accumulated depreciation	(97,407)	(9,023)	-	(106,430)
Total capital assets, net	<u>\$ 211,001</u>	<u>\$ (2,820)</u>	<u>\$ -</u>	<u>\$ 208,181</u>
Delaware Charter Schools				
Capital assets, not being depreciated	\$ 5,201	\$ 1,192	\$ -	\$ 6,393
Capital assets, being depreciated	77,419	3,249	(8,042)	72,626
Accumulated depreciation	(12,648)	(2,256)	1,379	(13,525)
Total capital assets, net	<u>\$ 69,972</u>	<u>\$ 2,185</u>	<u>\$ (6,663)</u>	<u>\$ 65,494</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, 2011, for workers' compensation, automobile accident and health-care claim liabilities is \$176.9 million. The claim liabilities relating to health-care totaling \$38.4 million have been recorded as accrued liabilities in governmental activities. The liability for workers' compensation and automobile accident liabilities totaling \$138.5 million has been recorded in governmental activities as claims and judgments. The current portion of these claims totals \$33.6 million. Other claim liabilities relating to police professional malpractice and property and casualty were not recorded at June 30, 2011 as the total of these liabilities were not material to the financial statements. Changes in the balances of claim liabilities during fiscal years 2011 and 2010 were as follows:

(Expressed in Thousands)

Fiscal Year	Beginning Balance July 1	Current Year Claims and Changes in Estimates	Actual Claim Payments	Ending Balance June 30
2010	\$ 152,504	\$ 566,192	\$ (556,106)	\$ 162,590
2011	\$ 162,590	\$ 586,537	\$ (572,198)	\$ 176,929

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 \$7.1 million of claim liabilities as Insurance Loss Reserve. Of this amount, \$4.1 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, 2011:

Retirees and beneficiaries receiving benefits	\$ 19,081
Terminated plan members entitled to but not yet receiving the benefits	2,018
Active eligible plan members	36,289
Total	<u>\$ 57,388</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, 2011, the State provided health insurance options through several providers.

Spouse and Survivor Coverage:

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

Employee Contributions:

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

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

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

Funding Policy

The State of Delaware funds the OPEB for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. Additional funding has also been provided on an ad hoc basis. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members and the government are established and may be amended by the State Legislature. Funds are recorded in the OPEB Trust for the payment of retiree 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 contributed \$10.0 million in fiscal year 2011. For fiscal year 2011, the State contribution in relation to the annual required contribution (ARC) totaled \$182.3 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 \$6.2 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 2011 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, 2009	\$ 662.4	\$ 608.5	\$ 53.9
Annual required contribution	498.3	459.6	38.7
Adjustment to annual required contribution	0.9	-	0.9
Annual OPEB Cost	1,161.6	1,068.1	93.5
Employer contributions	(174.7)	(162.0)	(12.7)
Net OPEB obligation at June 30, 2010	\$ 986.9	\$ 906.1	\$ 80.8

	Total	Governmental Activities	Business-Type Activities *
Net OPEB obligation at June 30, 2010	\$ 986.9	\$ 906.1	\$ 80.8
Annual required contribution	553.4	506.6	46.8
Adjustment to annual required contribution	(39.7)	(36.4)	(3.3)
Annual OPEB Cost	1,500.6	1,376.3	124.3
Employer contributions	(183.5)	(172.2)	(11.3)
Net OPEB obligation at June 30, 2011	\$ 1,317.1	\$ 1,204.1	\$ 113.0

* 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 2011 and preceding fiscal year are as follows (dollar amounts in millions):

Ended June 30	OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
2010	480.0	36%	956.5
2011	488.1	37%	1,272.0

Funded Status and Funding Progress

As of June 30, 2011, the plan was 2.1% funded. The actuarial accrued liability for benefits was \$6,769.0 million, and the actuarial value of assets was \$143.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,625.0 million for the primary government. The covered payroll (annual payroll of active employees covered by the plan) was \$1,787.0 million, and the ratio of the UAAL to the covered payroll was 371%.

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, 2011, actuarial valuation, the entry age normal actuarial cost method was used. Investments are valued at market rates. The actuarial assumptions included a 4.25% investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the State's own investments calculated based on the funded level of the plan at the valuation date, and an initial medical inflation rate of 4.25% with an ultimate rate of 5.0%. The UAAL is being amortized as a level percentage of projected payroll on a level percent open basis over 30 years using a 3.25% rate of salary increase.

Delaware Transit Corporation (DTC)

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

Plan Description

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

DTC subsidizes the medical premium. The subsidized percentage is 90% of published rates for

retirees less than age 65 and 100% for retiree's age 65 or greater. DTC subsidizes 100% of the dental and vision coverage for noncontract employees. Contract employees are allowed 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 \$0.23 per month per \$1,000 of coverage to receive the benefit.

The numbers of participants are 787 active employees and 83 retirees as of June 30, 2011, 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 \$1,042,565 for the fiscal year ended June 30, 2011.

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	\$ 15,727
Interest on net OPEB obligation	1,215
Adjustment to annual required contribution	<u>(1,170)</u>
Annual OPEB cost (expense)	15,772
Contributions made	<u>(1,043)</u>
Increase in net OPEB obligation	14,729
Net OPEB obligation - beginning of year	<u>30,386</u>
Net OPEB obligation - end of year	<u><u>\$ 45,115</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
2010	11,810	20.02%	30,386
2011	15,772	6.61%	45,115

Funded Status and Funding Progress

As of June 30, 2011, the plan was 1.3% funded. The actuarial accrued liability was \$111.1 million which is equivalent to the unfunded actuarial accrued liability. The covered payroll (annual payroll of active employees covered by the plan) was \$31.3 million and the ratio of the UAAL to the covered payroll was 350.3%.

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

Actuarial Methods and Assumptions

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

In the July 1, 2010 actuarial valuation, the projected unit credit method was used with linear pro-rata to assumed benefit commencement. The actuarial assumptions included a 4.0% investment rate of return, 4.0% payroll growth rate, a 3.2% inflation rate, and a healthcare cost trend rate of 8.0% initially, reduced by decrements to 6.9% 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 payrolls over a 30-year amortization period.

NOTE 15 PENSIONS

Primary Government

Pension Plans

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

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

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

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

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

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

The Delaware Local Government Retirement Investment Pool (DEL RIP) 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 retirement funds/plans are included in the pension trust fund.

Non-DPERS Fund Descriptions and Contributions

County & Municipal Police and Firefighters' COLA Fund

During 1990, the State passed legislation which established a mechanism for funding post-retirement increases granted by employers who participate in the County & Municipal Police and Firefighters' Pension Plans. This mechanism allows the State to appropriate funds separate to a cost of living adjustment fund (COLA Fund) managed by the Board. The funds are generated by a 0.25% tax on the value of insurance premiums written within the State. The proceeds of the tax are transferred to the State and local governments on a per member basis. In 1994, the New State

Police Plan began receiving funding for post-retirement increases from the Post-Retirement Increase Fund. Since that time, funds calculated for the State Police membership were re-directed into the COLA Fund. In accordance with Section 708 (c), Title 18 of the Delaware Code, when a participating employer grants a post-retirement increase for a plan outside of the DPERS County & Municipal Plans, funds are transferred from the COLA Fund to the employer. The participating employer must provide funds to match the State’s contribution. Allocated funds that are unused will be reverted to the State General Fund.

Post-Retirement Increase Fund (PRI)

The State passed legislation which established a mechanism for funding ad hoc post-retirement increases granted by the General Assembly to members retired under the State Employees’ Plan, the New State Police Plan, and the Judiciary Plans (Closed and Revised) beginning in fiscal year 1994. The mechanism allows the State to appropriate actuarially determined employer contributions to a separate PRI fund managed by the Board. The actuary uses the current actuarial assumptions, methods, and population data to calculate the estimated additional liability resulting from the potential benefit increases. When the Legislature grants an ad hoc post-retirement adjustment, funds are transferred from this PRI fund on a monthly basis based on a five-year actuarial funding schedule to the appropriate pension plan from which the additional benefits are disbursed. For the fiscal year ended June 30, 2011, \$13.8 million was transferred to the appropriate plans in DPERS.

As of June 30, 2011 recently granted post-retirement increases have outstanding liabilities totaling 91.9 million, which will be funded by the State and transferred to the appropriate plans over the next six fiscal years as follows:

<u>Fiscal Year</u>	<u>(Expressed in Thousands)</u>	
2012	\$	8,371
2013		17,369
2014		18,020
2015		18,696
2016		19,397
2017		10,062
Total	\$	<u>91,915</u>

The Board adopts actuarially determined funding for the Post-Retirement Increase Fund. Funding for fiscal year 2011 was 0.81% of covered payroll. Funding for fiscal year 2012 will be 0.50%.

Local Government Retirement Investment Pool (DEL RIP)

In June 1996, the State established DELRIP in the custody of the Board to allow local governments the option to pool their pension assets with the System for investment purposes. The DELRIP is an external investment pool that allows local governments within the State to potentially maximize their rate of return and reduce administrative expenses related to the

investment of funds. Participation in the pool is voluntary. There were three participating entities in DELRIP as of June 30, 2011, which comprise the pool in its entirety: Sussex County and the Towns of Elsmere and Newport.

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

Plan Membership, Benefit and Contribution Provisions

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

State Employees' Pension Plan

Plan Description and Eligibility:

The State Employees' Pension Plan is a cost-sharing 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.

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

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

Disability Benefits: Same as Service Benefits.

Survivor Benefits:

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

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

Contributions:

- Employer - Determined by Board of Pension Trustees.
- Member:

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

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

Burial Benefit: Not applicable.

County & Municipal Police and Firefighters' Pension Plans

Plan 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: 5 years of credited service.

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

Disability Benefits:

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

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 Plan

Plan Description and Eligibility:

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

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

Vesting: 5 years of credited service.

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

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

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

Contributions:

- Employer - Determined by Board of Pension Trustees.

- Member - 3% of earnings in excess of \$6,000.

Burial Benefit: Not applicable.

Delaware Volunteer Firemen's Fund

Plan Description and Eligibility:

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

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

Vesting: 10 years of credited service.

Retirement: Age 60 with 10 years credited service.

Disability Benefits: Not applicable.

Survivor Benefits: Not applicable.

Contributions:

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

Burial Benefit: Not applicable.

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, 2011, 2010, and 2009 are as follows:

Net Pension Obligation (NPO) (Expressed in Thousands)			
	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009
Annual Required Contribution	\$ 26,638	\$ 27,214	\$ 26,423
Interest on Net Pension Obligation	9,246	9,012	8,706
Adjustment to Annual Required Contribution	<u>(10,318)</u>	<u>(9,942)</u>	<u>(9,504)</u>
Annual Pension Cost	25,566	26,284	25,625
Less Contributions Made	<u>(23,367)</u>	<u>(23,367)</u>	<u>(21,796)</u>
Increase in Net Pension	2,199	2,917	3,829
Net Pension Obligation, Beginning of Year	<u>115,569</u>	<u>112,652</u>	<u>108,823</u>
Net Pension Obligation, End of Year	<u>\$ 117,768</u>	<u>\$ 115,569</u>	<u>\$ 112,652</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'	6/30/2011	\$ 128,019	\$ 128,019	100.00%	\$ -
	6/30/2010	101,457	101,457	100.00%	-
	6/30/2009	96,576	96,576	100.00%	-
County & Municipal Police and Firefighters'	6/30/2011	\$ 7,569	\$ 7,569	100.00%	\$ -
	6/30/2010	7,307	7,307	100.00%	-
	6/30/2009	12,007	12,007	100.00%	-
County & Municipal Other Employees'	6/30/2011	\$ 1,186	\$ 1,186	100.00%	\$ -
	6/30/2010	1,276	1,276	100.00%	-
	6/30/2009	2,293	2,293	100.00%	-
Delaware Volunteer Firemen's	6/30/2011	\$ 1,220	\$ 1,762	69.24%	\$ 3,352
	6/30/2010	1,191	1,703	69.94%	2,884
	6/30/2009	1,108	1,604	69.08%	2,428
Judiciary	6/30/2011	\$ 2,557	\$ 2,557	100.00%	\$ -
	6/30/2010	2,473	2,473	100.00%	-
	6/30/2009	2,549	2,549	100.00%	-
New State Police	6/30/2011	\$ 7,810	\$ 7,810	100.00%	\$ -
	6/30/2010	6,562	6,562	100.00%	-
	6/30/2009	6,791	6,791	100.00%	-
Closed State Police	6/30/2011	\$ 23,367	\$ 26,638	87.72%	\$ 117,768
	6/30/2010	23,367	27,214	85.86%	115,569
	6/30/2009	21,775	26,423	82.41%	112,652
Diamond State Port Corporation	6/30/2011	\$ 704	\$ 704	100.00%	\$ -
	6/30/2010	594	594	100.00%	-
	6/30/2009	694	694	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 125 - 137.

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	6/30/2011	\$ 1,111,468	\$ 1,111,548	99.99%	\$ 109,368
	6/30/2010	\$ 1,033,487	\$ 1,033,998	99.95%	\$ 109,288
	6/30/2009	\$ 800,128	\$ 940,741	85.05%	\$ 108,777
Contributory Pension Plan	12/31/2010	\$ 1,081,793	\$ 535,681	201.95%	\$ 2,713,706
	12/31/2009	\$ 1,063,098	\$ 674,249	157.67%	\$ 2,167,594
	12/31/2008	\$ 996,405	\$ 632,751	157.47%	\$ 1,778,745

Deferred Compensation Plan

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

NOTE 16 GOVERNMENTAL FUND BALANCES

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

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

A summary of governmental fund balances at June 30, 2011, is as follows (expressed in thousands):

	<u>General</u>	<u>Federal</u>	<u>Local School District</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Nonspendable					
Inventories	\$ 9,807	\$ -	\$ -	\$ -	\$ 9,807
Total Nonspendable	<u>9,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,807</u>
Restricted:					
Health and children's services	\$ 4,444	\$ 16,754	\$ -	\$ -	\$ 21,198
Judicial and public safety	4,772	-	-	-	4,772
Natural resources and environmental control	11,372	-	-	-	11,372
Agriculture	1,071	-	-	-	1,071
Labor	1,701	-	-	-	1,701
Education	3,812	-	338,271	-	342,083
Economic Development	555	-	-	-	555
Budgetary Reserve	186,430	-	-	-	186,430
Other	3,147	-	-	-	3,147
Total Restricted	<u>\$ 217,304</u>	<u>\$ 16,754</u>	<u>\$ 338,271</u>	<u>\$ -</u>	<u>\$ 572,329</u>
Committed					
Health and children's services	20,718	-	-	-	20,718
Judicial and public safety	5,278	-	-	-	5,278
Natural resources and environmental control	48,369	-	-	-	48,369
Agriculture	5,319	-	-	-	5,319
Labor	7,929	-	-	-	7,929
Education	5,411	-	-	40,068	45,479
Economic Development	2,143	-	-	-	2,143
Other	30,727	-	-	-	30,727
Total Committed	<u>\$ 125,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,068</u>	<u>\$ 165,962</u>
Assigned					
Health and children's services	800	-	-	-	800
Judicial and Public Safety	6,524	-	-	-	6,524
Natural resources and environmental control	13,408	-	-	-	13,408
Agriculture	14,665	-	-	-	14,665
Labor	2,581	-	-	-	2,581
Education	51,713	-	-	-	51,713
Economic Development	58,755	-	-	-	58,755
Other	53,362	-	-	-	53,362
Total assigned	<u>\$ 201,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,808</u>
Unassigned					
	<u>\$ 842,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 842,459</u>
Total fund balance	<u>\$ 1,397,272</u>	<u>\$ 16,754</u>	<u>\$ 338,271</u>	<u>\$ 40,068</u>	<u>\$ 1,792,365</u>

Fund Balance Restricted by Enabling Legislation

The restricted Fund Balance for the Local School Districts Fund are funds that are used to account for activities relating to Delaware's 19 local school districts, which are funded by locally

raised real estate taxes and other revenues. The total amount in the fund was \$338.3 million at June 30, 2011.

