STATE OF DELAWARE
DEPARTMENT OF TRANSPORTATION

Financial Statements
June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

State of Delaware
Department of Transportation

Table of Contents

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INDEPENDENT AUDITORS' REPORT

State of Delaware Department of Transportation
Dover, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of State of Delaware Department of Transportation (Department of Transportation), which is an enterprise fund of the State of Delaware as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department of Transportation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities as of the Department of Transportation as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Department of Transportation as of June 30, 2018 were audited by other auditors whose report dated December 11, 2018, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Required Supplementary Information, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The consolidating statement of net position; consolidating statement or revenue, expenses, and changes in fund net positions; consolidating statement of cash flows; and Delaware Transportation Authority Transportation Trust Fund Schedules, as listed in the accompanying table of contents (collectively "Supplementary Information"), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019, on our consideration of the Department of Transportation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Department of Transportation 's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Department of Transportation's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
December 6, 2019

State of Delaware
Department of Transportation
Management's Discussion and Analysis
June 30, 2019 and 2018

This section of the State of Delaware, Department of Transportation's (the Department) annual financial statements presents our discussion and analysis of the Department's financial performance during the Fiscal Years Ended June 30, 2019 and 2018.

Background

The mission of the Department is to provide a safe, efficient, and environmentally sensitive transportation network that offers a variety of convenient, cost-effective mobility opportunities for the movement of people and goods. The Department is responsible for the construction and maintenance of the State of Delaware's (the State) roadways, bridges, and public transportation systems, and for the coordination and development of the State's comprehensive, balanced transportation planning and policies.

Financial Highlights

- Operating revenues increased by $50.9 million to $642.3 million during the Fiscal Year Ended June 30, 2019, primarily due to: 1) increased motor vehicle related revenues as a result of an increase in new vehicle purchases; 2) increases in toll revenues due to addition of US301 roadway opening; 3) increased motor fuel taxes as a result of increased fuel consumption by travelers; and 4) increased passenger fares for transit buses.

- Operating expenses increased by $8.7 million to $700.8 million during the Fiscal Year Ended June 30, 2019, primarily due to an increase in maintenance and preservation costs for previously capitalized infrastructure projects, such as the US301 roadway and increases in related engineering fees as well.

- Total capital assets (net of depreciation) increased $216.7 million to $5,010.6 million during Fiscal Year 2019, primarily as a result of the following spending: US 301 - $71.5 million; SR 1 - $37.2 million; truck, tractor, and equipment purchases - $13.5 million; and building and land improvements - $8.2 million.

- Total outstanding debt increased $10.3 million to $1,030.2 million during Fiscal Year 2019, primarily due to the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan of $80.5 million, offset by debt payments on revenue bonds of $74.8 million.

Overview of the Financial Statements

The Department is an agency of the State and operates as an enterprise fund. Included within the Department is the Delaware Transportation Authority (the Authority), which is a blended component unit of the Department. The Authority is made up of the activities of the Transportation Trust Fund and the Delaware Transit Corporation.

The financial section of this annual report consists of five parts: (1) management's discussion and analysis, (2) the basic financial statements, (3) notes to financial statements, (4) required supplementary information, and (5) supplementary information.

The financial statements provide both long- and short-term information about the Department's overall financial status.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by required supplementary information and supplementary information that further explain and support the information in the financial statements.

The Department's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statement of revenues, expenses, and changes in net position. All assets and liabilities associated with the operation of the Department are included in the statements of net position.

Financial Analysis of the Department

Statements of Net Position

The Department's total assets were $5,432.3 million at June 30, 2019, compared to $5,310.0 million at June 30, 2018. Total liabilities were $1,706.8 million at June 30, 2019, compared to $1,721.5 million at June 30, 2018. Net position at June 30, 2019 was $3,691.1 million, compared to $3,578.9 million at June 30, 2018.

Condensed Financial Information - Department of Transportation
Statements of Net Position as of June 30
(Dollars expressed in millions)

	2019	2018	2017	Percentage Change 2019-2018	Percentage Change 2018-2017
Current assets	$ 390.2	$ 428.4	$ 441.4	(8.9)%	(2.9)%
Capital assets	5,010.6	4,793.9	4,596.0	4.5	4.3
Other noncurrent assets	31.5	87.7	89.6	(64.1)	(2.1)
Total assets	5,432.3	5,310.0	5,127.0	2.3	3.6
Deferred outflows of resources	67.3	67.4	67.8	(0.1)	(0.6)
Current liabilities	205.7	212.0	199.1	(3.0)	6.5
Noncurrent liabilities	1,501.1	1,509.5	1,314.6	(0.6)	14.8
Total liabilities	1,706.8	1,721.5	1,513.7	(0.9)	13.7
Deferred inflows of resources	101.7	77.0	22.2	32.1	246.8
Net position					
Net investment in capital assets	3,972.6	3,766.6	3,620.0	5.5	4.0
Restricted	181.1	217.8	177.5	(16.9)	22.7
Unrestricted	(462.6)	(405.5)	(138.6)	14.1	192.6
Total net position	$ 3,691.1	$ 3,578.9	$ 3,658.9	3.1	(2.2)

For Fiscal Year 2019, the increase in capital assets is primarily a result of the following spending: US 301 - $71.5 million; SR 1 - $37.2 million; truck, tractor, and equipment purchases - $13.5 million; and building and land improvements - $8.2 million.

For Fiscal Year 2019, the increase in total liabilities is the overall result of increased debt service payments and decrease of accrued interest.

For Fiscal Year 2019, the net position increased due to increases to capital assets.

Changes in Net Position

The Department's net position was $3,691.1 million at June 30, 2019, compared to $3,578.9 million at June 30, 2018. Operating revenues were $642.3 million at June 30, 2019, compared to $591.4 million at June 30, 2018. Total operating expenses were $700.8 million at June 30, 2019, compared to $692.1 million at June 30, 2018.

Condensed Financial Information - Department of Transportation
Changes in Net Position for the Years Ended June 30
(Dollars expressed in millions)

				Percentage Change	
	2019	2018	2017	2019-2018	2018-2017
Operating revenues	$ 642.3	$ 591.4	$ 579.6	8.6 %	2.0 %
Operating expenses					
Operating expenses	668.8	661.5	622.0	1.1	6.4
Depreciation	32.0	30.6	29.6	4.6	3.4
Total operating expenses	700.8	692.1	651.6	1.3	6.2
Operating loss	(58.5)	(100.7)	(72.0)	(41.9)	39.9
Nonoperating revenues, net	179.8	223.9	187.2	(19.7)	19.6
Income before transfers	121.3	123.2	115.2	(1.5)	6.9
Transfers, net	(9.1)	4.0	(1.2)	(327.5)	(433.3)
Change in net position	112.2	127.2	114.0	(11.8)	11.6
Total net position - beginning of year, as previously stated	3,578.9	3,658.9	3,544.9	(2.2)	3.2
Prior period adjustment - implementation of GASB No. 75	-	(207.2)	-	(100)	-
Total net position - beginning of year, as restated	3,578.9	3,451.7	3,544.9	3.7	(2.6)
Total net position - end of year	$ 3,691.1	$ 3,578.9	$ 3,658.9	3.1	(2.2)

The increase in operating revenues from 2018 to 2019 is primarily attributed to increases in motor fuel tax revenues, motor vehicle registration fees, and passenger fares.

The increase in total operating expenses from 2018 to 2019 is primarily due to the upkeep and operations of the rail projects, storm events, and pavement and rehab projects in each county.

The decrease in nonoperating revenues from 2018 to 2019 is a result of increased federal revenues to fund the US 301 project and an increase in investment returns.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019, the Department had invested $5,277.0 million in capital assets, including roads, bridges, buildings, land, and equipment. Net of accumulated depreciation, the Department's net capital assets at June 30, 2019 totaled $5,010.6 million. This amount represents a net increase (including additions and disposals, and net of depreciation) of $216.7 million over June 30, 2018. The increase is primarily a result of the following infrastructure and equipment spending: US 301 - $71.5 million; SR-1 - $37.2 million; truck, tractor, and equipment purchases - $13.5 million; and building and land improvements - $8.2 million.

The Department is using the "modified approach" related to depreciation on its roads and bridges. The modified approach requires that the Department initially set a percentage benchmark for maintaining the infrastructure in fair or better condition and report at least every three years on their condition assessment.

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

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

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

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

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

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

Debt Administration

Transportation Systems Revenue Bonds are issued with the approval of the State and the State's Bond Issuing Officers (the Governor, the Secretary of Finance, the Secretary of State, and the State Treasurer) to finance improvements to the State's transportation systems. Approval by the General Assembly of the State is not required for the Authority to issue bonds to refund any of its bonds provided that a present value debt service savings is achieved in such refunding. The sales must comply with the rules and regulations of the United States Treasury Department and the United States Securities and Exchange Commission.