The State Constitution provides that certain excess unencumbered budgetary general funds at the end of a fiscal year must be placed in a reserve account (the Budgetary Reserve Account). This account, designed to mitigate the operational impact of any future unanticipated deficits, and 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, 2011. 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.

NOTE 17 Affiliated Organizations

State Lottery

Multi-State Lottery Association

The State Lottery is a member of the Multi-State Lottery Association (MUSL), which operates online games on behalf of participating state lotteries. Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the member's share of the estimated grand prize liability. Each MUSL member pays lesser prizes directly to the winners. The MUSL operates the Powerball games, as well as the Powerplay feature associated with Powerball. The MUSL also operates the Hot Lotto game, in which the Lottery began participating during fiscal year 2008. 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, 2011, was \$2.4 million. This amount is also 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, Suite 210, and 1701 48th Street, West Des Moines, IA 50266-6723.

NOTE 18 COMMITMENTS

Primary Government

The State has entered into various contractual commitments that control for services and for construction of various highway, capital and lottery projects. Commitment of the proprietary fund includes \$262.8 million for DelDOT.

Encumbrances which represent commitment related to unperformed contracts for goods or

services are included in restricted, committed, or assigned fund balance as appropriate. Encumbrances lapse at the end of the applicable appropriation, unless re-appropriated by the Legislature. Encumbrances outstanding against continuing appropriations at the end of fiscal year 2011 are as follows: general fund \$58.2 million, federal funds are \$25.3 million, local school funds are \$6.8 million and capital project funds are \$23.0 million.

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 30, 2011, DSPC had \$16.8 million in cash and investments committed to capital projects.

Riverfront Development Corporation (RDC)

The RDC has an outstanding letter of credit in the amount of approximately \$3.7 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.

NOTE 19 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 \$5.3 million. The State recognized \$2.6 million in governmental activities as claims and judgments liabilities for pending litigation settlements estimated to be probable as of June 30, 2011. 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, 2011 would have a material effect on its financial position or the results of operations.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation*

Obligations, 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 reasonably 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 obligates 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, 2011, the State had a total pollution remediation liability of \$20.3 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 \$1.1 million at June 30, 2011) in the event that the annuity issuers default on their obligations.

Component Units

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 DSHA expects such amounts, if any, to be immaterial.

NOTE 20 SUBSEQUENT EVENTS

Primary Government

On November 15, 2011, the State issued \$275.4 million of its general obligation bonds maturing between July 1, 2012 and July 1, 2031. Of the \$275.4 million issued as Series 2011, \$50.4 million was issued to refund higher priced bonds resulting in a net present value savings of \$2.8 million, or 5.2% of the principal refunded. The Series 2011 bonds were sold to retail and institutional investors and bore coupons between 2.0% and 5.0% and yield between 0.21% and 3.46%.

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

On August 1, 2011, pursuant to the Delaware Energy Act, 29 Del. C. §8059, the Sustainable Energy Utility, Inc. (the "SEU"), a Delaware nonprofit corporation created by and for the benefit of the State, issued \$67.4 million of its SEU Energy Efficiency Revenue Bonds, Series 2011. The bonds mature between September 15, 2013 and September 15, 2031 with coupons between 2.0% and 5.0% and yields between 0.65% and 4.55%. The proceeds of the bonds will be used to pay for the design and implementation of certain energy conservation measures in several State agencies and departments as well as Delaware's higher education facilities. The bonds are limited obligations of the SEU payable primarily from payments to be made by, or on behalf of, State agencies.

Component Units

Riverfront Development Corporation (RDC)

In August 2011, the RDC opened a line of credit with PNC Bank in the amount of \$500,000. The line of credit is secured by substantially all business assets, will bear interest at LIBOR plus 2.5%, and matures in July 2012.

Also in August 2011, RDC opened a new loan with PNC Bank in the amount of \$1.2 million. The loan is secured by real estate, bears interest at LIBOR plus 2.5%, requires monthly payments of interest only through August 2012, then payments of \$6,667 beginning September 2012, and matures in August 2019. Proceeds were used to pay down the note payable of \$3.9 million described in Note 9.

Delaware State Housing Authority (DSHA)

On July 18, 2011, the Authority issued \$99.6 million of Single Family Mortgage Revenue Bonds 2011 Series A pursuant to the New Issue Bond Program (NIBP) established jointly by Fannie Mae, Freddie Mac, the Federal Housing Finance Agency, and the U.S. Department of Treasury provides funding for bond issuance. Some proceeds from the sale were used to purchase the

mortgage backed securities held in the DSHA Mortgage Backed Security Purchase Program and the DSHA Mortgage Backed Security Purchase program then repaid the FHLB Pittsburgh loan agreement, which matured on July 18, 2011. The remaining proceeds from the bond issue were used to provide low rate mortgages to first-time homebuyers.

Delaware State University (DSU)

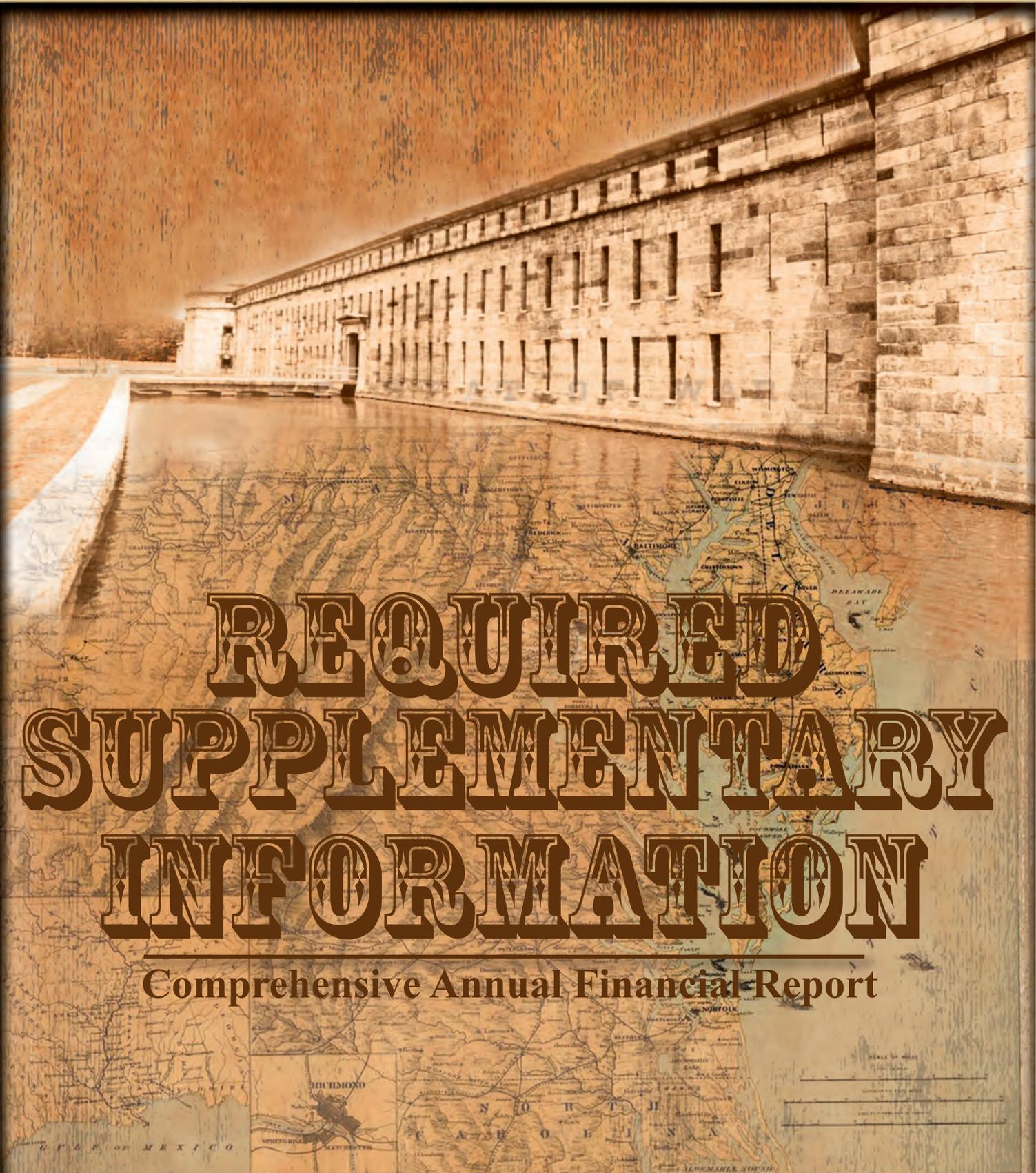
The University entered into a Guaranteed Energy Savings Agreement with Johnson Controls, Inc. in the amount of \$11.3 million. The energy efficiency revenue bonds were issued to the State of Delaware Sustainable Energy Utility, Inc. on or about August 1, 2011. Upon completion of the energy upgrades to various buildings and systems throughout the University, Johnson Controls, Inc guarantees that the savings achieved is sufficient to cover the financing cost associated with the bond. In the event that the savings are not realized Johnson Controls, Inc will be responsible for the amount that is deficient. The first payment to the Sustainable Energy Utility, Inc is due on March 15, 2012 and will continue thereafter semiannually on each September 15 and March 15 through 2033.

The University is in the process of refinancing the Housing Foundation's 2004 B Bonds. The refinancing is expected to be complete by January 31, 2012 and will include \$33.6 million for the 2004 B debt, \$2.8 million for the callable portion of the 1999 debt, \$5 million for the Applied Optics Building project and \$2.2 million for issuance costs and debt service funds. The total bond issuance is projected to be \$43.6 million.

Due to this expected refinancing, the University did not request Wells Fargo to renew its letter of credit supporting the 2004 B Bonds. The letter of credit expires on January 20, 2012 and the 2004 B Bonds will be subject to a mandatory tender on January 12, 2012. On that date, it is expected that Wells Fargo will use the proceeds of a draw on the letter of credit to purchase and hold the 2004 B Bonds pending their refinancing with a new issue of bonds. Upon completion of the refinancing, the bank bonds held by Wells Fargo will be redeemed with proceeds of the new bond issue.

NOTE 21 PRIOR PERIOD ADJUSTMENTS**Component Units**

Delaware State Housing Authority (DSHA) has restated their prior year net assets due to an error in their accounting of funds disbursed through its HOME Tax Credit Assistance Program as they were incorrectly accounted for as grants and expensed instead of as loans. As a result beginning net assets of DHSAs were increased by \$4.5 million, from \$322.8 million to \$327.3 million.



REQUIRED SUPPLEMENTARY INFORMATION

Comprehensive Annual Financial Report

BIRDS EYE VIEW

OF VIRGINIA, MARYLAND, DELAWARE AND THE DISTRICT OF COLUMBIA.

NEW YORK Published by W. SCHAUS 629 Broadway.

PARIS, Francois Delarue

LONDON, H. Graves & Co

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

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

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

Statutory/Budgetary Presentation

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

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriations bill as of June 30, 2011, 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 2011, as well as the amounts shown in the original budget, are reported. The final legal budget also reflects encumbrances and multi-year projects budgetary carry-forwards from the prior fiscal year.

The tables on the following page represent the Budgetary Statements of Revenues, Expenditures and Changes in Fund Balance – General and Special Funds. Also included is a schedule showing the budgetary fund balance designations for the General Fund. Of the \$799.2 million budgetary general fund balance at June 30, 2011, \$186.4 million is reserved for the budgetary reserve account and \$268.3 million is designated as continuing and encumbered appropriations. The \$344.5 million of undesignated fund balance, for the most part, is not available for new spending as these funds have been committed based on State statutes which are subject to review and change by the Legislature.

**Budgetary Comparison Schedule-General and Special Fund
Budget to Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2011
(Expressed in Millions)**

	General Fund				Special Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final			Original	Final		
Revenues								
Personal income taxes	\$ 969.9	\$ 999.2	995.4	\$ (3.8)	\$ -	\$ -	\$ -	\$ -
Business taxes	1,403.6	1,047.4	1,595.2	547.8	-	-	-	-
Other taxes	196.3	187.7	187.4	(0.3)	-	-	-	-
License, permits, fines and fees	321.4	326.0	326.3	0.3	-	-	-	-
Rentals and sales	0.0	0.0	0.0	0.0	-	-	-	-
Interest earnings	13.1	8.5	8.9	0.4	-	-	-	-
Lottery sales	256.3	289.0	287.0	(2)	-	-	-	-
Grants	0.0	0.0	0.0	0.0	-	-	-	-
Other non-tax revenue	79.4	79.8	131.2	51.4	975.6	888.6	874.6	(14.0)
Total revenue	3,240.0	2,937.6	3,531.4	593.8	975.6	888.6	874.6	(14.0)
Expenditures								
Legislative	13.8	17.4	12.0	5.4	0.1	0.0	0.0	0.0
Judicial	87.1	93.2	90.4	2.8	9.1	8.1	7.2	0.9
Executive	207.8	274.6	124.2	150.4	118.0	68.7	64.6	4.1
Department of Technology & Information	34.0	39.4	36.3	3.1	29.6	21.3	17.3	4.0
Other Elective Offices	179.3	197.0	190.3	6.7	63.4	56.3	55.2	1.1
Legal	42.4	44.1	44.1	0.0	9.6	9.0	8.9	0.1
Department of State	26.6	28.8	26.7	2.1	38.5	44.3	39.9	4.4
Department of Finance	13.6	23.3	21.1	2.2	86.8	84.1	79.7	4.4
Department of Health & Social Services	891.6	940.9	834.9	106.0	112.4	98.9	91.2	7.7
Department of Services to Child, Youth and Their Families	125.5	129.6	120.7	8.9	20.3	21.9	20.2	1.7
Department of Corrections	243.5	260.5	245.4	15.1	4.2	3.1	2.7	0.4
Department of Natural Resources and Environmental Control	33.2	47.8	42.6	5.2	90.5	59.6	51.8	7.8
Department of Safety & Homeland Security	123.9	129.3	126.6	2.7	13.8	9.7	9.4	0.3
Department of Transportation	0.0	14.0	14.0	0.0	344.9	374.9	247.8	127.1
Department of Labor	6.6	6.6	6.5	0.1	18.5	15.7	15.7	0.0
Department of Agriculture	7.1	10.4	8.6	1.8	8.2	5.6	5.5	0.1
Department of Elections	3.7	6.8	6.1	0.7	0.0	0.0	0.0	0.0
Fire Prevention Commission	4.6	4.7	4.7	0.0	2.5	1.9	1.9	0.0
Delaware National Guard	4.2	4.6	3.8	0.8	0.0	0.0	0.0	0.0
Higher Education	212.5	221.3	220.0	1.3	0.0	1.0	1.0	0.0
Department of Education	1,044.2	1,121.7	1,091.7	30.0	5.2	4.5	4.1	0.4
Total expenditures	\$ 3,305.2	\$ 3,616.0	\$ 3,270.7	\$ 345.3	\$ 975.6	\$ 888.6	\$ 724.1	\$ 164.5
Excess (deficiency) of revenue over expenditures	(65.2)	(678.4)	260.7	939.1	-	-	150.5	150.5
Budgetary fund balance, beginning of year	538.5	538.5	538.5	0.0	377.2	377.2	377.2	0.0
Budgetary fund balance, end of year	\$ 473.3	\$ (139.9)	\$ 799.2	\$ 939.1	\$ 377.2	\$ 377.2	\$ 527.7	\$ 150.5
Budgetary fund balance								
Designated:								
Budget reserve account			\$ 186.4					
Continuing and encumbered appropriations			268.3					
Undesignated			344.5					
Total			\$ 799.2					

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, 2011 (Expressed in Millions)

Total budget basis general and special fund revenue for fiscal year 2011		\$4,406.0
Adjustments:		
The financial reporting revenues does not include revenues that are part of the general budgetary revenues	(508.9)	
Non-budgetary general revenues reclassified to general fund revenue	434.7	
To adjust revenues, other financing sources and related receivables and deferred revenue	<u>(596.5)</u>	
Total general fund revenues for fiscal year 2011		\$3,735.3
Federal fund revenue	1,628.0	
Local school fund revenue	484.1	
Capital projects fund revenue	<u>-</u>	
		<u>2,112.1</u>
Total GAAP basis governmental funds revenue for fiscal year 2011		<u>\$5,847.4</u>

Budget vs. GAAP Expenditures Reconciliation
For the Fiscal Year Ended June 30, 2011
(Expressed in Millions)

Total budget basis general and special fund expenditures for fiscal year 2011		\$3,994.8
Adjustments:		
The financial reporting expenditures do not include revenues that are part of the general budgetary expenditures	(363.4)	
Non-budgetary general expenditures reclassified to general fund expenditures	694.6	
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	(362.6)	
Total general fund revenues for fiscal year 2011		\$3,963.4
Federal fund expenditures	1,537.7	
Local school fund expenditures	423.1	
Capital projects fund expenditures	196.0	
		2,156.8
Total GAAP basis governmental funds revenue for fiscal year 2011		\$6,120.2

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 4,360 centerline miles and approximately 1,562 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, 2011 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					
		2010		2009		2008	
BCR Condition							
	Rating	Number	Percent	Number	Percent	Number	Percent
Good	6-9	1,137	72.8	1,144	73.5	1,118	74.1
Fair	5	313	20.0	295	19	291	19.3
Poor	0-4	112	7.2	117	7.5	100	6.6
Totals		1,562	100	1,556	100	1,509	100

Deck Rating Numbers and Percentages for Bridges

		Calendar Year Ended December 31					
		2010		2009		2008	
OPC Condition		Square		Square		Square	
	Rating	Feet	Percent	Feet	Percent	Feet	Percent
Good	6-9	6,685,282	91.1	6,800,531	92.8	6,799,842	93.0
Fair	5	651,712	8.8	510,306	6.9	485,635	6.6
Poor	0-4	4,994	0.1	19,558	0.3	26,253	0.4
Totals		7,341,988	100	7,330,395	100	7,311,730	100

Center-Line Mile Numbers and Percentages for Road Pavement

		Calendar Year Ended December 31					
		2009		2008		2007	
OPC Condition		Center-		Center-		Center-	
	Rating	Line	Percent	Line	Percent	Line	Percent
		Mile		Mile		Mile	
Good	3.0-5.0	3,423	78.5	3,007	67.6	3,071	68.9
Fair	2.5-3.0	575	13.2	1000	22.5	935	21
Poor	Below 2.5	362	8.3	440	9.9	448	10.1
Totals		4,360	100	4,447	100	4,454	100

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

		Fiscal Year ended June 30				
		2011	2010	2009	2008	2007
Estimated		\$134,335	\$102,183	\$208,764	\$197,301	\$129,138
Actual		\$252,646	\$336,214	\$308,732	\$271,333	\$256,571

* 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)	(4)	(5)	(6)
				Unfunded AAL AAL AAL (UAAL) (Excess of Assets over Liabilities) (2) - (1)	Funded Ratio (1) / (2)	Annual Covered Payroll	UAAL/ (Excess) as % of Covered Payroll (3) / (5)
State Employees *	6/30/11	\$ 7,091,821	\$ 7,547,951	\$ 456,130	94.0%	\$ 1,783,603	25.6%
	6/30/10	\$ 6,808,957	\$ 7,096,326	\$ 287,369	96.0%	\$ 1,740,622	16.5%
	6/30/09	6,744,050	6,827,006	82,956	98.8%	1,753,129	4.7%
Special	6/30/11	\$ 406	\$ 287	\$ (119)	141.5%	N/A	N/A
	6/30/10	\$ 457	\$ 333	\$ (124)	137.2%	N/A	N/A
	6/30/09	516	399	(117)	129.3%	N/A	N/A
Closed State Police +	6/30/11	\$ 2,414	\$ 286,010	\$ 283,596	0.8%	\$ 114	248,768.4%
	6/30/10	\$ 1,440	\$ 298,493	\$ 297,053	0.5%	\$ 339	87,626.3%
	6/30/09	727	306,904	306,177	0.2%	619	49,463.2%
New State Police *	6/30/11	\$ 270,625	\$ 286,890	\$ 16,265	94.3%	\$ 50,556	32.2%
	6/30/10	\$ 245,303	\$ 260,258	\$ 14,955	94.3%	\$ 49,896	30.0%
	6/30/09	229,457	241,251	11,794	95.1%	50,425	23.4%
Judiciary*	6/30/11	\$ 55,784	\$ 63,090	\$ 7,306	88.4%	\$ 9,624	75.9%
	6/30/10	\$ 51,550	\$ 60,104	\$ 8,554	85.8%	\$ 9,798	87.3%
	6/30/09	49,036	57,799	8,763	84.8%	9,814	89.3%
Diamond State Port Corporation	6/30/11	\$ 17,198	\$ 20,632	\$ 3,434	83.4%	\$ 11,150	30.8%
	6/30/10	\$ 15,418	\$ 18,354	\$ 2,936	84.0%	\$ 11,224	26.2%
	6/30/09	14,353	16,284	1,931	88.1%	11,071	17.4%
County & Municipal Police Firefighters	6/30/11	\$ 157,394	\$ 160,150	\$ 2,756	98.3%	\$ 59,418	4.6%
	6/30/10	\$ 135,684	\$ 141,430	\$ 5,746	95.9%	\$ 56,917	10.1%
	6/30/09	119,712	122,573	2,861	97.7%	55,478	5.2%
County and Municipal Other Employees	6/30/11	\$ 20,664	\$ 22,859	\$ 2,195	90.4%	\$ 20,580	10.7%
	6/30/10	\$ 17,596	\$ 19,827	\$ 2,231	88.7%	\$ 20,591	10.8%
	6/30/09	15,074	16,787	1,713	89.8%	19,046	9.0%
Volunteer Firemen	6/30/11	\$ 14,379	\$ 29,515	\$ 15,136	48.7%	Active Member ++ 4,933	Cost per Active Member ++ 3,068
	6/30/10	\$ 13,663	\$ 27,382	\$ 13,719	49.9%	4,898	2,801
	6/30/09	13,241	26,562	13,321	49.8%	5,074	2,625

* 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, 2011.

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	\$ 128,019	N/A	\$ 26,638	\$ 7,810	\$ 2,557
Actuarial Valuation Date	6/30/11	6/30/11	6/30/11	6/30/11	6/30/11
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	26 years	20 years ⁽¹⁾	12.07 years ⁽¹⁾
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:					
Investment rate of return	7.5%	7.5%	7.5%	7.5%	7.5%
Projected Salary Increases ¹	3.8% to 11.8%	N/A	4.2% to 4.8%	4.3% to 11.8%	3.8% to 12.5%
Cost-of-living adjustments	Ad hoc	Ad hoc	Based on CPI	Ad hoc	Ad hoc

Plan	Diamond State Port Corporation	County & Municipal Police and Firefighters'	County & Municipal Other Employees	Delaware Volunteer Firemen's
Annual Pension Cost	\$ 704	\$ 7,569	\$ 1,186	\$ 1,762
Actuarial Valuation Date	6/30/11	6/30/11	6/30/11	6/30/11
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	15 years	10 years	10 years	17 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	7.5%	7.5%	7.5%	7.5%
Projected Salary Increases ¹	4.3%	4.3% to 11.8%	3.8% to 9.6%	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 Post-Retirement Increase 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	07/01/2010	\$ 12,329,167	\$ 12,841,594	\$ (512,427)	96.01%	\$ 11,464,713	(4.47%)
	07/01/2009	\$ 10,282,778	\$ 10,797,306	\$ (514,528)	95.23%	\$ 11,624,462	(4.43%)
	07/01/2008	10,886,557	11,290,478	(403,921)	96.42%	12,082,615	(3.34%)
Contributory Plan	1/1/2011	\$ 29,920,228	\$ 29,601,647	\$ 318,581	101.08%	\$ 22,847,401	1.39

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	\$ 1,111,548	\$ 535,681
Contributions Made	\$ 1,111,468	\$ 1,081,793
Actuarial Valuation Date	7/01/10	01/01/11
Actuarial Cost Method	Frozen Initial Liability	Entry Age Normal
Remaining Amortization Period	30	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)
7/1/2011	\$ 144	\$ 6,769	\$ 6,625	2.1%	\$ 1,787	371%
7/1/2010	\$ 104	\$ 5,884	\$ 5,780	1.8%	\$ 1,798	321%

Valuation Date	July 1, 2011
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.25%
Rate of Salary Increases	3.25% (plus merit scale)
Ultimate Rate of Medical inflation	5.00%

	Total	Governmental Activities	Business Type Activities
Net OPEB obligation at June 30, 2010	\$ 986.9	\$ 906.1	\$ 80.8
Annual required contribution	553.4	506.6	46.8
Adjustment to annual required contribution	(39.7)	(36.4)	(3.3)
Annual OPEB cost	1500.6	1376.3	124.3
Employer contribution	(183.5)	(172.2)	(11.3)
Net OPEB obligation at June 30, 2011	\$ 1,317.1	\$ 1,204.1	\$ 113.0

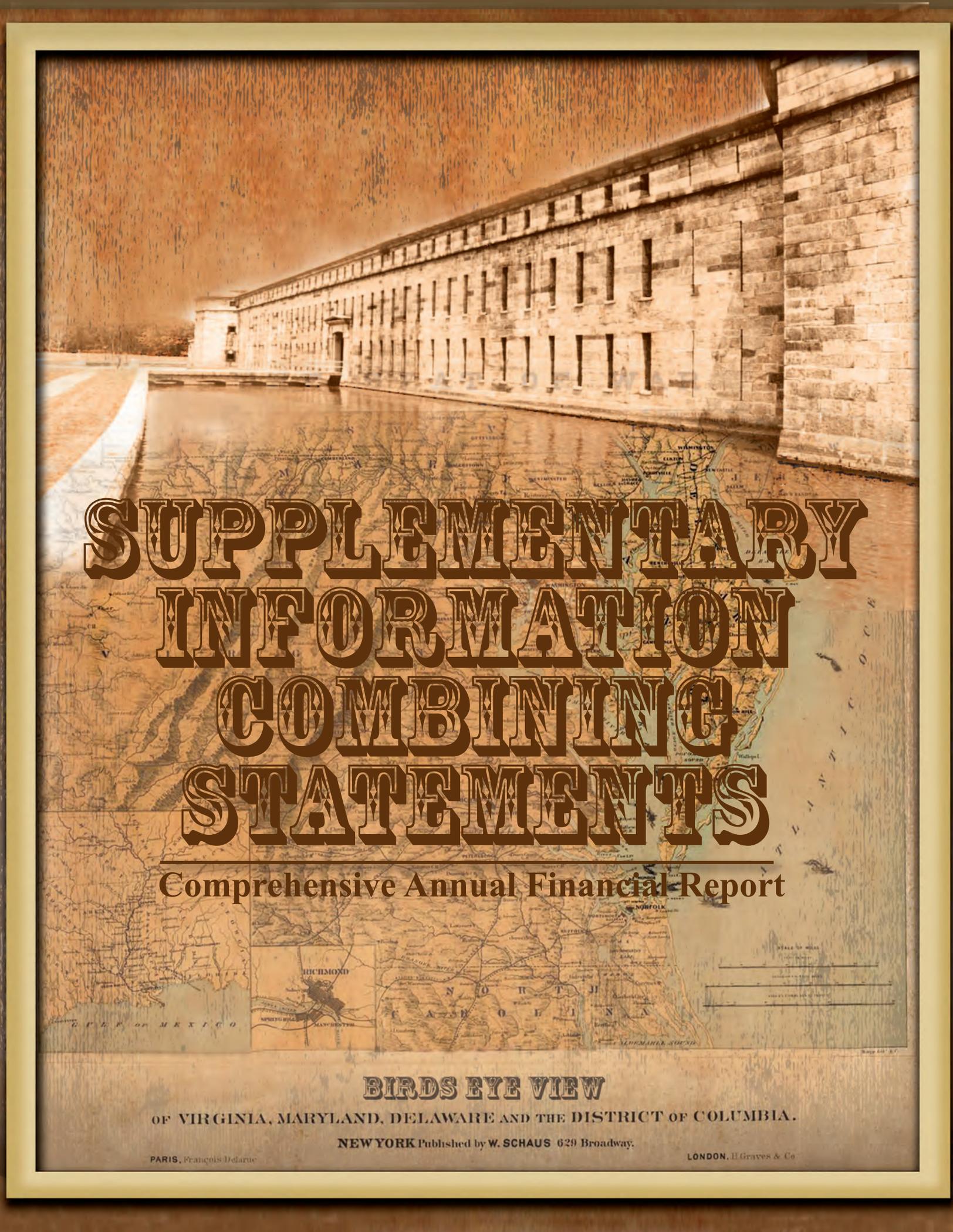
The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2011 are as follows (dollar amounts in millions):

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 488.1	37%	\$ 1,272.0

Delaware Transit Corporation - OPEB

As of June 30, 2011, the plan was 1.3% funded. The actuarial liability was \$111.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$31.3 million, and the ratio of the UAAL to the covered payroll was 350.3%.

In July 1, 2010 actuarial valuation, the projected unit credit method was used the linear proration to assumed benefit commencement. The actuarial assumptions included a partially funded 4.0% investment rate of return, 4.0% payroll growth rate, a 3.2% inflation rate, and a healthcare cost trend rate of 8.0% initially, reduced by decrements to 6.9% 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.



SUPPLEMENTARY INFORMATION COMBINING STATEMENTS

Comprehensive Annual Financial Report

BIRDS EYE VIEW

OF VIRGINIA, MARYLAND, DELAWARE AND THE DISTRICT OF COLUMBIA.

NEW YORK Published by W. SCHAUS 629 Broadway.