At June 30, 2019, the Authority had $838.2 million in revenue bonds outstanding, an 8.2% decrease from June 30, 2018. During Fiscal Year 2019, the Department borrowed $80.5 million under a TIFIA loan, to provide for additional project funding for the construction of US 301.

At June 30, 2019, the Authority had a total of $267.0 million in authorized but unissued revenue bonds.

Of the eight outstanding Senior Bond Issues, all bonds are rated AA+ and Aa2 by Standard and Poor's and Moody's Investors Service, respectively. The GARVEE Bond, 2010 Series, is rated AA and A1 by Standard and Poor's and Moody's Investors Service, respectively. As of August 9, 2019, Moody's Investors Service upgraded the Authority's Senior Transportation Series revenue bonds to Aa1 from Aa2. They also upgraded the US 301 Project Revenue Bonds to Aa3 from A1 and the US 301 TIFIA loan to Aa3 from A2.

The Department's investment portfolio is actively managed by Wilmington Trust Company and primarily consists of U.S. government securities, U.S. government agency securities, and high-grade commercial paper. The majority of these investments have maturities of less than one year. The Department's bond ratings have allowed continued access to the municipal bond market at favorable interest rates.

Contacting the Department's Financial Management

This financial report is designed to provide bondholders, patrons, and other interested parties with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the State of Delaware, Department of Transportation, Finance Division, P.O. Box 778, Dover, Delaware 19903.

State of Delaware
Department of Transportation
Statements of Net Position
June 30, 2019 and 2018

	2019	2018
Current assets		
Cash and cash equivalents		
Unrestricted	$ 35,411,270	$ 38,897,434
Restricted	31,665,072	21,195,050
Pooled cash and investments	11,503,297	11,132,907
Investments - at fair value		
Unrestricted	103,689,108	145,537,432
Restricted	117,904,080	122,017,364
Accounts receivable		
Trade	23,035,332	22,260,510
Federal grants	21,170,935	26,763,549
Interest	787,555	918,747
Due from State General Fund	22,879,546	18,922,000
Inventory	21,997,748	20,573,708
Other assets	94,216	208,369
Total current assets	390,138,159	428,427,070
Noncurrent assets		
Capital assets, net (Note 4)	5,010,630,896	4,793,892,422
Investments - at fair value, net of current portion		
Unrestricted	-	13,104,001
Restricted	31,502,364	74,596,210
Total noncurrent assets	5,042,133,260	4,881,592,633
Total assets	5,432,271,419	5,310,019,703
Deferred outflows of resources		
Loss on refundings of debt	25,389,950	29,333,735
Changes in assumptions - pension plans and OPEB plans	13,384,979	11,488,028
Net differences between projected and actual earnings on investments - pension and OPEB plans	3,747,678	6,257,883
Changes in employer proportionate share of net pension liability	93,838	84,864
Difference between expected and actual experience - pension plans	2,382,211	596,285
Contributions made subsequent to the measurement date - pension and OPEB plans	22,342,147	19,635,593
Total deferred outflows of resources	67,340,803	67,396,388

(Continued)

State of Delaware
Department of Transportation
Statements of Net Position
June 30, 2019 and 2018

	2019	2018
Current liabilities		
Accounts payable and other accrued expenses	$ 66,647,709	$ 65,263,737
Accrued payroll and related expenses	8,799,963	7,712,817
Escrow deposits	11,503,297	11,132,907
Customer toll deposits	12,266,467	12,702,832
Interest payable	14,773,482	16,563,175
Due to General Fund	-	5,573,127
Pollution remediation obligations	13,750	75,750
Insurance loss reserve	1,761,936	1,862,842
Compensated absences	1,803,670	1,881,609
Revenue bonds payable	75,440,000	74,770,000
Bond issue premium - net of accumulated amortization	12,706,908	14,424,537
Total current liabilities	205,717,182	211,963,333
Noncurrent liabilities		
Compensated absences - net of current portion	10,854,157	9,734,726
Insurance loss reserve - net of current portion	7,304,064	7,316,158
Pollution remediation obligations - net of current portion	-	8,750
TIFIA loan payable	191,936,698	106,904,751
Revenue bonds payable - net of current portion	762,775,000	838,215,000
Bond issue premium - net of accumulated amortization	35,684,126	48,391,034
Net pension liability	58,793,820	55,172,932
Net other post-employment benefits liability	433,744,253	443,842,398
Total noncurrent liabilities	1,501,092,118	1,509,585,749
Total liabilities	1,706,809,300	1,721,549,082
Deferred inflows of resources		
Service concession arrangement	16,417,142	17,048,571
Changes in employer proportionate share of net pension liability	1,210,666	1,691,106
Changes in employer proportionate share of net OPEB liability	757,969	680,567
Differences between expected and actual experience - pension and OPEB plans	24,759,351	3,367,447
Net differences between projected and actual earnings on investments - pension and OPEB plans	3,113,860	1,788,466
Changes in assumptions - OPEB plans	55,466,515	52,412,107
Total deferred inflows of resources	101,725,503	76,988,264
Net position		
Net investment in capital assets	3,972,588,463	3,766,559,662
Restricted	181,071,516	217,808,624
Unrestricted deficit	(462,582,560)	(405,489,541)
Total net position	$ 3,691,077,419	$ 3,578,878,745

See accompanying notes to financial statements.

State of Delaware
Department of Transportation
Statements of Revenues, Expenses, and Changes in Net Position
Fiscal Years Ended June 30, 2019 and 2018

	2019	2018
Operating revenues		
Pledged revenue - senior revenue bonds		
Turnpike revenue	$ 134,922,060	$ 135,048,183
Motor fuel tax revenue	142,821,665	131,874,692
Motor vehicle document fee, registration fee, and other revenue	218,733,154	211,135,897
International Fuel Tax Agreement revenue	1,860,201	1,018,609
Pledged revenue - project revenue bonds		
Toll revenue - US 301	7,013,141	-
Toll revenue - Delaware SR-1	62,485,383	61,975,328
Passenger fares	17,476,880	18,029,965
Miscellaneous	56,979,405	32,300,795
Total operating revenues	642,291,889	591,383,469
Operating expenses		
Road maintenance, preservation and repairs	149,293,679	191,160,284
Payroll expense	220,273,785	216,786,335
Professional fees and services	250,227,697	193,650,252
Materials, supplies, and other	48,949,210	59,921,008
Depreciation	32,029,308	30,593,443
Total operating expenses	700,773,679	692,111,322
Operating loss	(58,481,790)	(100,727,853)
Nonoperating revenues (expenses)		
Income from investments - pledged	5,524,248	6,783,620
Income from investments	531,943	194,831
Bad debt recovery, net of expenses	(19,955)	271,475
Federal grant revenues	212,039,396	241,114,538
Pass-through grant expenses	(5,738,675)	(4,953,210)
Interest expense	(33,218,751)	(20,178,839)
Service concession arrangement	631,429	631,429
Excess of nonoperating revenues over nonoperating expenses	179,749,635	223,863,844
Income before transfers	121,267,845	123,135,991
Transfers to other governmental agencies	(8,167,828)	(7,639,322)
Transfers to State General Fund	(6,000,000)	(5,000,000)
Transfers from State General Fund	5,098,657	16,682,584
Increase in net position	112,198,674	127,179,253
Net position - beginning of year, as restated (Note 2(p))	3,578,878,745	3,451,699,492
Net position - end of year	$ 3,691,077,419	$ 3,578,878,745

See accompanying notes to financial statements.