LONDON, H. Graves & Co

PARIS, François Delarue

STATE OF DELAWARE
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2011
(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	\$ 418,366	\$ 22	\$ 16,141	\$ 3,303	\$ 510
Receivables:					
Accrued interest	18,240	1	701	144	16
Investment sales pending	19,701	1	760	156	-
Employer contributions	10,163	-	570	184	-
Member contributions	3,616	-	243	17	-
Total receivables	<u>51,720</u>	<u>2</u>	<u>2,274</u>	<u>501</u>	<u>16</u>
Investments at fair value:					
Domestic fixed income	664,422	35	25,634	5,244	5,676
Domestic equities	1,435,773	76	55,394	11,334	5,295
Pooled equity and fixed income	1,468,475	78	56,655	11,593	-
Alternative investments	1,726,007	90	66,591	13,625	-
Foreign fixed income	176,532	9	6,811	1,394	-
Foreign equities	1,145,163	61	44,182	9,041	2,800
Total investments	<u>6,616,372</u>	<u>349</u>	<u>255,267</u>	<u>52,231</u>	<u>13,771</u>
Total assets	<u>7,086,458</u>	<u>373</u>	<u>273,682</u>	<u>56,035</u>	<u>14,297</u>
Liabilities					
Investment purchases payable	23,224	1	896	183	16
Benefits payable	1,326	-	55	5	11
Accrued investment expenses	4,656	-	178	36	-
Accrued administrative expenses	336	-	6	1	-
Total liabilities	<u>29,542</u>	<u>1</u>	<u>1,135</u>	<u>225</u>	<u>27</u>
Assets held in trust for pension benefits and pool participants	<u>\$ 7,056,916</u>	<u>\$ 372</u>	<u>\$ 272,547</u>	<u>\$ 55,810</u>	<u>\$ 14,270</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
\$ 1,023	\$ 9,492	\$ 343	\$ 1,250	\$ 114	\$ 2,263	\$ 452,827
44	411	10	54	7	1	19,629
48	447	17	59	5	-	21,194
58	1,031	-	535	636	-	13,177
17	316	-	41	-	1	4,251
167	2,205	27	689	648	2	58,251
1,625	15,075	544	1,986	181	-	720,422
3,510	32,577	1,176	4,291	391	-	1,549,817
3,590	33,319	1,203	4,388	399	-	1,579,700
4,219	39,163	1,414	5,157	470	-	1,856,736
432	4,005	144	528	47	-	189,902
2,799	25,983	937	3,423	312	-	1,234,701
16,175	150,122	5,418	19,773	1,800	-	7,131,278
17,365	161,819	5,788	21,712	2,562	2,265	7,642,356
57	527	19	69	6	-	24,998
-	-	-	12	-	-	1,409
11	105	2	14	2	-	5,004
2	7	-	2	-	2	356
70	639	21	97	8	2	31,767
<u>\$ 17,295</u>	<u>\$ 161,180</u>	<u>\$ 5,767</u>	<u>\$ 21,615</u>	<u>\$ 2,554</u>	<u>\$ 2,263</u>	<u>\$ 7,610,589</u>

STATE OF DELAWARE
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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	\$ 128,019	\$ -	\$ 7,810	\$ 2,557	\$ 1,221
Transfer of assets from post-retirement increase fund	13,640	-	86	99	-
Transfer of assets from outside the system	-	-	-	-	-
Member contributions	<u>46,403</u>	<u>-</u>	<u>3,434</u>	<u>298</u>	<u>180</u>
Total contributions	<u>188,062</u>	<u>-</u>	<u>11,330</u>	<u>2,954</u>	<u>1,401</u>
Investments:					
Investment income	134,444	7	5,026	1,039	317
Net increase (decrease) in fair value	<u>1,277,375</u>	<u>64</u>	<u>47,611</u>	<u>9,852</u>	<u>2,008</u>
Total investment income (loss)	<u>1,411,819</u>	<u>71</u>	<u>52,637</u>	<u>10,891</u>	<u>2,325</u>
Less investment manager/ advisor/custody fees	(20,102)	(1)	(764)	(157)	-
Less investment administrative expenses	<u>(571)</u>	<u>-</u>	<u>(8)</u>	<u>(1)</u>	<u>-</u>
Net investment income (loss)	<u>1,391,146</u>	<u>70</u>	<u>51,865</u>	<u>10,733</u>	<u>2,325</u>
Deductions:					
Transfer of assets from post-retirement increase fund	-	-	-	-	-
Transfer of assets outside the system	-	-	-	-	-
Pension payments	418,585	56	6,213	2,844	1,644
Refunds of contributions to members	2,988	-	22	-	65
Burial benefit payments	4,843	21	-	-	-
Administrative expenses	<u>5,035</u>	<u>1</u>	<u>78</u>	<u>10</u>	<u>29</u>
Total deductions	<u>431,451</u>	<u>78</u>	<u>6,313</u>	<u>2,854</u>	<u>1,738</u>
Change in net assets	1,147,757	(8)	56,882	10,833	1,988
Net assets held in trust for pension benefits:					
Net assets - beginning of year	<u>5,909,159</u>	<u>380</u>	<u>215,665</u>	<u>44,977</u>	<u>12,282</u>
Net assets - end of year	<u>\$ 7,056,916</u>	<u>\$ 372</u>	<u>\$ 272,547</u>	<u>\$ 55,810</u>	<u>\$ 14,270</u>

<u>Diamond State Port Corporation Plan</u>	<u>County and Municipal Police and Firefighters' Plans</u>	<u>County and Municipal Police and Firefighters' Cola Fund</u>	<u>County and Municipal Other Employees' Plan</u>	<u>DPERS Post Retirement Increase Fund</u>	<u>Closed State Police Plan</u>	<u>Totals</u>
\$ 704	\$ 7,569	\$ -	\$ 1,186	\$ 13,985	\$ 23,367	\$ 186,418
-	-	-	-	-	-	13,825
-	-	3,108	-	-	-	3,108
209	3,986	-	489	-	4	55,003
<u>913</u>	<u>11,555</u>	<u>3,108</u>	<u>1,675</u>	<u>13,985</u>	<u>23,371</u>	<u>258,354</u>
316	2,872	84	377	42	9	144,533
<u>2,992</u>	<u>27,158</u>	<u>815</u>	<u>3,556</u>	<u>364</u>	<u>-</u>	<u>1,371,795</u>
<u>3,308</u>	<u>30,030</u>	<u>899</u>	<u>3,933</u>	<u>406</u>	<u>9</u>	<u>1,516,328</u>
(48)	(442)	(13)	(58)	(7)	-	(21,592)
<u>(3)</u>	<u>(10)</u>	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>(5)</u>	<u>(603)</u>
<u>3,257</u>	<u>29,578</u>	<u>886</u>	<u>3,870</u>	<u>399</u>	<u>4</u>	<u>1,494,133</u>
-	-	-	-	13,825	-	13,825
-	-	1,822	-	-	-	1,822
363	1,810	-	301	-	22,401	454,217
23	116	-	64	-	-	3,278
-	-	-	-	-	63	4,927
<u>25</u>	<u>113</u>	<u>-</u>	<u>48</u>	<u>-</u>	<u>44</u>	<u>5,383</u>
<u>411</u>	<u>2,039</u>	<u>1,822</u>	<u>413</u>	<u>13,825</u>	<u>22,508</u>	<u>483,452</u>
3,759	39,094	2,172	5,132	559	867	1,269,035
<u>13,536</u>	<u>122,086</u>	<u>3,595</u>	<u>16,483</u>	<u>1,995</u>	<u>1,396</u>	<u>6,341,554</u>
<u>\$ 17,295</u>	<u>\$ 161,180</u>	<u>\$ 5,767</u>	<u>\$ 21,615</u>	<u>\$ 2,554</u>	<u>\$ 2,263</u>	<u>\$ 7,610,589</u>

STATE OF DELAWARE
COMBINING STATEMENT OF NET ASSETS
INVESTMENT TRUST FUNDS
JUNE 30, 2011
(Expressed in Thousands)

	Delaware Local Government Retirement Investment Pool	Delaware Local Government OPEB Investment Trust	Total Investment Trust Funds
Assets:			
Cash and cash equivalents	\$ 2,268	\$ 1,797	\$ 4,065
Receivables:			
Accrued interest	99	-	99
Investment sales pending	106	-	106
Investments, at fair value:			
Domestic fixed income	3,603	3,435	7,038
Domestic equities	7,783	3,231	11,014
Pooled equity and fixed income	7,961	-	7,961
Alternative investments	9,357	-	9,357
Foreign fixed income	956	-	956
Foreign equities	6,209	1,704	7,913
Total assets	<u>38,342</u>	<u>10,167</u>	<u>48,509</u>
Investment purchase payable	125	-	125
Accrued investment expense	26	-	26
Total liabilities	<u>151</u>	<u>-</u>	<u>151</u>
Net assets:			
Assets held in trust for pension benefits and pool participants	<u>\$ 38,191</u>	<u>\$ 10,167</u>	<u>\$ 48,358</u>

STATE OF DELAWARE
COMBINING STATEMENT OF CHANGES IN NET ASSETS
INVESTMENT TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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	\$ -	\$ 631	\$ 631
Total contributions	<u>-</u>	<u>631</u>	<u>631</u>
Investments:			
Investment earnings	714	508	1,222
Net increase (decrease) in fair value of investments	6,792	3,610	10,402
Total investment earnings (loss)	<u>7,506</u>	<u>4,118</u>	<u>11,624</u>
Less investment manager/advisor/custody fees	<u>(107)</u>	<u>(9)</u>	<u>(116)</u>
Net investment earnings	<u>7,399</u>	<u>4,109</u>	<u>11,508</u>
Total additions	<u>7,399</u>	<u>4,740</u>	<u>12,139</u>
Deductions:			
Transfer of assets outside the trust	190	21,169	21,359
Administrative Expenses	1	-	1
Total deductions	<u>191</u>	<u>21,169</u>	<u>21,360</u>
Change in net assets	<u>7,208</u>	<u>(16,429)</u>	<u>(9,221)</u>
Net assets - beginning of year	<u>30,983</u>	<u>26,596</u>	<u>57,579</u>
Net assets - end of year	<u>\$ 38,191</u>	<u>\$ 10,167</u>	<u>\$ 48,358</u>

STATE OF DELAWARE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Child Support Collection				
Assets				
Cash and cash equivalents	\$ 3,560	\$ 274,739	\$ 276,252	\$ 2,047
Investments	-	136	136	-
Receivables, net	2,232	6,930	5,713	3,449
Total assets	<u>5,792</u>	<u>281,805</u>	<u>282,101</u>	<u>5,496</u>
Liabilities				
Accounts payable	5,792	281,805	282,101	5,496
Total liabilities	<u>5,792</u>	<u>281,805</u>	<u>282,101</u>	<u>5,496</u>
Court Fines and Restitution				
Assets				
Cash and cash equivalents	9,486	15,785	15,209	10,062
Investments	6,846	11,831	8,051	10,626
Receivables, net	36,140	10,845	8,050	38,935
Total assets	<u>52,472</u>	<u>38,461</u>	<u>31,310</u>	<u>59,623</u>
Liabilities				
Accounts payable	52,472	38,461	31,310	59,623
Total liabilities	<u>52,472</u>	<u>38,461</u>	<u>31,310</u>	<u>59,623</u>
All Other Agency Funds				
Assets				
Cash and cash equivalents	10,440	29,502	28,100	11,842
Investments	15,965	25,509	25,252	16,222
Total assets	<u>26,405</u>	<u>55,011</u>	<u>53,352</u>	<u>28,064</u>
Liabilities				
Accounts payable	26,405	55,011	53,352	28,064
Total liabilities	<u>26,405</u>	<u>55,011</u>	<u>53,352</u>	<u>28,064</u>
Totals - All Agency Funds				
Assets				
Cash and cash equivalents	23,486	320,026	319,561	23,951
Investments	22,811	37,476	33,439	26,848
Receivables, net	38,372	17,775	13,763	42,384
Total assets	<u>84,669</u>	<u>375,277</u>	<u>366,763</u>	<u>93,183</u>
Liabilities				
Accounts payable	84,669	375,277	366,763	93,183
Total liabilities	<u>\$ 84,669</u>	<u>\$ 375,277</u>	<u>\$ 366,763</u>	<u>\$ 93,183</u>

STATE OF DELAWARE
 COMBINING BALANCE SHEET
 LOCAL SCHOOL DISTRICT FUNDS
 JUNE 30, 2011
 (Expressed in Thousands)

	<u>Appoquinimink</u>	<u>Brandywine</u>	<u>Caesar Rodney</u>	<u>Cape Henlopen</u>	<u>Capital</u>	<u>Christina</u>	<u>Colonial</u>	<u>Delmar</u>	<u>Indian River</u>	<u>Lake Forest</u>
Assets										
Cash and cash equivalents	\$ 8	\$ 1,109	\$ 1,496	\$ -	\$ 1,620	\$ 1,333	\$ 2,288	\$ 67	\$ 373	\$ 188
Investments	11,491	8,316	14,138	24,103	24,243	55,531	39,615	1,154	28,043	8,682
Accounts receivable, net	-	-	-	-	-	355	-	-	-	-
Taxes receivable, net	980	2,029	1,034	1,791	2,181	4,305	3,040	425	3,832	932
Total assets	<u>12,479</u>	<u>11,454</u>	<u>16,668</u>	<u>25,894</u>	<u>28,044</u>	<u>61,524</u>	<u>44,943</u>	<u>1,646</u>	<u>32,248</u>	<u>9,802</u>
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	983	2,152	641	1,502	864	2,958	722	48	1,253	319
Due to general fund	-	-	-	-	-	-	-	-	-	-
Deferred revenue	934	1,728	777	1,685	1,665	1,780	2,863	407	3,648	710
Total liabilities	<u>1,917</u>	<u>3,880</u>	<u>1,418</u>	<u>3,187</u>	<u>2,529</u>	<u>4,738</u>	<u>3,585</u>	<u>455</u>	<u>4,901</u>	<u>1,029</u>
Fund balances										
Restricted fund balance	10,562	7,574	15,250	22,707	25,515	56,786	41,358	1,191	27,347	8,773
Total fund balances	<u>10,562</u>	<u>7,574</u>	<u>15,250</u>	<u>22,707</u>	<u>25,515</u>	<u>56,786</u>	<u>41,358</u>	<u>1,191</u>	<u>27,347</u>	<u>8,773</u>
Total liabilities and fund balances	<u>\$ 12,479</u>	<u>\$ 11,454</u>	<u>\$ 16,668</u>	<u>\$ 25,894</u>	<u>\$ 28,044</u>	<u>\$ 61,524</u>	<u>\$ 44,943</u>	<u>\$ 1,646</u>	<u>\$ 32,248</u>	<u>\$ 9,802</u>

STATE OF DELAWARE
 COMBINING BALANCE SHEET - CONTINUED
 LOCAL SCHOOL DISTRICT FUNDS
 JUNE 30, 2011
 (Expressed in Thousands)

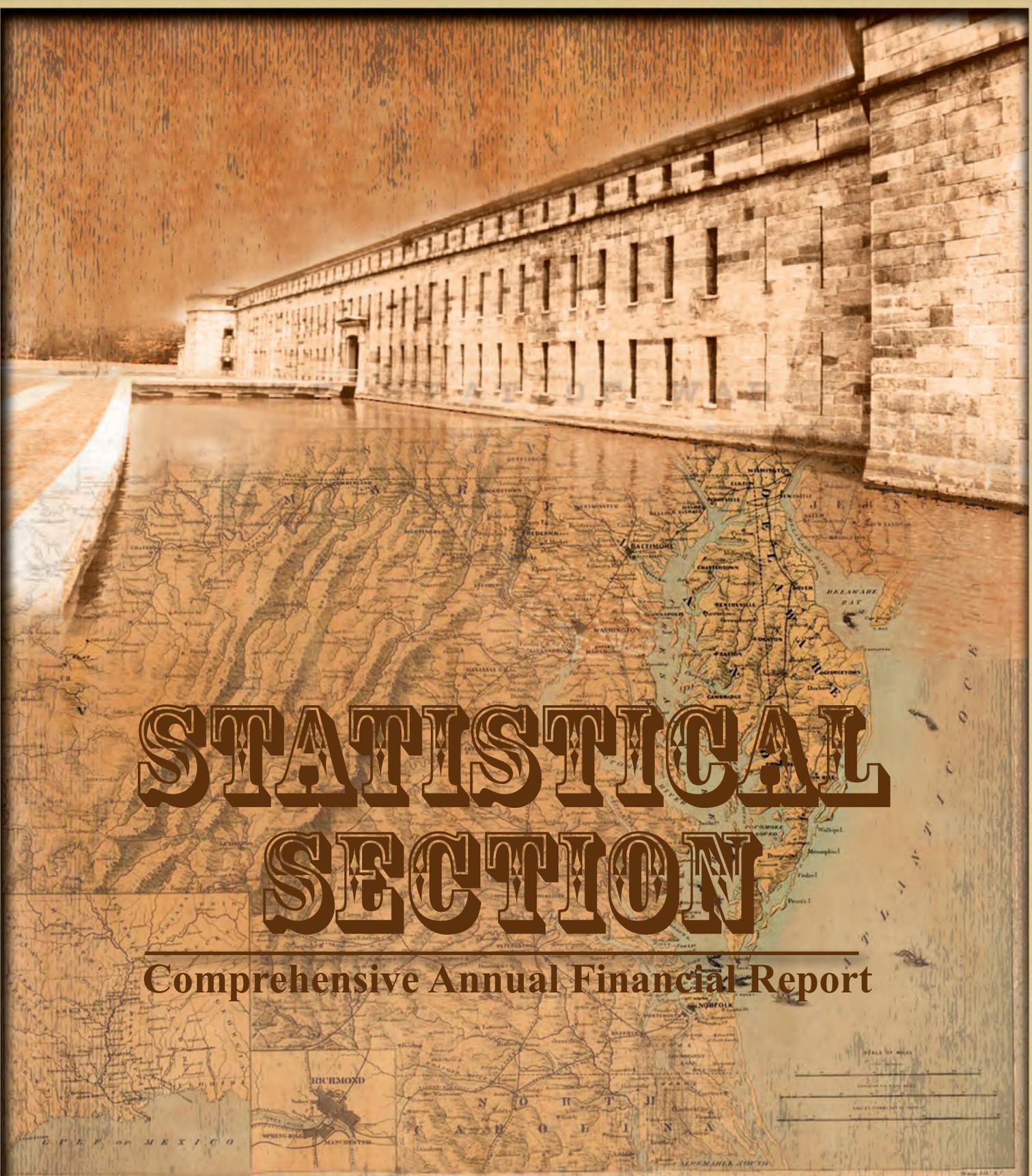
	Laurel	Milford	NCC Vo-Tech	Polytech	Red Clay	Seaford	Smyrna	Sussex Co Vo-Tech	Woodbridge	DOE Administration	Totals
Assets											
Cash and cash equivalents	\$ 666	\$ 36	\$ 42	\$ 4	\$ 745	\$ 843	\$ 5	\$ 6	\$ 26	\$ -	\$ 10,855
Investments	578	11,670	17,736	8,867	49,652	9,209	13,193	7,060	5,258	82	338,621
Accounts receivable, net	1	-	-	-	751	-	-	396	-	-	1,503
Taxes receivable, net	1,028	1,082	1,336	487	3,241	2,017	565	1,045	1,298	-	32,648
Total assets	2,273	12,788	19,114	9,358	54,389	12,069	13,763	8,507	6,582	82	383,627
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable	260	286	527	71	4,098	351	310	86	512	-	17,943
Due to general fund	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	976	992	1,046	371	2,945	1,983	450	1,384	1,069	-	27,413
Total liabilities	1,236	1,278	1,573	442	7,043	2,334	760	1,470	1,581	-	45,356
Fund balances											
Restricted fund balance	1,037	11,510	17,541	8,916	47,346	9,735	13,003	7,037	5,001	82	338,271
Total fund balances	1,037	11,510	17,541	8,916	47,346	9,735	13,003	7,037	5,001	82	338,271
Total liabilities and fund balances	\$ 2,273	\$ 12,788	\$ 19,114	\$ 9,358	\$ 54,389	\$ 12,069	\$ 13,763	\$ 8,507	\$ 6,582	\$ 82	\$ 383,627

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, 2011
 (Expressed in Thousands)

	<u>Appoquinimink</u>	<u>Brandywine</u>	<u>Caesar Rodney</u>	<u>Cape Henlopen</u>	<u>Capital</u>	<u>Christina</u>	<u>Colonial</u>	<u>Delmar</u>	<u>Indian River</u>	<u>Lake Forest</u>
Revenues										
Real estate taxes	\$ 25,855	\$ 59,219	\$ 8,949	\$ 24,420	\$ 21,247	\$ 88,742	\$ 39,576	\$ 1,475	\$ 32,767	\$ 5,113
Licenses, fees, permits and fines	-	10	40	-	-	-	22	-	1	2
Rentals and sales	260	701	55	131	41	316	55	166	716	1,588
Federal government	-	1	5	17	-	354	16	-	388	-
Interest & other investment income	176	197	125	175	293	434	301	12	224	70
Other	1,139	2,554	199	1,525	730	728	1,195	119	1,588	826
Total revenues	<u>27,430</u>	<u>62,682</u>	<u>9,373</u>	<u>26,268</u>	<u>22,311</u>	<u>90,574</u>	<u>41,165</u>	<u>1,772</u>	<u>35,684</u>	<u>7,599</u>
Expenditures										
Education	25,007	54,939	9,598	28,841	14,148	69,213	30,918	1,428	30,982	6,906
Unrestricted payments to component unit - Education	1,214	2,621	444	245	1,067	8,884	2,158	-	109	64
Total expenditures	<u>26,221</u>	<u>57,560</u>	<u>10,042</u>	<u>29,086</u>	<u>15,215</u>	<u>78,097</u>	<u>33,076</u>	<u>1,428</u>	<u>31,091</u>	<u>6,970</u>
Excess (deficiency) of revenues over expenditures	<u>1,209</u>	<u>5,122</u>	<u>(669)</u>	<u>(2,818)</u>	<u>7,096</u>	<u>12,477</u>	<u>8,089</u>	<u>344</u>	<u>4,593</u>	<u>629</u>
Other Sources (Uses) of Financial Resource:										
Transfers in	704	3,382	6,547	10,378	2,766	18,297	2,909	505	6,397	1,486
Transfers out	(7,493)	(10,001)	(4,539)	(7,256)	(4,925)	(16,027)	(9,015)	(1,268)	(10,454)	(1,414)
Total other sources (uses) of financial resources	<u>(6,789)</u>	<u>(6,619)</u>	<u>2,008</u>	<u>3,122</u>	<u>(2,159)</u>	<u>2,270</u>	<u>(6,106)</u>	<u>(763)</u>	<u>(4,057)</u>	<u>72</u>
Net change in fund balances	<u>(5,580)</u>	<u>(1,497)</u>	<u>1,339</u>	<u>304</u>	<u>4,937</u>	<u>14,747</u>	<u>1,983</u>	<u>(419)</u>	<u>536</u>	<u>701</u>
Fund balances - beginning	<u>16,142</u>	<u>9,071</u>	<u>13,911</u>	<u>22,403</u>	<u>20,578</u>	<u>42,039</u>	<u>39,375</u>	<u>1,610</u>	<u>26,811</u>	<u>8,072</u>
Fund balances - ending	<u>\$ 10,562</u>	<u>\$ 7,574</u>	<u>\$ 15,250</u>	<u>\$ 22,707</u>	<u>\$ 25,515</u>	<u>\$ 56,786</u>	<u>\$ 41,358</u>	<u>\$ 1,191</u>	<u>\$ 27,347</u>	<u>\$ 8,773</u>

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, 2011
 (Expressed in Thousands)
 (continued)

	Laurel	Milford	NCC Vo-Tech	Polytech	Red Clay	Seaford	Smyrna	Sussex Co Vo-Tech	Woodbridge	DOE Administration	Totals
Revenues											
Real estate taxes	\$ 3,100	\$ 8,164	\$ 25,474	\$ 4,550	\$ 81,679	\$ 6,573	\$ 7,539	\$ 8,201	\$ 4,129	\$ -	456,772
Licenses, fees, permits and fines	-	-	-	-	-	-	373	-	44	-	492
Rentals and sales	409	72	76	77	334	64	58	188	55	-	5,362
Federal government	-	-	-	-	-	-	49	2	1	-	833
Interest & other investment income	6	110	159	60	406	68	127	52	36	32	3,063
Other	-	263	1,352	329	3,659	-	956	416	322	(305)	17,595
Total revenues	3,515	8,609	27,061	5,016	86,078	6,705	9,102	8,859	4,587	(273)	484,117
Expenditures											
Education	2,696	4,599	28,954	3,954	68,737	4,153	4,675	7,523	4,083	-	401,354
Unrestricted payments to component unit - Education	9	41	-	-	4,581	62	272	-	18	(38)	21,751
Total expenditures	2,705	4,640	28,954	3,954	73,318	4,215	4,947	7,523	4,101	(38)	423,105
Excess (deficiency) of revenues over expenditures	810	3,969	(1,893)	1,062	12,760	2,490	4,155	1,336	486	(235)	61,012
Other Sources (Uses) of Financial Resource:											
Transfers in	70	565	2,810	1,083	5,113	726	580	580	1,137	308	66,343
Transfers out	(775)	(3,739)	(1,665)	(273)	(10,809)	(2,248)	(3,617)	(951)	(982)	-	(97,451)
Total other sources (uses) of financial resources	(705)	(3,174)	1,145	810	(5,696)	(1,522)	(3,037)	(371)	155	308	(31,108)
Net change in fund balances	105	795	(748)	1,872	7,064	968	1,118	965	641	73	29,904
Fund balances - beginning	932	10,715	18,289	7,044	40,282	8,767	11,885	6,072	4,360	9	308,367
Fund balances - ending	\$ 1,037	\$ 11,510	\$ 17,541	\$ 8,916	\$ 47,346	\$ 9,735	\$ 13,003	\$ 7,037	\$ 5,001	\$ 82	\$ 338,271



STATISTICAL SECTION

Comprehensive Annual Financial Report

BIRDS EYE VIEW

OF VIRGINIA, MARYLAND, DELAWARE AND THE DISTRICT OF COLUMBIA.

NEW YORK Published by W. SCHAUS 629 Broadway.

LONDON. H. Graves & Co.

PARIS, François Delarue

Statistical Section Index

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

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Sources: Unless otherwise noted, the information in these schedules is derived from the State's Comprehensive Annual Financial Report for the relevant fiscal year. 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 Ten Fiscal Years
(Accrual basis of accounting, expressed in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008 *</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
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	\$ 1,799,599	\$ 1,831,490
Restricted	128,930	136,460	148,150	161,050	175,365	182,750	186,430	186,430	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	269,978	354,864
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>	<u>\$ 2,256,007</u>	<u>\$ 2,372,784</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	\$ 2,803,634	\$ 2,840,595
Restricted	310,619	256,792	219,844	341,895	358,547	342,263	308,738	202,220	137,831	173,445
Unrestricted	153,418	299,855	172,428	75,335	76,907	89,806	64,577	56,596	5,069	(8,139)
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>	<u>\$ 2,946,534</u>	<u>\$ 3,005,901</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	\$ 4,603,233	\$ 4,672,085
Restricted	439,549	393,252	367,994	502,945	533,912	525,013	495,168	388,650	324,261	359,875
Unrestricted	830,247	1,034,444	1,285,202	1,234,454	1,166,007	1,273,477	948,637	423,193	275,047	346,726
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>	<u>\$ 5,202,541</u>	<u>\$ 5,378,686</u>

Source:

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

Notes:

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section - an amendment of NCGA Statement 1*, recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB Statement No. 34. The State implemented GASB Statement No. 34 in fiscal year 2002.

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

STATE OF DELAWARE
Changes in Net Assets
Last Ten Fiscal Years
(Accrual basis of accounting, expressed in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities:										
General government	\$ 477,142	\$ 341,054	\$ 339,945	\$ 404,190	\$ 480,490	\$ 513,326	\$ 549,263	\$ 551,390	\$ 436,025	\$ 660,931
Health and children's service:	1,240,332	1,363,289	1,399,354	1,450,505	1,619,176	1,699,475	1,869,754	1,980,118	2,059,215	2,186,189
Judicial and public safety	389,806	422,921	442,345	477,691	539,365	574,809	640,380	641,296	624,565	596,764
Natural resources and environmental control	111,443	100,171	113,189	95,622	114,287	173,331	164,446	154,871	148,776	189,301
Labor	60,650	59,521	61,963	61,360	61,013	74,194	68,172	77,911	74,163	74,063
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	2,040,439	2,304,468
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	105,819	-
Interest	31,576	42,000	50,201	44,003	46,051	50,560	52,224	57,570	55,782	75,522
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	5,544,784	6,087,238
Business-type activities:										
Lottery	380,084	353,840	357,011	388,062	408,997	424,111	419,223	388,260	353,449	384,611
DelDOT	448,839	505,409	506,351	526,234	485,169	504,466	535,150	602,296	626,012	593,632
Unemployment	116,538	125,270	114,136	92,284	92,025	108,851	113,955	203,817	379,065	300,262
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	1,358,526	1,278,505
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	6,903,310	7,365,743
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	149,299	214,996
Health and children's service:	108,695	142,245	138,056	117,708	83,445	110,168	99,438	87,548	121,855	67,485
Judicial and public safety	41,417	49,809	42,086	55,026	46,762	49,535	53,803	52,681	60,024	54,681
Natural resources and environmental control	20,662	53,009	36,491	20,806	66,354	56,559	47,374	42,555	58,925	95,460
Labor	77	4,726	3,241	2,910	-	10,918	-	-	-	6,370
Education	10,450	96,179	76,862	78,577	65,552	40,317	28,235	57,101	63,099	36,034
Operating grants and contributions	718,815	772,470	894,779	905,737	959,567	1,001,981	1,094,610	1,199,961	1,460,903	1,735,026
Capital grants and contributions	-	-	-	5,000	3,334	1,740	16,142	9,936	30,861	-
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	1,944,966	2,210,052

Business-type activities:										
Charges for services:										
Lottery	\$ 674,049	\$ 628,064	\$ 640,925	\$ 689,291	\$ 727,993	\$ 755,127	\$ 742,260	\$ 704,308	\$ 689,652	\$ 728,506
DelDOT	312,680	312,463	341,772	342,743	379,246	379,387	428,646	426,046	426,924	445,084
Unemployment	60,571	53,525	62,836	73,449	86,632	72,254	74,984	76,608	119,473	117,060
Operating grants and contributions	26,415	-	-	-	-	-	-	-	196,889	170,681
Capital grants and contributions	106,938	115,502	92,680	106,389	107,463	103,331	156,740	193,219	238,276	195,030
Total business-type activities program revenues	1,180,653	1,109,554	1,138,213	1,211,872	1,301,334	1,310,099	1,402,630	1,400,181	1,671,214	1,656,361
Total primary government program revenues	2,429,147	2,394,069	2,461,198	2,528,129	2,674,404	2,804,917	2,914,325	2,954,231	3,616,180	3,866,413
Net (expenses) revenue										
Governmental activities	(2,473,163)	(2,542,038)	(2,581,371)	(2,882,428)	(3,288,788)	(3,455,350)	(3,963,522)	(4,011,403)	(3,599,818)	(3,877,186)
Business-type activities	235,192	125,035	160,715	205,292	315,143	272,671	334,302	205,808	312,688	377,856
Total primary government net expense	(2,237,971)	(2,417,003)	(2,420,656)	(2,677,136)	(2,973,645)	(3,182,679)	(3,629,220)	(3,805,595)	(3,287,130)	(3,499,330)
General revenues and other changes in net assets										
Governmental activities:										
Taxes:										
Personal Income	718,672	706,277	777,969	882,020	1,014,499	1,016,911	1,010,325	914,460	760,617	986,002
Business	1,153,025	1,180,281	1,356,081	1,375,828	1,535,139	1,672,112	1,659,565	1,655,938	1,820,023	1,926,473
Real Estate	167,258	201,115	240,296	317,664	349,728	388,135	398,881	428,878	434,718	456,772
Other	238,574	267,177	289,346	264,165	287,651	254,960	297,971	238,786	250,630	246,268
Investment Earnings	58,624	73,911	36,109	35,624	49,577	82,701	84,449	41,140	20,185	28,356
Gain (loss) on sale of assets	-	13,536	(2,482)	-	721	(72)	-	-	-	-
Miscellaneous	-	-	37,105	37,570	33,595	24,287	30,629	29,197	15,546	29,201
Transfers	266,090	246,553	242,560	244,518	222,554	259,612	332,132	335,468	335,880	320,891
Total governmental activities	2,602,243	2,688,850	2,976,984	3,157,389	3,493,464	3,698,646	3,813,952	3,643,867	3,637,599	3,993,963
Business-type activities:										
Investment Earnings	26,915	25,073	18,261	18,208	16,634	23,486	21,322	11,686	(15,336)	2,815
Gain (loss) on sale of assets	(60)	(287)	(654)	561	(4,211)	(2,680)	299	235	(415)	587
Miscellaneous	-	-	-	-	-	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Transfers	(266,090)	(246,553)	(242,560)	(244,518)	(222,554)	(259,612)	(332,132)	(335,468)	(335,880)	(320,891)
Total business-type activities	(239,235)	(221,767)	(224,953)	(225,749)	(210,131)	(239,806)	(311,511)	(324,547)	(352,631)	(318,489)
Change in net assets										
Governmental activities	129,080	146,812	395,613	274,961	204,676	243,296	(149,570)	(367,536)	37,781	116,777
Business-type activities	(4,043)	(96,732)	(64,238)	(20,457)	105,012	32,865	22,791	(118,739)	(39,943)	59,367
Total primary government	\$ 125,037	\$ 50,080	\$ 331,375	\$ 254,504	\$ 309,688	\$ 276,161	\$ (126,779)	\$ (486,275)	\$ (2,162)	\$ 176,144

Source:

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

Note:

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section - an amendment of NCGA Statement 1*, recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB Statement No. 34. The State implemented GASB Statement No. 34 in fiscal year 2002.