State of Delaware
Department of Transportation
Statements of Cash Flows
Fiscal Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Receipts from customers	$ 637,953,620	$ 589,703,235
Payments to suppliers	(453,885,926)	(438,717,079)
Payments to employees	(202,931,538)	(192,153,040)
Insurance claims paid	(4,570,260)	(5,238,066)
Other receipts	3,477,517	2,349,991
Net cash used in operating activities	(19,956,587)	(44,054,959)
Cash flows from noncapital financing activities		
Transfers from State General Fund	5,098,657	16,682,584
Transfers to State General Fund	(6,000,000)	(5,000,000)
Federal receipts for operating activities	6,313,677	6,380,646
Pass-through grant payments	(5,738,675)	(4,953,210)
Transfers to other governmental agencies	(8,167,828)	(7,639,322)
Net cash provided by (used in) noncapital financing activities	(8,494,169)	5,470,698
Cash flows from capital and related financing activities		
Payments of revenue bond principal	(74,770,000)	(69,880,000)
Proceeds from TIFIA loan	80,459,497	105,120,822
Federal receipts for capital and related financing activities	211,318,333	225,447,276
Acquisition of capital assets	(248,830,181)	(217,603,822)
Payments of interest	(40,916,746)	(42,885,095)
Net cash provided by (used in) capital and related financing activities	(72,739,097)	199,181
Cash flows from investing activities		
Purchase of investments	(3,535,865,304)	(3,457,336,846)
Proceeds from sale of investments	3,638,087,158	3,483,659,653
Collection on loans previously written off	-	321,475
Escrow insurance deposits	134,864	(74,786)
Interest received	6,187,383	7,842,822
Net cash provided by investing activities	108,544,101	34,412,318
Net increase (decrease) in cash and cash equivalents	7,354,248	(3,972,762)
Cash and cash equivalents - beginning of year	71,225,391	75,198,153
Cash and cash equivalents - end of year	$ 78,579,639	$ 71,225,391

(Continued)

State of Delaware
Department of Transportation
Statements of Cash Flows
Fiscal Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (58,481,790)	$ (100,727,853)
Adjustment to reconcile operating loss to net cash used in operating activities		
Depreciation	32,029,308	30,593,443
Changes in assets and deferred outflows of resources		
Increase in accounts receivable - trade	(794,777)	(601,781)
Increase in due from State General Fund	(3,957,546)	(4,183,366)
Increase in inventory	(1,424,040)	(1,062,495)
(Increase) decrease in prepaid expenses	(20,711)	11,419
(Increase) decrease in deferred outflows of resources	(3,888,200)	8,859,286
Changes in liabilities and deferred inflows of resources		
Increase in accounts payable and other accrued expenses	1,383,972	3,912,580
Increase in escrow deposits	370,390	2,441,872
Decrease in insurance loss reserve	(113,000)	(272,000)
Increase (decrease) in due to State General Fund	(5,573,127)	5,573,127
Increase (decrease) in compensated absences	1,041,492	(71,273)
Increase in accrued payroll and related expenses	1,087,146	699,178
Decrease in customer toll deposits	(436,365)	(1,170,334)
Decrease in pollution remediation obligations	(70,750)	(999,000)
Increase (decrease) in net pension liability	3,620,888	(4,127,907)
Decrease in net other post-employment benefits liability	(10,098,145)	(37,656,453)
Increase in deferred inflows of resources	25,368,668	54,726,598
Net cash used in operating activities	$ (19,956,587)	$ (44,054,959)
Supplemental disclosure of noncash capital financing activities		
Interest capitalized on TIFIA loan	$ 4,572,450	$ 1,783,929

See accompanying notes to financial statements.

(1) Organization

The Delaware Department of Transportation (the Department) is a major proprietary fund and a component unit of the State of Delaware (the State). The Department has the overall responsibility for coordinating and developing comprehensive, balanced transportation planning and policies for the State. In addition, the Department has overall responsibility for maintenance and operation of roadways and bridges that fall under its jurisdiction. To assist the Department in their mission, the State and the Department created the Delaware Transportation Authority (the Authority), which includes the activities of the Transportation Trust Fund (the Trust Fund) and the Delaware Transit Corporation (DTC). The Authority is a body politic and corporate whose actions are overseen by the Secretary of Transportation (the Secretary), the Director of the Office of Financial Management and Budget, and the Administrator of the Trust Fund. The Authority's principal role is to provide financing to the Department and, as a result, is a blended component unit of the State and is included in these financial statements on a blended basis.

The Trust Fund was created by the State as a special fund with its corporate powers held by the Authority, under the Transportation Trust Fund Act of 1987 (the TTF Act). The underlying purpose of the TTF Act and the Trust Fund is to address the growing urgency to provide additional means to finance the maintenance and development of the integrated highway, air, and water transportation system in the State for the economic benefit of the State and for the welfare and safety of the users of the transportation system. The primary funding of the Trust Fund comes from motor fuel taxes, motor vehicle document fees, motor vehicle registration fees, and other transportation-related fees, which are imposed and collected by the State and transferred to the Trust Fund. The State has irrevocably pledged, assigned, and continuously appropriated to the Trust Fund these taxes and fees. The other major sources of revenue for the Trust Fund are the Delaware Turnpike and the Delaware SR-1 and US 301 Toll Roads. The Authority may apply Trust Fund revenue for transportation projects, subject to the approval of the State, and may pledge any or all of this revenue to secure financing for these projects. The TTF Act also granted the Authority the power to issue bonds payable from and secured by the revenues pledged and assigned to the Trust Fund.

The trust agreements in effect are the Motor Fuel Tax Revenue Bond Trust Agreement (the Motor Fuel Tax Agreement), dated September 1, 1981, as supplemented, and the Transportation Trust Fund Agreement (the Trust Agreement), dated August 1, 1988, as supplemented. The Trust Agreement is a bond indenture, intended to ensure payment to bondholders through assets and revenues pledged to the Trust Fund. Pledged revenues fund certain accounts created under Section 4.02 of the Trust Agreement and, to the extent those revenues are not needed for that purpose, they are deposited, lien-free, to the Trust Fund. Surplus pledged revenues and nonpledged revenues of the Trust Fund may be used to fund the operations of the Department. The provisions of the Motor Fuel Tax Agreement and the Trust Agreement govern the disposition of revenues and other income and prescribe certain accounting practices, including the conditions for transfer of monies among the various funds and accounts held by the Authority or the Trustee and the use of such funds.

Pursuant to Title 2 of the Delaware Code, Sections 1304(a) and 1307(a) as enacted by 69 Delaware Law Chapter 435, DTC was created on November 17, 1994 as a subsidiary public benefit corporation of the Authority. With approval of the Governor, the Secretary appoints the Director of DTC, who serves at the pleasure of the Secretary. The Authority provides significant operational subsidies to DTC annually. DTC is authorized to operate the public transportation system within the State and provides services directly to the public. As a result, it is a blended component unit of the Authority. Separate financial statements for DTC are available by writing to the State of Delaware, Department of Transportation, 800 Bay Road, Dover, Delaware 19903.

(2) Summary of Significant Accounting Policies

(a) Measurement Focus and Basis of Accounting

The Department, which is comprised of DelDOT, the Trust Fund, and DTC, operates as an enterprise fund. The Department's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

(b) Cash and Cash Equivalents

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

The Department maintains cash escrow accounts for administrative purposes and has classified these cash balances as restricted. An offsetting liability is recorded in the accompanying statement of net position.

(c) Allowance for Doubtful Accounts

Accounts receivable consist of short-term receivables that arise in the normal course of business. Accounts are generally considered past due after 30 days and do not accrue interest. Management determines the allowance for doubtful accounts based upon prior experience and its assessment of the collectibility of specific accounts. At June 30, 2019 and 2018, the allowance for doubtful accounts receivable is $254,919 and $5,000, respectively. Uncollectible accounts receivable are charged off when management determines that all reasonable collection efforts have been exhausted.

(d) Inventory

Inventory is accounted for at the lower of cost or market. Cost is determined using the average cost method.

(e) Investments

Investments are recorded at fair value. Fair value is determined using quoted market prices in an active market, if available. For certain U.S. government securities, U.S government agency securities, and commercial paper, for which an active market does not exist, fair value is determined using a discounted cash flow model. Significant inputs to the discounted cash flow model are the coupon, yield, and expected maturity date of the security.

(f) Management Estimates

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

(g) Capital Assets

Capital assets, which include land, buildings, improvements, fixtures, vehicles, equipment, and infrastructure assets (such as roads and bridges, which are normally immovable and of value only to the State), are reported in the Department's financial statements.

Capital assets are defined by the State as assets with an initial individual acquisition cost of more than $25,000 at the date of acquisition and an estimated useful life in excess of one year. It is the policy of the Department, with the exception of DTC, to capitalize all buildings and land regardless of cost, improvements to land and buildings when the cost of projects exceed $100,000, and infrastructure when the cost of individual items or projects exceeds $1,000,000. Such assets are recorded at historical cost, or estimated historical cost, if original cost is not determinable. Donated capital assets are recorded at estimated fair market value at the time of the donation. Buildings, improvements, fixtures, vehicles, and equipment are depreciated on a straight-line basis.

Capital assets are defined by DTC as all assets purchased with State and federal grant funds, as well as any asset with an acquisition cost greater than $5,000 purchased with operating funds.

For assets not part of infrastructure, the costs of normal preservation, maintenance, and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

For infrastructure, the Department uses the "modified approach" to account for roads and bridges. Under this process, the Department does not record depreciation expense nor are amounts expended in connection with improvements to these assets capitalized, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the Department to: (1) commit to maintaining and preserving affected assets at or above a condition level established by the Department, (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.

The Department maintains two asset management systems, one for the roads and one for the bridges. In addition, the Department completes condition assessments on its roads and bridges at least every three years.

Buildings, improvements, fixtures, vehicles, and equipment, other than those associated with service concession agreements, are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 - 40 years
Revenue vehicles	4 - 25 years
Service vehicles and equipment	3 - 20 years
Communications equipment	10 - 40 years
Furniture and fixtures	3 - 10 years
Bus signs and shelters	10 years

(h) Compensated Absences

Compensated absences are absences for which Department employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Department and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Department and its employees are accounted for in the period in which such services are rendered or such events take place.