STATE OF DELAWARE
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting, expressed in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues										
Taxes (1)	\$ 2,271,259	\$ 2,352,666	\$ 2,673,622	\$ 2,836,555	\$ 3,187,378	\$ 3,322,523	\$ 3,366,308	\$ 3,238,062	\$ 3,249,145	\$ 3,615,515
Licenses, fees, permits and fines (7)	228,599	241,663	296,238	296,011	319,768	339,347	355,604	356,228	392,388	326,249
Rentals and sales	49,576	43,461	51,793	57,246	51,047	59,547	34,294	37,736	38,615	116,929
Federal government	731,918	775,725	913,880	929,703	976,143	1,016,215	1,111,247	1,220,072	1,442,722	1,665,888
Interest and other investment income	58,624	73,911	36,109	35,624	49,577	82,701	84,313	41,140	20,185	28,356
Other revenues (7)	230,241	260,270	295,087	266,657	340,827	313,765	109,385	146,967	215,951	94,559
Total revenues	<u>3,570,217</u>	<u>3,747,696</u>	<u>4,266,729</u>	<u>4,421,796</u>	<u>4,924,740</u>	<u>5,134,098</u>	<u>5,061,151</u>	<u>5,040,205</u>	<u>5,359,006</u>	<u>5,847,496</u>
Expenditures										
General government (2) (7)	466,848	413,096	422,785	503,097	633,784	681,609	568,408	577,079	471,515	550,630
Health and children's services (3)	1,261,128	1,372,705	1,407,976	1,480,000	1,674,907	1,751,795	1,880,828	1,996,677	2,059,159	2,191,480
Judicial and public safety (4)	407,608	410,084	439,640	472,406	543,684	580,707	585,648	572,830	578,777	600,911
Natural resources and environmental control	125,301	116,399	165,960	160,840	192,706	212,296	174,823	157,669	156,268	177,823
Labor	60,572	59,500	62,716	68,156	66,646	66,785	65,656	75,804	73,922	69,912
Education (5)	1,440,044	1,432,937	1,501,237	1,633,834	1,773,371	1,821,210	1,836,092	1,851,336	1,886,353	1,954,995
Payment to component unit:										
General government (7)	8,821	5,927	1,952	-	-	-	-	-	-	-
Education (7)	40,571	68,850	73,361	73,279	81,575	89,945	99,969	100,139	105,819	117,381
Capital outlay (6)	168,418	189,713	162,154	173,561	223,779	220,635	277,754	270,847	241,050	195,415
Debt service:										
Principal	79,757	84,079	94,522	107,890	113,781	116,617	151,650	142,069	155,789	140,750
Interest	34,134	33,676	39,246	46,160	49,037	50,609	57,673	60,827	66,222	65,725
Advance refunding escrow	-	-	-	-	-	-	-	-	35,189	54,644
Costs of issuance of debt (8)	-	-	515	533	343	764	415	841	3,797	628
Total expenditures	<u>4,093,202</u>	<u>4,186,966</u>	<u>4,372,064</u>	<u>4,719,756</u>	<u>5,353,613</u>	<u>5,592,972</u>	<u>5,698,916</u>	<u>5,806,118</u>	<u>5,833,860</u>	<u>6,120,294</u>
Revenues over (under) expenditures	<u>(522,985)</u>	<u>(439,270)</u>	<u>(105,335)</u>	<u>(297,960)</u>	<u>(428,873)</u>	<u>(458,874)</u>	<u>(637,765)</u>	<u>(765,913)</u>	<u>(474,854)</u>	<u>(272,798)</u>

Other financing sources (uses)										
Transfer in	\$ 337,925	\$ 477,297	\$ 415,886	\$ 409,038	\$ 374,511	\$ 402,963	\$ 491,038	\$ 470,687	\$ 970,215	\$ 551,530
Transfer out	(71,835)	(230,744)	(173,326)	(186,194)	(151,957)	(147,411)	(158,906)	(135,219)	(634,335)	(230,639)
Other financing sources	-	-	-	-	-	2,281	26	-	-	-
Issuance of general obligation bonds	159,144	394,474	327,218	170,559	132,000	383,133	217,375	236,000	645,130	310,665
Premium on bond sales	-	23,864	22,048	9,788	4,850	9,661	10,220	17,044	66,054	10,910
Payment to bond refunding agent	(20,764)	(177,728)	(79,882)	(50,145)	-	-	-	-	(460,580)	-
Total other financing sources (uses)	<u>404,470</u>	<u>487,163</u>	<u>511,944</u>	<u>353,046</u>	<u>359,404</u>	<u>650,627</u>	<u>559,753</u>	<u>588,512</u>	<u>586,484</u>	<u>642,466</u>
Net change in fund balance	<u>\$ (118,515)</u>	<u>\$ 47,893</u>	<u>\$ 406,609</u>	<u>\$ 55,086</u>	<u>\$ (69,469)</u>	<u>\$ 191,753</u>	<u>\$ (78,012)</u>	<u>\$ (177,401)</u>	<u>\$ 111,630</u>	<u>\$ 369,668</u>
Debt service as a percentage of non-capital expenditures	2.99%	3.04%	3.29%	3.52%	3.29%	3.23%	4.02%	3.82%	4.90%	4.62%

Source:

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

Notes:

- (1) Taxes include personal income taxes and business taxes.
- (2) General government summarizes the expenditures of the following General Government Departments: Legislative, Executive, Technology and Information, Other Elective Offices, State, Finance, Office of Management and Budget, Agriculture, Elections, and the Advisory Council for Exceptional Citizens.
- (3) Health and children's services summarizes the expenditures of the Departments of Health and Social Services, and Services for Children Youth and Their Families.
- (4) Judicial and public safety summarizes the expenditures of the following Departments: Judicial, Legal, Corrections, Safety and Homeland Security, Fire Prevention and the Delaware National Guard.
- (5) Education summarizes the expenditures of the Departments of Higher Education and Public Education.
- (6) Presented by department and function prior to fiscal year 2002.
- (8) Reclassification of expenses in fiscal year 2002 due to GASB Statement 34.
- (9) Cost of issuance of debt reported as an expense effective fiscal year 2004.

STATE OF DELAWARE
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting, expressed in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund										
Reserved	\$ 341,391	\$ 305,592	\$ 286,755	\$ 314,533	\$ 331,388	\$ 383,719	\$ 369,058	\$ 311,745	\$ 352,732	\$ -
Unreserved	580,248	643,461	929,157	999,231	1,039,370	956,073	856,479	744,435	843,635	-
Nonspendable fund balance	-	-	-	-	-	-	-	-	-	9,807
Restricted fund balance	-	-	-	-	-	-	-	-	-	217,304
Committed fund balance	-	-	-	-	-	-	-	-	-	125,894
Assigned fund balance	-	-	-	-	-	-	-	-	-	201,808
Unassigned (deficit)	-	-	-	-	-	-	-	-	-	842,459
Total general fund	\$ 921,639	\$ 949,053	\$ 1,215,912	\$ 1,313,764	\$ 1,370,758	\$ 1,339,792	\$ 1,225,537	\$ 1,056,180	\$ 1,196,367	1,397,272
All other governmental funds:										
Reserved	\$ 125,936	\$ 129,226	\$ 178,201	\$ 156,212	\$ 196,502	\$ 224,018	\$ 189,794	\$ 176,122	\$ 12,202	-
Unreserved, reported in:										
Federal fund	(33,705)	(47,878)	(43,422)	(40,172)	(60,841)	(41,060)	14,000	(15,916)	(48,405)	-
Local school district fund	110,560	101,445	101,361	101,052	74,206	106,083	168,077	213,160	296,171	-
Capital projects fund	(189,822)	(149,345)	(62,942)	(86,660)	(205,898)	(62,353)	(108,940)	(118,479)	(33,638)	-
Debt service fund	-	-	-	-	-	-	-	-	-	-
Restricted fund balance										
Federal fund	-	-	-	-	-	-	-	-	-	16,754
Local school district fund	-	-	-	-	-	-	-	-	-	338,271
Committed fund balance										
Capital projects fund	-	-	-	-	-	-	-	-	-	40,068
Total all other governmental funds	\$ 12,969	\$ 33,448	\$ 173,198	\$ 130,432	\$ 3,969	\$ 226,688	\$ 262,931	\$ 254,887	\$ 226,330	\$ 395,093

Source:

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

Note:

The State changed its fund structure when 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.

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

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Earnings by industry										
Farm earnings										
Farm	\$ 105.0	\$ 196.0	\$ 254.0	\$ 286.0	\$ 221.0	\$ 225.0	\$ 132.0	\$ 146.0	\$ 174.0	\$ 34.0 a
Non-farm earnings										
Private earnings:										
Accommodation and food services	\$ 591.0	\$ 624.0	\$ 683.0	\$ 690.0	\$ 743.0	\$ 794.0	\$ 744.0	\$ 742.0	\$ 791.0	\$ 782.0 b
Administrative and waste services	676.0	713.0	778.0	908.0	959.0	992.0	948.0	911.0	965.0	975.0 c
Arts, entertainment, and recreation	256.0	247.0	287.0	271.0	292.0	304.0	285.0	302.0	358.0	368.0 d
Construction	1,423.0	1,627.0	1,848.0	-	2,061.0	1,930.0	1,807.0	1,484.0	1,546.0	1,673.0 e
Educational services	214.0	220.0	269.0	275.0	282.0	291.0	313.0	308.0	310.0	314.0 f
Finance and insurance	3,161.0	3,237.0	3,827.0	5,393.0	3,815.0	3,660.0	3,574.0	3,599.0	3,832.0	3,954.0 g
Forestry, fishing, and related activities	15.0	18.0	17.0	23.0	17.0	18.0	*	*	*	- h
Health care and social assistance	2,197.0	2,345.0	2,634.0	2,761.0	2,864.0	3,118.0	3,386.0	3,436.0	3,571.0	3,652.0 i
Information	457.0	474.0	482.0	483.0	520.0	547.0	557.0	514.0	508.0	508.0 j
Management of companies and enterprises	1,010.0	934.0	957.0	930.0	1,080.0	1,104.0	1,221.0	1,069.0	1,254.0	1,271.0 k
Manufacturing, durable and non-durable	2,319.0	2,628.0	2,407.0	2,428.0	2,571.0	2,893.0	2,430.0	2,031.0	2,226.0	2,181.0 l
Mining	14.0	15.0	19.0	-	25.0	22.0	*	*	*	- m
Professional, scientific, and technical service	2,420.0	2,567.0	2,822.0	2,681.0	2,860.0	3,009.0	3,141.0	2,903.0	3,243.0	3,483.0 n
Real estate and rental and leasing	383.0	370.0	483.0	466.0	476.0	412.0	502.0	436.0	546.0	531.0 o
Trade, retail	1,519.0	1,629.0	1,699.0	1,758.0	1,806.0	1,834.0	1,694.0	1,689.0	1,720.0	1,780.0 p
Trade, wholesale	982.0	1,081.0	1,187.0	1,233.0	1,287.0	1,347.0	1,279.0	1,156.0	1,167.0	1,223.0 r
Transportation and warehousing	490.0	530.0	611.0	634.0	637.0	650.0	644.0	637.0	601.0	635.0 s
Utilities	250.0	235.0	241.0	246.0	253.0	243.0	282.0	279.0	278.0	268.0 t
Other services, except public administration	816.0	819.0	863.0	906.0	959.0	994.0	947.0	942.0	969.0	976.0 q
Total private earnings	<u>\$ 19,193.0</u>	<u>\$ 20,313.0</u>	<u>\$ 22,114.0</u>	<u>\$ 22,086.0</u>	<u>\$ 23,507.0</u>	<u>\$ 24,162.0</u>	<u>\$ 23,754.0</u>	<u>\$ 22,438.0</u>	<u>\$ 23,885.0</u>	<u>\$ 24,574.0</u>
Government and government enterprises:										
Federal, civilian	\$ 371.0	\$ 378.0	\$ 413.0	\$ 420.0	\$ 446.0	\$ 493.0	\$ 544.0	\$ 545.0	\$ 563.0	\$ 569.0 u
Military	380.0	422.0	451.0	448.0	440.0	465.0	513.0	562.0	577.0	584.0 v
State and local government	2,599.0	2,669.0	2,871.0	2,913.0	3,203.0	3,273.0	3,342.0	3,538.0	3,606.0	3,450.0 w
Total government enterprises	<u>\$ 3,350.0</u>	<u>\$ 3,469.0</u>	<u>\$ 3,735.0</u>	<u>\$ 3,781.0</u>	<u>\$ 4,089.0</u>	<u>\$ 4,231.0</u>	<u>\$ 4,399.0</u>	<u>\$ 4,645.0</u>	<u>\$ 4,746.0</u>	<u>\$ 4,603.0</u>
Total non-farm earnings	<u>\$ 22,543.0</u>	<u>\$ 23,782.0</u>	<u>\$ 25,849.0</u>	<u>\$ 25,867.0</u>	<u>\$ 27,596.0</u>	<u>\$ 28,393.0</u>	<u>\$ 28,153.0</u>	<u>\$ 27,083.0</u>	<u>\$ 28,631.0</u>	<u>\$ 29,177.0</u> x
Total earnings by industry	<u>\$ 22,648.0</u>	<u>\$ 23,978.0</u>	<u>\$ 26,103.0</u>	<u>\$ 26,153.0</u>	<u>\$ 27,817.0</u>	<u>\$ 28,618.0</u>	<u>\$ 28,285.0</u>	<u>\$ 27,229.0</u>	<u>\$ 28,805.0</u>	<u>\$ 29,211.0</u> y
Less: contributions for government social insurance (1)	\$ (2,373.0)	\$ (2,531.0)	\$ (2,760.0)	\$ (2,964.0)	\$ (3,013.0)	\$ (3,100.0)	\$ (3,174.0)	\$ (3,073.0)	\$ (3,200.0)	\$ (2,950.0) z
Plus: adjustment for residence (2)	(1,824.0)	(1,978.0)	(2,177.0)	(2,547.0)	(2,234.0)	(2,240.0)	(2,298.0)	(2,247.0)	(2,405.0)	(2,521.0) z
Plus: dividends, interest and rent (3)	4,756.0	4,721.0	5,172.0	5,066.0	5,994.0	6,411.0	6,663.0	5,608.0	6,010.0	6,288.0 z
Plus: personal current transfer receipts (4)	3,690.0	3,962.0	4,278.0	4,608.0	5,021.0	5,441.0	5,967.0	6,696.0	7,219.0	7,275.0 z
Total personal income	<u>\$ 26,897.0</u>	<u>\$ 28,152.0</u>	<u>\$ 30,616.0</u>	<u>\$ 30,316.0</u>	<u>\$ 33,585.0</u>	<u>\$ 35,130.0</u>	<u>\$ 35,443.0</u>	<u>\$ 34,213.0</u>	<u>\$ 36,429.0</u>	<u>\$ 37,303.0</u> aa

Source:

Personal income by major source and earnings by industry is provided by the Bureau of Economic Analysis, U.S. Department of Commerce (www.bea.gov/regional/spi) through estimates released September 2011

Notes:

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

* Not shown to avoid disclosure of confidential information, estimates for this item are not included and will not agree to detail totals

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Personal income tax revenue (1)	\$713.8	\$711.3	\$782.4	\$878.2	\$1,013.2	\$1,012.7	\$1,008.5	\$914.5	\$743.8	\$986.0
Personal income (2)	\$26,694.5	\$27,586.2	\$29,520.6	\$31,077.2	\$33,307.0	\$34,536.6	\$35,376.9	\$35,243.2	\$36,035.0	\$37,345.0
Average effective rate (3)	2.67%	2.58%	2.65%	2.83%	3.04%	2.93%	2.85%	2.59%	2.06%	2.64%

Personal Income Tax Rates (4)

Tax Year	Taxable Income	Tax Liability	Plus	On Taxable Income Over
2011	\$60,000 and higher	\$2,943.50	6.95%	\$60,000
	\$25,000 - \$59,999	\$1,001.00	5.55%	\$25,000
	\$20,000 - \$24,999	\$741.50	5.20%	\$20,000
	\$10,000 - \$19,999	\$261.50	4.80%	\$10,000
	\$5,000 - \$9,999	\$66.00	3.90%	\$5,000
	\$2,000 - \$4,999	\$0.00	2.20%	\$2,000
	\$1,999 and lower	\$0.00	0.00%	\$0

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

As an example, for tax year 2011, a taxable income over \$60,000, pays a tax of \$2,943.50 plus 6.95% of the taxable income in excess of \$60,000.

Sources:

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year. Personal income is provided by the Bureau of Economic Analysis, U.S. Department of Commerce (www.bea.gov/regional/spi) through estimates released September 2011. Delaware Department of Finance Fiscal Notebook

Notes:

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

STATE OF DELAWARE
Personal Income Tax Filers and Liability by Income Level
Calendar Year 2009 and Ten Years Prior

Tax Year 1999							Tax Year 2009				
Delaware AGI Taxpayer Percentile		Delaware AGI			Liability Net of Credits		Delaware AGI			Liability Net of Credits	
		Number of Filers	Average DE AGI	Percentage of Total	Total Liability	Percentage of Total	Number of Filers	Average DE AGI	Percentage of Total	Total Liability	Percentage of Total
From:	To:										
0	10	44,781	3,518	0.9%	35,650	0.0%	48,278	4,039	0.8%	87,097	0.0%
10	20	44,781	8,770	2.1%	1,471,686	0.2%	48,278	10,613	2.1%	1,772,464	0.2%
20	30	44,780	13,990	3.4%	6,729,906	1.0%	48,278	16,940	3.4%	7,831,651	1.0%
30	40	44,781	19,250	4.7%	16,313,975	2.4%	48,278	23,414	4.7%	16,653,947	2.1%
40	50	44,781	24,659	6.0%	26,949,323	3.9%	48,279	30,139	6.0%	30,209,048	3.9%
50	60	44,780	30,493	7.4%	39,089,357	5.7%	48,278	37,716	7.5%	47,265,796	6.0%
60	70	44,781	37,455	9.1%	53,867,523	7.9%	48,278	46,848	9.4%	66,308,224	8.5%
70	80	44,781	46,457	11.2%	72,378,632	10.6%	48,279	59,031	11.8%	90,075,297	11.5%
80	90	44,781	61,398	14.9%	102,894,276	15.0%	48,278	78,784	15.7%	128,255,125	16.4%
90	95	22,390	86,239	10.4%	79,083,549	11.5%	24,140	110,135	11.0%	97,302,899	12.4%
95	99	17,912	142,584	13.8%	119,911,409	17.5%	19,311	178,080	14.2%	143,191,312	18.3%
99	100	4,478	672,026	16.3%	166,115,774	24.3%	4,828	670,271	13.4%	154,097,014	19.7%

Source: Delaware Division of Revenue

Notes: The number of filers is equal for each 10 percentile.
(1) Percentage of total is each respective income range's share of total AGI or Net Liability.

STATE OF DELAWARE
Franchise Taxes
Last Ten Calendar Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Franchise tax (in millions)	\$ 492.5	\$ 448.2	\$ 515.8	\$ 508.1	\$ 524.8	\$ 539.7	\$ 566.3	\$ 574.2	\$ 633.6	\$ 615.8
Number of filers	240,618	243,564	240,304	239,106	239,824	231,376	233,447	219,808	214,561	214,788
Average amount per filer	\$ 2,046.8	\$ 1,840.2	\$ 2,146.4	\$ 2,125.0	\$ 2,188.3	\$ 2,332.6	\$ 2,425.8	\$ 2,609.7	\$ 2,953.0	\$ 2,866.0

Authorized Share Method	Tax Year 2003-2007	Tax Year 2008	Tax Year 2009-2011
3,000 shares or less, minimum tax	\$35.00	\$75.00	\$75.00
3,001-5,000 shares	\$62.50	\$75.00	\$75.00
5,001-10,000 shares	\$112.50	\$150.00	\$150.00
Each additional 10,000 shares, add	\$62.50	\$75.00	\$75.00
Maximum yearly tax	\$165,000	\$165,000	\$180,000

Assumed Par Value Capital Method

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

Sources:

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

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
General obligation bonds	\$ 709,958	\$ 854,262	\$ 1,012,544	\$ 1,026,947	\$ 1,045,166	\$ 1,307,487	\$ 1,373,212	\$ 1,467,143	\$ 1,495,904	\$ 1,748,454
Revenue bonds	408	-	-	-	-	-	-	-	-	-
Notes payable	-	-	-	4,754	3,746	4,882	8,563	3,006	212	77
Total governmental activities	710,366	854,262	1,012,544	1,031,701	1,048,912	1,312,369	1,381,775	1,470,149	1,496,116	1,748,531
Business-type activities										
General obligation bonds	-	-	-	-	-	3,383	2,783	2,107	1,451	787
Revenue bonds	675,735	863,145	815,505	861,710	953,265	1,018,815	992,636	1,142,613	1,219,530	1,244,208
Notes payable	-	-	-	40,000	-	-	-	-	-	-
Total business-type activities	675,735	863,145	815,505	901,710	953,265	1,022,198	995,419	1,144,720	1,220,981	1,244,995
Total primary government	\$ 1,386,101	\$ 1,717,407	\$ 1,828,049	\$ 1,933,411	\$ 2,002,177	\$ 2,334,567	\$ 2,377,194	\$ 2,614,869	\$ 2,717,097	\$ 2,993,526
Personal income	\$26,694,744	\$27,586,196	\$29,520,592	\$31,077,231	\$33,306,984	\$34,536,652	\$35,376,923	\$35,243,169	\$36,035,000	\$37,345,000
Debt as a percentage of personal income	5.19%	6.23%	6.19%	6.22%	6.01%	6.76%	6.72%	7.42%	7.54%	8.02%
Population	806	818	830	844	853	864	873	855	898	N/A
Amount of debt per capita (expressed in thousands)	\$1,720	\$2,100	\$2,202	\$2,292	\$2,347	\$2,702	\$2,723	\$3,058	\$3,026	N/A

Sources:

Personal income is provided by the Bureau of Economic Analysis, U.S. Department of Commerce (www.bea.gov/regional/spi) through estimates released September 2011
Population is provided by the Bureau of Census, U.S. Department of Commerce (<http://factfinder.census.gov>) through estimates released January 2011

Notes:

Details regarding the State's outstanding debt can be found in the long-term liabilities note to the financial statements.

The prior year personal income amounts were updated to reflect revised U.S. Bureau of Economic Analysis estimates

The prior year per capita amounts were updated to reflect U.S. Bureau of Census population estimates.

N/A - Data is not available at this time

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Estimated general fund revenue	\$ 2,364.5	\$ 2,364.8	\$ 2,514.0	\$ 2,765.1	\$ 3,006.4	\$ 3,274.3	\$ 3,366.1	\$ 3,147.0	\$ 3,190.7	\$ 3,333.2
Projected new tax-supported debt authorizations (5%)	\$ 118.2	\$ 118.2	\$ 125.7	\$ 138.3	\$ 150.3	\$ 163.8	\$ 168.3	\$ 157.4	\$ 160.0	\$ 167.0

Source:

Delaware 145th General Assembly, House Joint Resolution No.6

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 15% of the estimated budgetary general fund revenue plus Transportation Trust Fund revenue for the fiscal year following the fiscal year in which such obligations is incurred (the 15% test).
- 3 No general obligation debt (with certain exceptions) may be incurred if the maximum annual debt service payable in any fiscal year on all such outstanding obligations will exceed the estimated cumulative cash balances (including all reserves) for the fiscal year following the fiscal year in which the obligation is incurred.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 437.6	\$ 471.1
School facilities (state share)	124.3	124.2	247.1	260.6	264.8	464.0	522.5	608.7	542.0	604.7
Miscellaneous	3.4	4.2	-	-	-	-	-	-	-	-
Subtotal	543.5	610.5	737.7	688.9	638.6	824.9	856.6	951.9	979.6	1,075.8
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	1.5	0.8
School facilities (local share)	158.8	240.2	270.6	332.6	401.8	482.1	516.2	514.9	516.0	536.0
Housing authority loans	2.4	0.3	0.6	0.6	0.6	0.5	0.4	0.4	0.3	-
Subtotal	166.4	243.8	274.9	338.0	406.6	486.0	519.4	517.4	517.8	536.8
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	\$ 1,497.4	\$ 1,612.6
Population (in thousands)	806	818	830	844	853	864	873	885	898	N/A
Debt per capita (in thousands)	<u>0.88</u>	<u>1.04</u>	<u>1.22</u>	<u>1.22</u>	<u>1.23</u>	<u>1.52</u>	<u>1.58</u>	<u>1.66</u>	<u>1.67</u>	<u>N/A</u>

Source:

Delaware Office of the State Treasurer

Notes:

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

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

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

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section - an amendment of NCGA Statement 1*, recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB Statement No. 34. The State implemented GASB Statement No. 34 in fiscal year 2002.

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenue bonds - DeIDOT										
Revenue - turnpike and motor vehicles	\$ 297,894	\$ 298,536	\$ 314,205	\$ 324,962	\$ 337,350	\$ 346,954	\$ 381,590	\$ 367,399	\$ 363,948	\$ 376,186
Debt service:										
Principal	\$ 39,565	\$ 41,490	\$ 47,640	\$ 53,920	\$ 58,445	\$ 61,370	\$ 67,640	\$ 73,510	\$ 74,380	\$ 71,760
Interest	35,269	44,957	38,176	39,370	40,573	45,534	46,210	43,619	50,885	52,585
Debt service requirements	\$ 74,834	\$ 86,447	\$ 85,816	\$ 93,290	\$ 99,018	\$ 106,904	\$ 113,850	\$ 117,129	\$ 125,265	\$ 124,345
Coverage	3.98	3.45	3.66	3.48	3.41	3.25	3.35	3.14	2.91	3.03
Revenue bonds - DSU										
Revenue - student tuition and fees	\$ 32,170	\$ 34,504	\$ 39,191	\$ 43,695	\$ 50,551	\$ 51,836	\$ 56,381	\$ 57,036	\$ 59,197	\$ 66,712
Less: operating expenses	(15,447)	(20,992)	(24,104)	(26,227)	(32,089)	(40,683)	(41,855)	(41,224)	(44,105)	(47,454)
Net available revenue	\$ 16,723	\$ 13,512	\$ 15,087	\$ 17,468	\$ 18,462	\$ 11,153	\$ 14,526	\$ 15,812	\$ 15,092	\$ 19,258
Debt service:										
Principal	965	990	1,653	1,617	2,078	1,440	1,480	1,585	1,710	1,845
Interest	649	622	737	763	505	2,279	2,814	4,381	3,542	3,510
Debt service requirements	\$ 1,614	\$ 1,612	\$ 2,390	\$ 2,380	\$ 2,583	\$ 3,719	\$ 4,294	\$ 5,966	\$ 5,252	\$ 5,355
Coverage	10.36	8.38	6.31	7.34	7.15	3.00	3.38	2.65	2.87	3.60
Revenue bonds - DSHA										
Gross revenues	\$ 151,538	\$ 103,713	\$ 150,211	\$ 89,697	\$ 81,632	\$ 82,689	\$ 134,059	\$ 144,322	\$ 294,656	\$ 259,106
Less: Operating expenses	(2,030)	(6,355)	(1,794)	(1,995)	(1,137)	(660)	(849)	(962)	(893)	(2,944)
Net available revenue	\$ 149,508	\$ 97,358	\$ 148,417	\$ 87,702	\$ 80,495	\$ 82,029	\$ 133,210	\$ 143,360	\$ 293,763	\$ 256,162
Debt service:										
Principal	107,463	66,189	128,665	73,964	58,956	51,517	84,578	79,687	217,757	219,278
Interest *	23,868	22,597	18,929	16,163	18,120	28,791	45,172	52,251	49,496	39,646
Debt service requirements	\$ 131,331	\$ 88,786	\$ 147,594	\$ 90,127	\$ 77,076	\$ 80,308	\$ 129,750	\$ 131,938	\$ 267,253	\$ 258,924
Coverage	1.14	1.10	1.01	0.97	1.04	1.02	1.03	1.09	1.10	0.99

Sources:

Delaware Department of Transportation
Delaware State University
Delaware State Housing Authority

Notes:

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

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

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

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Population										
State	796	806	818	830	844	853	864	873	885	900
Percentage change	1.3%	1.3%	1.5%	1.5%	1.7%	1.1%	1.3%	1.0%	1.4%	1.7%
National	285,108	287,985	290,850	293,657	296,410	299,398	301,621	304,060	307,007	309,350
Percentage change	1.0%	1.0%	1.0%	1.0%	0.9%	1.0%	0.7%	0.8%	1.0%	0.8%
Total personal income										
State (in millions)	\$25,492.4	\$26,529.9	\$27,140.1	\$29,330.9	\$29,010.2	\$32,947.1	\$34,574.7	\$35,667.4	\$35,360.0	\$35,688.1
Percentage change	5.0%	4.1%	2.3%	8.1%	-1.1%	13.6%	4.9%	3.2%	-0.9%	0.9%
National (in billions)	\$8,879	\$9,055	\$9,369	\$9,929	\$10,477	\$11,257	\$11,880	\$12,226	\$12,165	\$12,357
Percentage change	3.8%	2.0%	3.5%	6.0%	5.5%	7.4%	5.5%	2.9%	-0.5%	1.6%
Per capita personal income										
State	\$32,142	\$33,007	\$33,644	\$35,523	\$36,793	\$38,745	\$40,112	\$40,852	\$39,949	\$39,664
Percentage change	4.1%	2.7%	1.9%	5.6%	3.6%	5.3%	3.5%	1.8%	-2.2%	-0.7%
National	\$31,149	\$31,470	\$32,284	\$33,899	\$35,447	\$37,728	\$39,430	\$40,208	\$39,626	\$39,945
Percentage change	2.7%	1.0%	2.6%	5.0%	4.6%	6.4%	4.5%	2.0%	-1.4%	0.8%
Resident civilian labor force and employment										
Civilian labor force	418,700	420,500	424,500	428,900	438,000	440,300	442,700	442,902	434,704	425,685
Employed	404,100	403,800	406,700	411,600	419,500	424,500	427,800	421,838	399,669	389,583
Unemployed	14,600	16,700	17,800	17,300	18,500	15,800	14,900	21,064	35,035	36,102
Unemployment rate	3.5%	4.0%	4.2%	4.0%	4.2%	3.6%	3.4%	4.8%	8.1%	8.5%

Sources:

Population is provided by the Bureau of Census, U.S. Department of Commerce (<http://factfinder.census.gov>) through estimates released January 2011.