(i) Line of Credit

The Trust Fund has a line of credit agreement with PNC Bank for $50,000,000, which matures in November 2019. There were no borrowings against the line at June 30, 2019. The line bears interest on the amount that has been advanced from time to time pursuant to the bank loan agreements. At June 30, 2019, the interest rate was equal to 2.5578%.

(j) Revenue Recognition

Turnpike/Toll Revenue - Turnpike/Toll revenues consist primarily of fees for the usage of the Delaware Turnpike and the toll portion of Delaware SR-1 and US 301 and are recognized at the time vehicles pass through the toll plazas.

Motor Fuel Tax Revenue - Motor fuel tax revenues are generally recognized at the time fuel is dispensed to the ultimate user.

Motor Vehicle Revenue - Motor vehicle revenues are recognized at the time services are provided to customers.

*Passenger Fare*s - Passenger fare revenues are recorded at the time services are provided. Revenues from DART cards are recognized at the point of sale.

(k) Bond Issue Premiums/Discounts

Amortization of bond issue premiums/discounts is provided using the effective interest method over the life of the bond issue. Net amortization resulted in a reduction in interest expense of $14,424,537 and $16,375,071 in 2019 and 2018, respectively.

(l) Revenues and Expenses

The Department defines nonoperating revenues as federal grant revenues, investment income, and collections on loans previously written off. Pledged revenue represents taxes, fees, and investment income committed to repayment of revenue bonds. All other revenues are derived from normal operations of the Department. Nonoperating expenses are defined as grant expenses and interest expense. All other expenses are a result of normal operations.

(m) Deferred Outflows of Resources and Deferred Inflows of Resources

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

(n) Pension

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

(o) Other Post-Employment Benefits (OPEB)

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

(p) Adoption of Governmental Accounting Standards Board (GASB) Statements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions (OPEB)*. GASB No. 75 replaced the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions. This Statement established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identified the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The Department adopted GASB No. 75 as of June 30, 2017, the earliest period practical. The impact on the Department's beginning net position for the Fiscal Year Ended June 30, 2018 is as follows:

Net position, beginning of year, as previously stated	$ 3,658,916,613
Prior period adjustment - implementation of GASB No. 75	
Net OPEB liability	(218,956,556)
Deferred outflows - OPEB contributions made during Fiscal Year 2017	11,739,435
Total prior period adjustment	(207,217,121)
Net position, beginning of year, as restated	$ 3,451,699,492

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Incurred before the End of a Construction Period*. GASB No. 89 replaces the requirements of Statements No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, paragraph 6, No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Prounouncements*, paragraphs 5-22 and footnotes 1-7 and 226, and *Implementation Guide No. 2015-1*, Questions 7.10.3-7.10.7 and Z.51.11. GASB No. 89 also amends No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, paragraph 18, and Statement 62, paragraphs 3 and 485. This Statement requires financial statements prepared using the economic resources measurement focus to expense interest cost incurred before the end of a construction period, rather than capitalize the interest cost as part of the historical cost of a capital asset, as was previously required. The Statement requires the changes to be adopted prospectively. The Department early adopted GASB No. 89 as of July 1, 2018. There was no impact on the Department's beginning net position.

(3) Deposits and Investments

(a) Cash Management Policy and Investment Guidelines

The Department follows the *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* (the Policy) of the State's Cash Management Policy Board (the Board). The Board, created by State law, establishes policies for investment of all money belonging to the State or on deposit from its political subdivisions, other than money deposited in any State Pension Fund or the State Deferred Compensation Program and to determine the terms, conditions, and other matters relating to those investments, including the designation of permissible investments (29 Del.C. §2716(a)). By law, all deposits and investments belonging to the State are under the control of the State Treasurer in various pooled investment funds (State Investment Pool) except for those that, by specific authority, are under the control of other agencies or component units, as determined by the Board.

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.

Investment Guidelines and Management

The Policy requires State funds to be allocated and held in the following categories of accounts:

- Collection and disbursement accounts
- Liquidity accounts
- Reserve accounts
- Endowment accounts
- Operating accounts

The Department's accounts are considered operating accounts. State agencies and other public authorities maintain various operating accounts with the intent of segregating such funds for accounting and reporting purposes. In addition, operating accounts may be created to meet particular purposes and/or to comply with State statutes, bond trust agreements, and/or federal guidelines. The investment objectives of such funds are to ensure safety and maximize return while providing for the liquidity requirements specifically identifiable to the use of such funds.

The Policy specifies the type of investments that investment 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 following investments are permissible for operating accounts, subject to the percentage limitations of the account:

- U.S. Treasury obligations
- U.S. government agency obligations
- Certificates of deposit and time deposits
- Corporate debt instruments
- Repurchase agreements
- Money market funds
- Canadian treasury bills
- Canadian agency securities
- Mortgage-backed and asset-backed securities

The Policy is available on the Office of the State Treasurer's website at http://treasury.delaware.gov.

(b) Custodial Credit Risk

Cash and Cash Equivalents

The Department's cash and cash equivalents held at external financial institutions at June 30, 2019 and 2018 were $67,076,342 and $60,092,484, respectively, and the bank balances were $66,482,236 and $60,181,750, respectively. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits-in-transit. Of the bank balances, $31,709,191 and $37,643,959 were covered by federal depository insurance or by collateral held by the Department's agent, in the Department's name, at June 30, 2019 and 2018, respectively. The remaining bank balances of $34,773,045 and $22,537,791 were neither insured nor collateralized at June 30, 2019 and 2018, respectively.

As of June 30, 2019 and 2018, the Department also had $11,503,297 and $11,132,907, respectively, held in the State Investment Pool by the State Treasurer's Office. The State Treasurer's Office controls these funds and any investment decisions are made by the State Treasurer's Office. The State Investment Pool includes deposit accounts and short- and long-term investments. The deposits held in the State Investment Pool are allocated to the Department, but the custodial credit risk cannot be categorized for these deposits.

Investments

At June 30, 2019 and 2018, all of the Department's investments were insured or registered, with securities held by the Department or the counterparty in the Department's name. The Department measures and records its investments using fair value measurement guidelines. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

	Investments at Fair Value at June 30, 2019			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments measured at fair value				
U.S. government securities	$ -	$ 49,984,359	$ -	$ 49,984,359
U.S. government agency securities	-	111,385,320	-	111,385,320
Commercial paper	-	91,725,873	-	91,725,873
Total investments	$ -	$253,095,552	$ -	$253,095,552

	Investments at Fair Value at June 30, 2018			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments measured at fair value				
U.S. government securities	$ -	$ 76,834,704	$ -	$ 76,834,704
U.S. government agency securities	-	156,324,070	-	156,324,070
Commercial paper	-	121,846,148	-	121,846,148
Certificates of deposit	-	250,085	-	250,085
Total investments	$ -	$355,255,007	$ -	$355,255,007

Investments categorized as Level 2 are valued through several industry accepted methodologies including yield to maturity and benchmark yields. Standard inputs in the valuation methodologies include reported trades, broker/dealer quotes, issuer spreads, and market publications.

(c) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the value of an investment. The Policy provides that maximum maturity for investments in Department accounts, at the time of purchase, shall not exceed 10 years, except when it is 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.

The following table presents a listing of directly held investments and related maturities at June 30, 2019:

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1	1 - 5	6 - 10
U.S. government securities	$ 49,984,359	$ 34,488,035	$ 15,496,324	$ -
U.S. government agency securities	111,385,320	95,379,280	16,006,040	-
Commercial paper	91,725,873	91,725,873	-	-
Total investments	$253,095,552	$221,593,188	$ 31,502,364	$ -

The following table presents a listing of directly held investments and related maturities at June 30, 2018:

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1	1 - 5	6 - 10
U.S. government securities	$ 76,834,704	$ 37,939,582	$ 38,895,122	$ -
U.S. government agency securities	156,324,070	115,177,050	39,252,737	1,894,283
Commercial paper	121,846,148	114,188,080	7,658,068	-
Certificates of deposit	250,085	250,085	-	-
Total investments	$355,255,007	$267,554,797	$ 85,805,927	$ 1,894,283

(d) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Department follows the Policy and the Trust Agreement by investing only in authorized securities. The Department's general investment policy for credit risk is to apply the prudent-person rule. 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 Policy requires that investments in:

- Certificates of deposit and time deposits be with a banking institution with assets of not less than $100 billion that is rated not lower than A1/P-1/F1 short term by at least two rating agencies;
- Money market funds be invested solely in government securities that are rated in the highest rating category by at least one rating agency;
- Asset-backed securities have the highest credit rating from at least two rating agencies; and
- 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:

Investment	S&P	Moody's	Fitch
Commercial paper	A-2	P-2	F2
Senior long-term debt	A-	A3	A-*
Corporate bonds and debentures	A-	A3	A-

*Excluding asset-backed commercial paper that is rated A1 or better

In addition, the Trust Agreement limits investments in commercial paper to those with a Moody's rating of P-1 or a Standard & Poor's rating of A-1 for short-term investments. The Department had investments in commercial paper of $91,725,873 and $121,846,148 at June 30, 2019 and 2018, respectively. All commercial paper held matures within five years and is rated in accordance with the Trust Agreement. The investments in U.S. government and government agency securities are rated at Aaa with Moody's and AA+ with Standard & Poor's.

(e) Investments in Excess of 5%

Concentration of credit risk is the risk of loss attributed to the magnitude of the Department'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 that the purchase of securities cannot exceed the following percentage of account limitations, valued at market.

A. U.S. Treasury obligations - no restrictions.

B. U.S. government agency obligations - 50% in total; 20% in any one issuer.

C. Certificates of deposit and time deposits - 50% in total (domestic and non-domestic combined); 25% in all non-domestic banking institutions; 5% in any one issuer.

D. Corporate debt - 50% in total; 25% in all non-domestic corporations; 25% in any one industry; 5% in any one issuer.

E. Repurchase agreements - 50% in total; provided that any securities purchased subject to repurchase agreements shall be subject to the respective Percentage Limit for such security type as set forth in the Policy and valued for such purposes at the lesser of fair market value and 102% of the maturity value of the securities pursuant to the repurchase agreement and marked-to-the-market daily as requested by the investment manager.

F. Money market funds - no restrictions.

G. Canadian treasuries - 25% in total.

H. Canadian agency securities - 25% in total; 10% in any one agency.

I. Mortgage-backed and asset-backed securities - 10% in total.

The following issuers have investments at fair value in excess of 5% of the investment portfolio at June 30, 2019:

Federal National Mortgage Association	$ 63,287,316	22%
United States Treasury	49,984,359	18%
Federal Home Loan Mortgage Corporation	30,949,145	11%

The following issuers have investments at fair value in excess of 5% of the investment portfolio at June 30, 2018:

United States Treasury	$ 76,834,704	22%
Federal National Mortgage Association	76,996,851	22%
Federal Home Loan Mortgage Corporation	46,291,685	13%
Federal Home Loan Bank	18,008,158	5%

(f) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although the Department does not have a formal policy governing foreign currency risk, the Department does manage its exposure to fair value loss by requiring its investment managers to maintain diversified portfolios to limit foreign currency risk. The Department does not deem foreign currency risk significant.

(g) Investment Commitments

The Department has made no investment commitments as of June 30, 2019.

(h) Funding of Unpaid Loss Insurance Reserve Liability

Included in cash at June 30, 2019 and 2018 was $9,066,000 and $9,044,136, respectively, which will be utilized to fund the remaining loss insurance liability (Note 16), net of escrow insurance deposits.

(4) Capital Assets

Capital asset activity for the Fiscal Year Ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	$ 320,563,244	$ 37,216,444	$ -	$ 357,779,688
Infrastructure	4,185,972,459	115,394,566	-	4,301,367,025
Service concession buildings and improvements	22,100,000	-	-	22,100,000
Construction-in-progress	12,257,131	54,635,156	(8,272,222)	58,620,065
Total capital assets not being depreciated	4,540,892,834	207,246,166	(8,272,222)	4,739,866,778
Capital assets being depreciated				
Land improvements	5,601,809	1,490,886	-	7,092,695
Buildings and improvements	168,030,193	18,330,230	-	186,360,423
Furniture, vehicles, and equipment	322,756,441	30,211,459	(9,254,293)	343,713,607
Total capital assets being depreciated	496,388,443	50,032,575	(9,254,293)	537,166,725
Less: accumulated depreciation for				
Land improvements	745,422	337,062	-	1,082,484
Buildings and improvements	58,509,078	5,473,420	-	63,982,498
Furniture, vehicles, and equipment	184,134,355	26,218,826	(9,015,556)	201,337,625
Total accumulated depreciation	243,388,855	32,029,308	(9,015,556)	266,402,607
Total capital assets being depreciated, net	252,999,588	18,003,267	(238,737)	270,764,118
Total capital assets, net	$ 4,793,892,422	$ 225,249,433	$ (8,510,959)	$ 5,010,630,896

Depreciation expense for Fiscal Year 2019 was $32,029,308.

Capital asset activity for the Fiscal Year Ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	$ 310,297,837	$ 10,265,407	$ -	$ 320,563,244
Infrastructure	4,005,063,273	180,909,186	-	4,185,972,459
Service concession buildings and improvements	22,100,000	-	-	22,100,000
Construction-in-progress	10,768,171	5,388,282	(3,899,322)	12,257,131
Total capital assets not being depreciated	4,348,229,281	196,562,875	(3,899,322)	4,540,892,834
Capital assets being depreciated				
Land improvements	6,041,666	9,010	(448,867)	5,601,809
Buildings and improvements	156,996,799	11,094,777	(61,383)	168,030,193
Furniture, vehicles, and equipment	309,593,452	25,668,373	(12,505,384)	322,756,441
Total capital assets being depreciated	472,631,917	36,772,160	(13,015,634)	496,388,443
Less: accumulated depreciation for				
Land improvements	464,956	280,466	-	745,422
Buildings and improvements	53,537,160	4,971,918	-	58,509,078
Furniture, vehicles, and equipment	170,904,886	25,341,059	(12,111,590)	184,134,355
Total accumulated depreciation	224,907,002	30,593,443	(12,111,590)	243,388,855
Total capital assets being depreciated, net	247,724,915	6,178,717	(904,044)	252,999,588
Total capital assets, net	$ 4,595,954,196	$ 202,741,592	$ (4,803,366)	$ 4,793,892,422

Depreciation expense for Fiscal Year 2018 was $30,593,443. Increases in capital assets include capitalized construction period interest of $10,938,337 for Fiscal Year 2018.

(5) Changes in Long-Term Liabilities

Long-term liability activity for the Fiscal Year Ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$ 912,985,000	$ -	$ (74,770,000)	$ 838,215,000	$ 75,440,000
TIFIA loan payable	106,904,751	85,031,947	-	191,936,698	-
Bond issue premium, net of accumulated amortization	62,815,571	-	(14,424,537)	48,391,034	12,706,908
Insurance loss reserve	9,179,000	4,457,260	(4,570,260)	9,066,000	1,761,936
Net other post-employment benefits	443,842,398	-	(10,098,145)	433,744,253	-
Pollution remediation obligations	84,500	-	(70,750)	13,750	13,750
Net pension liability	55,172,932	3,620,888	-	58,793,820	-
Compensated absences	11,616,335	1,041,492	-	12,657,827	1,803,670
Long-term liabilities	$ 1,602,600,487	$ 94,151,587	$ (103,933,692)	$ 1,592,818,382	$ 91,726,264

Long-term liability activity for the Fiscal Year Ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$ 982,865,000	$ -	$ (69,880,000)	$ 912,985,000	$ 74,770,000
TIFIA loan payable	-	106,904,751	-	106,904,751	-
Bond issue premium, net of accumulated amortization	79,190,642	-	(16,375,071)	62,815,571	14,424,537
Insurance loss reserve	9,451,000	4,966,066	(5,238,066)	9,179,000	1,862,842
Net other post-employment benefits	481,498,851	-	(37,656,453)	443,842,398	-
Pollution remediation obligations	1,083,500	-	(999,000)	84,500	75,750
Net pension liability	59,300,839	-	(4,127,907)	55,172,932	-
Compensated absences	11,687,608	33,558	(104,831)	11,616,335	1,881,609
Long-term liabilities	$ 1,625,077,440	$ 111,904,375	$ (134,381,328)	$ 1,602,600,487	$ 93,014,738

(6) Revenue Bonds Outstanding

Revenue bonds outstanding at June 30, 2019 and 2018 were as follows:

Date of Issue/ Maturity	Amount of Original Issue	Description and Fixed Interest Rates	2019	2018
Senior Bonds:				
2008/2018	$ 84,720,000	Transportation System Senior Revenue Bonds, 2008A, 5.00%	$ -	$ 2,215,000
2008/2019	117,875,000	Transportation System Senior Revenue Bonds, 2008B, 5.00%	5,480,000	10,695,000
2009/2019	105,315,000	Transportation System Senior Revenue Bonds, 2009A, 5.00%	5,195,000	10,140,000
2010/2019	47,715,000	Transportation System Senior Revenue Bonds, 2010A, 5.00%	5,485,000	10,315,000
2010/2030	72,120,000	Transportation System Senior Revenue Bonds, 2010B, 3.95% - 5.80%	72,120,000	72,120,000
2012/2024	222,870,000	Transportation System Senior Revenue Bonds, 2012, 3.00% - 5.00%	131,800,000	170,600,000
2014/2025	108,760,000	Transportation System Senior Revenue Bonds, 2014, 2.25% - 5.00%	66,710,000	71,210,000
2016/2029	181,475,000	Transportation System Senior Revenue Bonds, 2016, 2.00% - 5.00%	181,475,000	181,475,000
2017/2037	107,000,000	Transportation System Senior Revenue Bonds, 2017, 2.50% - 5.00%	100,720,000	107,000,000