Personal income is provided by the Bureau of Economic Analysis, U.S. Department of Commerce (www.bea.gov/regional/spi) SA05N through estimates released September 2011.

Delaware Department of Labor, Office of Occupational and Labor Market Information

Notes:

Total personal income is comprised of earned income, dividends, interest and rents, and government transfer payments.

Per capita income is calculated by dividing personal income by population; amounts may not be exact due to rounding.

Numbers for prior years revised due to releases of updated data by the U.S. Bureau of the Census.

STATE OF DELAWARE
Principal Employers by Industry
Last Ten Calendar Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Number of employees by industry										
<u>Farm compensation</u>										
Farm	4,036	3,806	3,379	3,254	3,162	3,138	3,211	3,042	2,985	3,109
<u>Non-farm compensation</u>										
Private compensation:										
Accommodation and food services	30,358	30,878	31,513	33,043	33,601	34,079	34,684	35,327	35,107	36,001
Administrative and waste services	29,704	26,827	26,612	27,659	28,205	29,522	30,589	29,633	27,757	28,074
Arts, entertainment, and recreation	10,932	11,991	12,367	12,664	12,951	13,103	12,862	13,122	12,893	13,596
Construction	32,111	32,253	33,240	36,124	34,739	40,574	38,201	34,974	29,739	28,653
Educational services	7,218	7,786	7,857	8,069	8,612	9,202	9,132	9,176	9,235	9,443
Finance and insurance	48,174	48,539	46,733	46,282	48,453	47,531	48,905	50,685	52,421	52,609
Forestry, fishing, and related activities	684	949	805	841	853	833	878	840	665	719
Health care and social assistance	46,623	47,890	49,659	51,085	52,801	54,539	56,965	61,035	62,061	63,055
Information	8,820	7,845	7,727	7,363	7,623	7,781	7,951	8,088	7,546	7,043
Management of companies and enterprises	12,387	12,632	12,010	13,149	13,150	12,698	12,061	11,837	11,029	10,641
Manufacturing, durable and non-durable	40,076	37,754	36,390	35,430	34,022	34,204	34,378	32,823	29,068	27,334
Mining	-	211	239	228	21	189	200	240	204	-
Professional, scientific, and technical services	34,563	33,080	34,140	35,792	33,848	34,181	35,578	36,125	34,316	34,001
Real estate and rental and leasing	15,745	16,532	17,991	19,864	22,205	23,404	25,274	25,211	24,746	24,394
Trade, retail	58,132	59,093	60,248	60,970	62,298	62,972	63,925	62,030	59,079	59,067
Trade, wholesale	14,291	14,467	15,071	15,805	16,041	16,345	16,033	15,735	14,475	13,720
Transportation and warehousing	12,194	12,187	12,249	13,394	13,145	13,823	14,228	13,720	12,794	12,548
Utilities	2,269	2,233	2,228	2,232	2,231	2,231	2,197	2,294	2,193	2,151
Other services, except public administration	24,646	26,927	27,752	28,822	30,001	30,466	31,287	31,384	30,911	30,679
Total private employment	428,927	430,074	434,831	448,816	454,800	467,677	475,328	474,279	456,239	453,728
Government and government enterprises:										
Federal, civilian	5,441	5,342	5,370	5,426	5,430	5,383	5,531	5,687	5,790	6,155
Military	9,005	9,262	9,396	9,033	8,422	8,032	8,275	8,378	8,464	8,675
State government	30,120	30,580	30,378	29,987	30,559	31,742	32,667	33,173	32,571	32,273
Local government	22,324	22,158	22,524	22,996	23,867	24,427	24,016	24,443	24,804	25,298
Total government employment	66,890	67,342	67,668	67,442	68,278	69,584	70,489	71,681	71,629	72,401
Total non-farm employem	495,817	497,416	502,499	516,258	523,078	537,261	545,817	545,960	527,868	526,129
Total employment	499,853	501,222	505,878	519,512	526,240	540,399	549,028	549,002	530,853	529,238

Source:

Number of employees by industry is provided by the Bureau of Economic Analysis, U.S. Department of Commerce (www.bea.gov/regional/spi) through estimates released September 2011.

Notes:

Due to statutory requirements (confidentiality provisions), the State can not disclose the number employed by the ten largest employers. As an alternative comparison, this schedule presents the number employed by nonfarm related industries. The ten largest employers are nonfarm related; therefore, the number employed by those employers could be expected to fall within this schedule. Farming related employment is not included on this schedule because most farms are not large enough to be required to provide the necessary data to the State Department of Labor.

STATE OF DELAWARE
State Employees by Function
Last Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Full-Time Employees										
General government	1,868	1,850	1,885	1,956	1,989	2,162	2,170	2,201	1,971	1,974
Health and children's services	5,895	5,536	5,552	5,770	5,888	6,000	6,113	5,761	5,031	5,053
Judicial and public safety	5,433	5,133	5,121	5,164	5,325	5,517	5,849	5,496	5,401	5,363
Natural resources and environmental control	1,200	1,174	1,221	1,238	1,293	1,348	855	1,302	713	716
Labor	469	455	470	457	426	439	516	454	1,716	1,732
Transportation	1,618	1,793	1,839	1,950	1,997	1,994	1,843	1,997	445	441
Education	<u>15,075</u>	<u>15,259</u>	<u>15,538</u>	<u>15,940</u>	<u>16,493</u>	<u>16,555</u>	<u>16,655</u>	<u>16,530</u>	<u>16,753</u>	<u>17,039</u>
State total	<u><u>31,558</u></u>	<u><u>31,200</u></u>	<u><u>31,626</u></u>	<u><u>32,475</u></u>	<u><u>33,411</u></u>	<u><u>34,015</u></u>	<u><u>34,001</u></u>	<u><u>33,741</u></u>	<u><u>32,030</u></u>	<u><u>32,318</u></u>

Source:

Delaware Payroll Human Resources Statewide Technology System

Note:

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

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section - an amendment of NCGA Statement 1*, recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB Statement No. 34. The State implemented GASB Statement No. 34 in fiscal year 2002.

STATE OF DELAWARE
Operating Indicators by Function
Last Eight Fiscal Years

Department/Agency	2004	2005	2006	2007	2008	2009	2010	2011
Children, Youth and Their Families								
Number of youths in care	8,130	7,885	8,882	9,129	8,115	7,532	22,539	23,442
Corrections								
Average Daily Inmate Population	6,672	6,655	6,837	7,088	7,156	7,018	6,727	6,577
Department of Natural Resources and Environmental Control								
Number of visitors to State Parks	N/A	5,341,852	4,556,931	5,513,777	4,812,961	4,650,000	4,789,780	4,436,936
Education								
Public School Enrollment, Grades K-12	117,777	119,109	120,491	121,856	123,615	125,430	128,503	130,620
Delaware State University - Students enrolled	3,270	3,270	3,722	3,690	3,756	3,534	3,819	4,178
Delaware Technical & Community College - enrolled	18,783	19,462	19,593	19,565	20,349	20,484	21,352	21,654
Health and Social Services								
Medicaid eligibles	130,411	136,885	142,515	143,386	148,827	156,266	173,769	193,633
Prescription assistance program	5,837	6,609	9,065	8,515	7,003	6,267	5,995	6,178
Childcare caseloads	13,813	13,926	14,769	15,039	14,009	13,549	13,696	14,461
Client visits to Service Centers	538,503	612,170	406,487	441,196	452,554	605,991	686,606	687,976
Judicial								
Court of Common Pleas - filings	87,834	85,867	90,964	99,345	128,372	136,631	140,139	126,843
Superior Court - civil case filings	10,922	10,878	11,041	12,869	13,177	14,137	15,060	23,265
Labor								
Workers' compensations petitions filed	7,031	7,488	7,619	7,414	7,545	8,196	7,641	7,205
Safety and Homeland Security								
Number of criminal histories requested	29,770	38,382	35,263	37,321	38,289	37,384	39,627	43,571
Calls to 911 centers	617,769	346,044	605,194	395,701	434,562	596,691	263,424	325,803
Transportation								
Licensed drivers	604,124	614,410	619,877	622,027	632,304	636,580	644,014	651,799
Registered motor vehicles	803,942	821,716	847,692	862,473	871,010	845,802	832,661	839,733
Bus ridership - fixed routes	7,792,570	8,052,452	8,472,093	8,313,800	8,628,149	9,146,869	9,218,232	9,920,213
Train ridership - Newark to Philadelphia	783,663	838,578	974,890	1,028,631	1,073,296	1,137,709	1,106,742	1,158,650

Sources:

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

Notes:

Licensed drivers and registered motor vehicles are tracked on a calendar year.

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

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section - an amendment of NCGA Statement 1*, recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB Statement No. 34. 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
Capital Asset Statistics by Function
Last Nine Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government									
Acres of farmland permanently preserved	5,886	5,360	2,770	3,216	1,094	2,948	2,896	4,487	5,927
Health and Children's Services									
Hospitals	5	5	5	5	5	6	6	6	6
Service centers	14	14	14	14	14	15	15	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	8,500	8,700
Transportation									
Centerline miles	4,464	4,464	4,453	4,454	4,454	4,447	4,360	N/A	N/A
Centerline miles rated good	3,459	3,296	3,070	3,055	3,071	3,007	3,423	N/A	N/A
Number of bridges	1,360	1,371	1,374	1,417	1,457	1,509	1,556	1,562	N/A
Structural rating of good	1,012	1,029	1,048	1,112	1,131	1,118	1,144	1,137	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	7,330,395	7,341,988	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	6,800,531	6,685,282	N/A
National Guard									
Number of armory facilities	15	14	14	14	14	13	12	12	12
Education									
Local school districts									
Number of elementary schools	101	102	102	105	105	108	102	100	101
Number of middle schools	31	33	33	35	35	36	38	40	40
Number of high schools	29	29	31	33	33	32	31	31	31
Number of special schools	14	14	14	14	14	14	13	13	15
Number of administration buildings	19	19	19	19	19	19	20	22	23

Source:

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

Notes:

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

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section - an amendment of NCGA Statement 1*, recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB Statement No. 34. 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
Capital Asset Balances by Function
Last Ten Fiscal Years
(Expressed in Thousands)

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Buildings										
General Government	\$ 163,140	\$ 332,079	\$ 344,179	\$ 373,127	\$ 405,941	\$ 444,439	\$ 460,711	\$ 459,906	\$ 468,958	\$ 525,042
Health and Children's Services	61,733	29,329	123,800	145,342	149,535	151,888	158,691	190,450	188,454	193,410
Judicial and Public Safety	181,777	311,261	349,902	350,393	353,106	353,315	358,662	359,135	371,690	373,648
Natural Resources and Environmental Control	4,032	6,180	6,521	7,522	10,892	23,773	27,538	29,149	38,750	42,143
Transportation	50,658	51,971	53,415	60,820	54,857	55,051	77,471	89,564	91,065	98,057
Education	615,108	758,520	946,668	1,162,450	1,251,807	1,479,998	1,705,323	1,890,709	2,093,349	2,271,507
Total Buildings	\$ 1,076,448	\$ 1,489,340	\$ 1,824,485	\$ 2,099,654	\$ 2,226,138	\$ 2,508,464	\$ 2,788,396	\$ 3,018,913	\$ 3,252,266	\$ 3,503,807
Land and Land Improvements										
General Government	\$ 110,247	\$ 113,283	\$ 139,444	\$ 171,809	\$ 184,916	\$ 211,040	\$ 252,200	\$ 274,853	\$ 289,265	\$ 317,066
Health and Children's Services	2,436	753	3,894	10,282	10,620	11,469	11,993	13,667	13,518	13,518
Judicial and Public Safety	13,454	11,430	22,502	25,521	25,521	26,102	25,971	25,971	25,987	79,567
Natural Resources and Environmental Control	192,378	213,635	239,717	263,703	284,814	300,525	309,158	323,370	371,079	369,834
Transportation	11,230	11,230	113,673	164,703	211,272	206,411	222,986	249,775	276,761	276,761
Education	45,219	47,775	47,214	60,491	64,374	75,910	84,728	100,968	110,825	138,874
Total Land and Land Improvements	\$ 374,964	\$ 398,106	\$ 566,444	\$ 696,509	\$ 781,517	\$ 831,457	\$ 907,036	\$ 988,604	\$ 1,087,435	\$ 1,195,620
Equipment and Vehicles										
General Government	\$ 25,442	\$ 25,947	\$ 32,084	\$ 36,248	\$ 38,801	\$ 33,825	\$ 34,380	\$ 26,339	\$ 25,826	\$ 25,255
Health and Children's Services	12,614	6,065	14,385	13,740	14,639	18,209	19,684	20,876	17,486	18,203
Judicial and Public Safety	27,087	29,457	31,693	33,825	33,761	37,183	34,091	33,488	31,573	30,960
Natural Resources and Environmental Control	12,673	14,005	15,467	18,445	19,963	21,035	21,500	21,412	22,021	22,731
Transportation	143,377	152,567	149,831	158,779	161,945	179,466	218,606	220,630	237,416	239,415
Labor	807	807	715	730	712	875	875	806	862	862
Education	46,430	43,325	46,326	50,422	49,955	56,486	60,185	63,787	62,990	68,287
Total Equipment and Vehicles	\$ 268,430	\$ 272,173	\$ 290,501	\$ 312,189	\$ 319,776	\$ 347,079	\$ 389,321	\$ 387,338	\$ 398,174	\$ 405,713
Infrastructure										
Transportation (1)	\$ 3,201,814	\$ 3,226,811	\$ 3,157,072	\$ 3,201,817	\$ 3,255,998	\$ 3,283,783	\$ 3,345,399	\$ 3,385,364	\$ 3,432,677	\$ 3,481,075

Source:
Delaware Department of Finance

Notes:

(1) 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 ENDING JUNE 30, 2011
DOC. ID# 25-05-01-06-11-01