Date of Issue/ Maturity	Amount of Original Issue	Description and Fixed Interest Rates	2019	2018
Other Bonds:				
2010/2025	$ 113,490,000	Transportation System Grant Anticipation (GARVEE) Bonds, 2010, 3.25% - 5.00%	$ 56,695,000	$ 64,680,000
2015/2055	113,490,000	Transportation System US 301 Project Revenue Bonds, 2015, 3.25% - 5.00%	212,535,000	212,535,000
		Total bonds payable	838,215,000	912,985,000
		Less: current portion	75,440,000	74,770,000
		Long-term portion	$ 762,775,000	$ 838,215,000

The State has pledged turnpike, motor fuel tax, and motor vehicle fee revenues to the Trust Fund in order to support repayments of revenue bonds. Proceeds from the revenue bonds were used to finance the infrastructure maintenance, preservation, and construction-related projects of the State's highway transportation system, as well as security for the repayment of the outstanding revenue bonds of the Authority.

The 2015 Series US 301 Project Revenue Bonds are secured by pledged revenues from US 301 tolls and a subordinate lien on other pledged revenue, including motor fuel tax, state registration and document fees, and Delaware Turnpike toll and concession revenues. Proceeds are used to finance US 301 construction.

The revenue bonds do not constitute a debt of the State or of any political subdivision thereof, or a pledge of the general taxing power or the faith and credit of the State or of any such political subdivision. Annual principal and interest payments on the revenue bonds are expected to require less than 25% of pledged revenues. Principal and interest paid on the revenue bonds for the Fiscal Years Ended June 30, 2019 and 2018 were $115,686,745 and $112,765,095, respectively.

The Transportation System Senior Revenue Bonds have fixed interest rates and are limited obligations of the Authority secured only by the pledged revenues of the Trust Fund. The pledged revenues of the Authority were as follows at June 30,:

	2019	2018
Pledged operating revenues	$ 505,350,221	$ 479,077,381
Investment income	5,524,248	6,783,620
Total pledged revenues	$ 510,874,469	$ 485,861,001

The Transportation System GARVEE Bonds have fixed interest rates and are limited obligations of the Authority secured by and payable solely from the annual federal appropriation for the State's federal aid transportation projects. On average, the State has been apportioned approximately $174 million in federal highway aid annually over the past five fiscal years. At that level, principal and interest payments on the GARVEE bonds are expected to require approximately 6.5% of pledged federal highway aid annually. While the Authority believes that sufficient pledged federal highway aid will be available during the term of the bonds to meet all required principal and interest payments, various factors beyond the Authority's control may impact the ability to make all payments when due, including, but not limited to, subsequent reauthorization of federal highway aid and federal budgetary limitations.

At June 30, 2019 and 2018, the Authority had a total of $267,018,289 and $240,276,852, respectively, in authorized but unissued revenue bonds, including $11,510,000 in GARVEE bond authorization, to fund a portion of the Department of Transportation Capital Improvement Program.

The annual requirement to amortize all revenue bonds payable as of June 30, 2019 was as follows:

Years Ending June 30,	Principal Maturity	Interest Maturity	Total
2020	$ 75,440,000	$ 37,233,638	$ 112,673,638
2021	77,115,000	33,592,230	110,707,230
2022	76,925,000	29,894,593	106,819,593
2023	75,990,000	26,155,721	102,145,721
2024	66,720,000	22,528,355	89,248,355
2025 - 2029	198,335,000	78,382,111	276,717,111
2030 - 2034	55,910,000	52,786,235	108,696,235
2035 - 2039	34,895,000	46,621,798	81,516,798
2040 - 2044	27,830,000	41,318,450	69,148,450
2045 - 2049	49,355,000	32,868,450	82,223,450
2050 - 2054	79,885,000	17,708,250	97,593,250
2055 - 2056	19,815,000	990,750	20,805,750
	$ 838,215,000	$ 420,080,581	$ 1,258,295,581

(7) Debt Defeasance

The Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt was issued and the proceeds were 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 is considered defeased and, therefore, not reported as a liability. As of June 30, 2019 and 2018, the amount of defeased debt outstanding amounted to $141,250,000 and $169,525,000, respectively.

(8) TIFIA Loan Payable

The Authority has obtained a loan from the Federal Highway Administration (FHWA) under the Transportation Infrastructure Finance and Innovation Act (TIFIA) to borrow up to $211,350,000, excluding capitalized interest, to finance construction on the US 301 toll road project (the Project). Funds are reimbursed by FHWA as costs are incurred on the Project. Interest accrues at 2.94%, compounded semi-annually. Interest payments are deferred 5 years from the projected end of construction, with the first interest payment expected to be due December 1, 2023. Principal payments are deferred 9 years and 6 months from the projected end of construction, with the first principal payment expected to be due June 1, 2028. Final maturity on the loan is the earlier of the 35th anniversary of the substantial completion date of the Project or December 31, 2053.

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

As of June 30, 2019 and 2018, the total outstanding loan payable, including capitalized interest of $6,356,379 and $1,783,929, was $191,936,698 and $106,904,751, respectively. The loan will be fully funded during the 2020 Fiscal Year. Projected debt service on the loan once fully funded, including capitalized interest, was as follows at June 30, 2019:

Years Ending June 30,	Principal Maturity	Interest Maturity	Total*
2020	$ -	$ -	$ -
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	7,198,150	7,198,150
2025 - 2029	763,375	35,930,060	36,693,435
2030 - 2034	11,846,608	35,253,540	47,100,148
2035 - 2039	24,598,538	32,996,030	57,594,568
2040 - 2044	41,842,726	28,271,812	70,114,538
2045 - 2049	67,558,418	20,703,745	88,262,163
2050 - 2054	97,890,429	8,803,236	106,693,665
	$ 244,500,094	$ 169,156,573	$ 413,656,667

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

(9) Restricted Net Position

Restricted net position was as follows at June 30,:

	2019	2018
Rebate funds		
Amounts generated from operations to meet future arbitrage rebate requirements	$ 467,169	$ 587,231
Debt service funds		
Amounts generated from operations required by the Trust Agreement to be provided to meet current principal and interest payments	84,594,882	95,284,271
Debt reserve funds		
Amounts generated from operations required by the Trust Agreement to be provided as a reserve for future principal and interest payments	64,289,891	78,652,047
Unspent bond proceeds		
Amounts borrowed and restricted for construction of US 301	31,527,491	43,087,398
Highway beautification funds		
Amounts held in trust to be used for highway beautification	192,083	197,677
Total restricted net position	$ 181,071,516	$ 217,808,624

(10) International Registration Plan

The Department participates in the International Registration Plan (IRP) pursuant to Section 4008 of the Intermodal Surface Transportation Efficiency Act of 1997 (ISTEA). ISTEA requires jurisdictions to join base state agreements for the collection and distribution of commercial vehicle registration fees. IRP is an agreement among member jurisdictions whereby commercial registration fees are collected and reallocated based on a proration of miles traveled in each jurisdiction. Net revenues recorded during Fiscal Years 2019 and 2018 were $12,920,866 and $9,095,911, respectively. IRP fees are included in motor vehicle document fee, registration fee, and other revenue.

(11) International Fuel Tax Agreement

The Department participates in the International Fuel Tax Agreement (IFTA). IFTA is an agreement among member jurisdictions whereby commercial license fees are collected and reallocated based on a proration of miles traveled in each jurisdiction. Net revenues recorded during Fiscal Years 2019 and 2018 were $1,860,201 and $1,018,609, respectively.

(12) DTC Union Contracts

Operators and maintenance personnel of the North District Fixed Route system are represented by the Amalgamated Transit Union AFL-CIO, Local 842. The term of the current Collective Bargaining Agreement (CBA) covers the period from September 1, 2016 through August 31, 2019. As of the date of this report, a new CBA has not been signed and both parties continue to operate under the expired contract terms.

Paratransit Specialists statewide and South District Fixed Route Operators are also represented by the Amalgamated Transit Union AFL-CIO, Local 842, under a separate CBA. The term of the current CBA covers the period from September 1, 2016 through August 31, 2019. As of the date of this report, a new CBA has not been signed and both parties continue to operate under the expired contract terms.

Certain administrative, operations, and maintenance personnel are represented by the Office and Professional Employees International Union AFL-CIO, Local 32. The term of the current CBA covers the period from January 1, 2017 through December 31, 2020.

Service and automotive technicians and automotive parts/inventory control specialists are represented by the International Brotherhood of Electrical Workers, Local 2270. The term of the current CBA covers the period from July 1, 2015 through June 30, 2019. As of the date of this report, a new CBA has not been signed and both parties continue to operate under the expired contract terms.

(13) Pension Plans

A. State Employees' Pension Plan

With the exception of DTC employees (see Note 13B); the Department's full-time employees are covered by the State Employees' Pension Plan (the Plan), a cost-sharing, multiple-employer, defined benefit plan, which is administered by the Delaware Public Employees Retirement System (DPERS). The General Assembly is responsible for setting benefits and contributions and amending Plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Pension Board).

Detailed information concerning the Plan is presented in its publicly available annual basic financial statements, which can be obtained by writing the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite 1, 860 Silver Lake Blvd., Dover, Delaware 19904-2402.

(1) Plan Description and Eligibility

The Plan covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities. There are two tiers within this Plan: 1) Employees hired prior to January 1, 2012 (Pre-2012) and 2) Employees hired on or after January 1, 2012 (Post-2011).

Service Benefits

Final average monthly compensation (employees hired Post-2011 may not include overtime in pension compensation) multiplied by 2% and multiplied by the years of credited service prior to January 1, 1997, plus final average monthly compensation, multiplied by 1.85%, and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For the Plan, final average monthly compensation is the monthly average of the highest three periods of 12 consecutive months of compensation.

Vesting

Pre-2012 date of hire members are fully vested after five years of credited service, and Post-2011 date of hire members are fully vested after 10 years of credited service.

Retirement

Pre-2012 date of hire members are eligible to retire at age 62 with five years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service at any age. Post-2011 date of hire members are eligible to retire at age 65 with at least 10 years of credited service; age 60 with 20 years of credited service; or with 30 years of credited service at any age.

Disability Benefits

Pre-2012 date of hire members receive the same as service benefits and must have five years of credited service. In lieu of disability pension benefits, over 90% of members of the Plan opted into the Disability Insurance Program offered by the State effective January 1, 2006. Post-2011 date of hire members are provided disability benefits through the State's Disability Insurance Program.

Survivor Benefits

If an employee is receiving a pension and passes away, the eligible survivor receives 50% of the pension (or 67.7% with 2% reduction of benefit, 75% with 3% reduction of benefit, or 100% with 6% reduction of benefit). If an employee is active with at least five years of credited service and passes away, the eligible survivor receives 75% of the benefit the employee would have received at age 62. The amount payable to a surviving spouse under age 50 at the time the survivor's pension begins, shall be reduced for each month under age 50 in accordance with actuarial tables approved by the Pension Board. Any actuarial reduction for such a spouse shall however not apply for the period during which the spouse has in his or her care, an unmarried child or children.

Burial Benefit

The burial benefit is $7,000 per member.

Contributions

The Pension Board's employer-determined contributions were based principally on an actuarially determined rate for Fiscal Years 2019 and 2018. The Department's contributions to the Plan for Fiscal Years 2019 and 2018 were $8,743,943 and

$7,301,989, respectively. Pre-2012 date of hire members are required to contribute 3% of earnings in excess of $6,000, and Post-2011 date of hire members are required to contribute 5% of earnings in excess of $6,000.

(2) Allocation Percentage Methodology

In accordance with GASB No. 68, DPERS prepared a Schedule of Pension Amounts by Participating Employer, which calculates the employer's proportionate share of the Plan's collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. DPERS's management has elected to allocate the employer's proportionate shares of the collective pension amounts based on the percentage of actual employer contributions. The Department's proportionate share of the collective pension amounts was 3.5295% and 3.5235% at June 30, 2018 and 2017, respectively, which represents an increase of 0.0060% and a decrease of 0.0386% from the Department's proportionate share as of June 30, 2017 and 2016, respectively.

(3) Net Pension Liability

For the Fiscal Years Ended June 30, 2019 and 2018, the Department reported a net pension liability in the amount of $45,582,509 and $51,653,964, respectively, for its proportionate share of the Plan's collective net pension liability as of June 30, 2018 and 2017, respectively, the Department's measurement dates. The Plan's total pension liability as of the June 30, 2018 and 2017 measurement dates was determined by actuarial valuations as of June 30, 2017 and 2016, respectively, and update procedures were used to roll forward the valuation results to June 30, 2018 and 2017, respectively. The actuarial valuations and related update procedures used the following actuarial assumptions for all periods included in the measurements:

	2018	2017
Investment rate of return/discount rate, including inflation	7.00%	7.00%
Projected salary increases, including inflation	2.50% + Merit	2.50% + Merit
Cost-of-living adjustments	0.00%	0.00%
Inflation	2.50%	2.50%

These assumptions are based on an experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version of the MP-2015 mortality improvement scale on a fully generational basis.

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

Asset Class	Long-Term Expected Real Rate of Return	Asset Allocation Percentage
Domestic equity	5.7 %	30.7 %
International equity	5.7	13.9
Fixed income	2.0	23.3
Non-traditional investments	7.8	24.4
Cash and cash equivalents	-	7.7

Best estimates of geometric real rates of return for each major asset class included in the DPERS's current and expected asset allocation are summarized in the following table as of the June 30, 2017 measurement date:

Asset Class	Long-Term Expected Real Rate of Return	Asset Allocation Percentage
Domestic equity	5.7 %	33.5 %
International equity	5.7	13.7
Fixed income	2.0	26.6
Non-traditional investments	7.8	22.7
Cash and cash equivalents	-	3.5

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Department's proportionate share of the Plan's net pension liability, calculated using the discount rate of 7.0%, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or higher than the current rate (expressed in thousands):

Valuation Date	1% Decrease	Discount Rate	1% Increase
June 30, 2018	$ 88,457	$ 45,582	$ 9,582
June 30, 2017	$ 92,991	$ 51,654	$ 16,612

(4) Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the Fiscal Years Ended June 30, 2019 and 2018, the Department recognized $9,260,130 and $10,190,655 in pension expense, respectively, which represents its proportionate share of the Plan's collective pension expense.

Contributions Made Subsequent to the Measurement Period - Contributions made subsequent to the measurement period of June 30, 2018 (Fiscal Year 2019 contributions) are included as deferred outflows of resources and will be recognized as a reduction to the net pension liability in Fiscal Year 2020.

Expected and Actual Experience Differences - The difference between expected and actual experience with regard to economic and demographic factors is amortized over the weighted average of the expected remaining service life of active and inactive members. The first year of amortization is recognized as pension expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Change in Assumptions - The change in assumptions about future economic or demographic factors or other inputs is amortized over the weighted average of the expected remaining service life of active and inactive Plan members. The first year of amortization is recognized as pension expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Changes in Employer Proportionate Share - The change in employer proportionate share is the amount of the difference between the employer proportionate share of the net pension liability in the prior year compared to the current year. This change in proportion is amortized over the weighted average of the expected remaining service life of active and inactive Plan members. The first year of amortization is recognized as pension expense, with the remaining years recognized as a deferred inflow or outflow of resources.

Net Differences Between Projected and Actual Investment Earnings on Pension Plan Investments - The difference between the actual earnings on Plan investments compared to the Plan's expected rate of return of 7.0% is amortized over a closed period of five years. The first year of amortization is recognized as pension expense, with the remaining four years recognized as a deferred inflow of resources.

The following presents the deferred outflows of resources and deferred inflows of resources related to the Plan as of June 30, 2019.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual investment earnings on pension plan investments	$ -	$ 1,932,218
Changes in assumptions	7,936,448	-
Difference between expected and actual experience	2,382,211	657,865
Changes in employer proportionate share of net pension liability	93,838	1,210,666
Employer contributions made subsequent to the measurement date	8,743,943	-
Totals	$ 19,156,440	$ 3,800,749

The following presents the deferred outflows of resources and deferred inflows of resources related to the Plan as of June 30, 2018.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual investment earnings on pension plan investments	$ 6,038,536	$ -
Changes in assumptions	10,149,327	-
Difference between expected and actual experience	596,285	910,695
Changes in employer proportionate share of net pension liability	84,864	1,691,106
Employer contributions made subsequent to the measurement date	7,301,989	-
Totals	$ 24,171,001	$ 2,601,801

The Department reported $8,743,943 as deferred outflows of resources related to the Plan resulting from Department contributions made subsequent to the measurement date of June 30, 2018 (Fiscal Year 2019 contributions), which will be recognized as a reduction of the net pension liability for the Fiscal Year Ending June 30, 2020.

Other amounts reported related to the Department's proportionate share of the deferred outflows of resources and deferred inflows of resources will be recognized in pension expense during the Fiscal Years Ending June 30,:

2020	$ 5,394,360
2021	3,002,514
2022	(1,822,251)
2023	(356,843)
2024	393,968

B. DTC Pension Plans

(1) Plan Descriptions

DTC administers the Delaware Transit Corporation Pension Plan (DTC Plan) and the Delaware Administration for Regional Transit (DART) Contributory Pension Plan (DART Plan).

The DTC Plan is a single-employer, defined benefit, contributory plan covering noncollectively bargained employees of DTC, DART, and Delaware Administration for Specialized Transit.

The DART Plan is a single-employer, defined benefit, contributory plan covering members of Local 32, Office and Professional Employees International Union AFL-CIO, and Local 842, Amalgamated Transit Union AFL-CIO and its collective bargaining units: the North District Fixed Route and Maintenance Employees and the Paratransit and Greater Dover Area Fixed Route Drivers, who are employed by DTC.

Each plan provides retirement, disability, and death benefits to plan members and beneficiaries.

Both plans issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing DTC at 900 Public Safety Boulevard, Dover, Delaware 19901-4503.

The following employees were covered by the DTC Plan at June 30,:

	2018	2017
Active members	314	309
Inactive members or beneficiaries currently receiving benefits	84	71
Terminated, vested members	96	84
Totals	494	464

The following employees were covered by the DART Plan at December 31,:

	2018	2017
Active members	668	661
Inactive members or beneficiaries currently receiving benefits	197	184
Terminated, vested members	103	88
Totals	968	933

(2) Benefits

The DTC Plan provides retirement, disability, and death benefits. All employees with 10 years of credited service are eligible for early retirement at age 55. All employees may retire at any age after 25 years of credited service or upon reaching the age of 62. If an employee terminates their employment after at least five years of credited service, but before normal retirement age, they may defer pension benefits until reaching retirement age. Benefits fully vest after five years of credited service.

Death benefits for a DTC Plan participant who dies while employed after completing five years of credited service is equal to 75% of the service pension to which the participant would have been eligible at age 65.

The authority under which the DTC Plan benefit provisions are established, evaluated, and amended resides with DTC. DTC reserves the right to amend, modify, or terminate the DTC Plan and completely discontinue contributions with respect to eligible participants. However, no such action shall adversely affect eligible participants who have retired under the DTC Plan prior to such action, nor shall any such amendment have the effect of decreasing the amount of a participant's accrued benefit. DTC expects to continue the DTC Plan indefinitely.

The DART Plan provides retirement, disability, and death benefits. All employees with 10 years of credited service are eligible to receive pension benefits at age 65. All employees may retire at any age after 25 years of credited service or upon reaching the age of 65 with a minimum of five years of continuous service. If an employee terminates their employment after at least five years of continuous service, but before normal retirement age, they may defer pension benefits until reaching retirement age. Effective January 1, 2018, the multiplier for employees who retire after December 31, 2017 was increased to a monthly benefit per year of service of $70.50. Additionally, the monthly benefit amounts for retirees were increased by 1%. Effective January 1, 2019, the multiplier for employees who retire after December 31, 2017 was increased to a monthly benefit per year of service of $72.50. Additionally, the monthly benefit amounts for retirees were increased by 2%. Upon the death of a retiree or active participant, a lump-sum payment will be made comprised of the aggregate of the participant's contributions that exceed the aggregate of the payments that have been made to the participant.

The authority under which DART Plan benefit provisions are established, evaluated, and amended resides with the DART Plan Pension Committee. The DART Plan Pension Committee is comprised of three members appointed by DTC and three members appointed by Amalgamated Transit Union, Local 842.

(3) Funding Policy

For the DTC Plan, DTC retains the authority to establish, evaluate, and amend the obligations to contribute to the Plan. DTC's annual contribution determined by the actuary is funded monthly until the required contribution is met. Employees hired after June 30, 2012 are required to contribute 3% of eligible annual compensation in excess of $6,000.

For the DART Plan, the Pension Committee retains the authority to establish, evaluate, and amend the obligations to contribute to the Plan of both the Plan members, as collectively bargained, and DTC. Plan members are required to contribute 5% of their hourly wages for each hour worked to a maximum of 2,080 hours per year. DTC contributes 5% of the regular hourly wages to the Plan.

The contributions recognized by the DTC Plan and the DART Plan during the Fiscal Year Ended June 30, 2019 were $1,255,065 and $1,213,140, respectively. The contributions recognized by the DTC Plan and the DART Plan during the Fiscal Year Ended June 30, 2018 were $1,103,635 and $1,047,983, respectively.

(4) Net Pension Liability

The DTC Plan's net pension liability for the Fiscal Years Ended June 30, 2019 and 2018 were measured as of June 30, 2018 and 2017 as determined by actuarial valuations as of July 1, 2017 and 2016, respectively. Update procedures were used to roll forward the valuation results. There have been no changes between the June 30, 2018 and 2017 measurement dates of the net pension liability and the report date that are expected to have a significant effect on the net pension liability.

The total pension liability used to calculate the net pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurements for the Fiscal Years Ended June 30,:

	2019	**2018**
Investment rate of return	7.0%, net of plan investment expense, including inflation	7.0%, net of plan investment expense, including inflation
Salary increases	2.5%, including inflation	2.5%, including inflation
Inflation	2.0%	2.0%
Mortality	RP-2014 Mortality with generational projection using scale MP-2017	RP-2000 Combined Healthy tables with generational projection by Scale AA

The long-term expected rate of return on DTC Plan investments of 7.0% was determined using a building-block method, where return expectations are established for each asset class. The building-block approach uses the current underlying fundamentals, not historical returns. These return expectations are weighted based on the following asset/target amounts for the Fiscal Year Ended June 30, 2019:

Asset Class	**Long-Term Expected Real Rate of Return**	**Asset Allocation Percentage**
Domestic equity	5.0 %	42.0 %
International equity	4.9	16.0
Emerging equity	5.0	7.0
Core fixed income	2.6	17.5
Intermediate IG Corp	3.6	8.7
High yield	4.1	4.4
Emerging debt	4.2	4.4

These return expectations are weighted based on the following asset/target amounts for the Fiscal Year Ended June 30, 2018:

Asset Class	**Long-Term Expected Real Rate of Return**	**Asset Allocation Percentage**
Domestic equity	5.2 %	42.0 %
International equity	5.2	16.0
Emerging equity	5.2	7.0
Core fixed income	3.0	25.0
Intermediate IG Corp	3.8	2.5
Bank loans	2.7	2.5
High yield	4.3	2.5
Emerging debt	4.8	2.5

The DART Plan's net pension liability for the calendar years ended December 31, 2018 and 2017 was determined by actuarial experience studies as of January 1, 2019 and 2018, respectively. There have been no changes between the December 31, 2018 and 2017 measurement dates of the net pension liability and the report date that are expected to have a significant effect on the net pension liability. The total pension liability used to calculate the net pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurements for the Fiscal Years Ended June 30,:

	2019	**2018**
Investment rate of return	7.0%, including inflation	7.0%, including inflation
Salary increases	2.5%, including inflation	4.0%, including inflation
Inflation	2.5%	2.0%
Mortality	Sex distinct RP-2014 Blue Collar table, fully generational with scale MP-2018	RP-2000 Blue Collar table without any future mortality improvements

The long-term expected rate of return on DART Plan investments of 7.0% was determined using a building-block method where return expectations are established for each asset class. The building-block approach uses the current underlying fundamentals, not historical returns. These return expectations are weighted based on the following asset/target amounts for the Fiscal Years Ended June 30, 2019 and 2018:

Asset Class	**Long-Term Expected Real Rate of Return**	**Asset Allocation Percentage**
Domestic equity	8.00 %	39.00 %
International equity	8.00	21.00
Fixed income	4.00	39.00
Cash equivalents	3.00	1.00

(5) Discount Rate

The discount rate used to measure the total pension liability was 7.0% for both the DTC Plan and the DART Plan for all measurement periods. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from DTC will be made at rates determined by DTC or the DART Plan Pension Committee, actuarially calculated. Based on those assumptions, the fiduciary net position for both the DTC Plan and the DART Plan was projected to be available to make all projected future benefit payments of current members of each Plan. Therefore, the long-term expected rate of return on investments for both the DTC Plan and the DART Plan was applied to all periods of projected benefit payments to determine the total pension liability.

(6) Changes in the Net Pension Liability

Changes in DTC's net pension liability for the Fiscal Year Ended June 30, 2019 were as follows:

	DTC Plan			DART Plan			Totals		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 7/1/17 (DTC Plan) and 1/1/18 (DART Plan)	$ 27,876,132	$ 25,502,783	$ 2,373,349	$ 51,702,538	$ 50,556,919	$ 1,145,619	$ 79,578,670	$ 76,059,702	$ 3,518,968
Changes for the year									
Service cost	1,137,417	-	1,137,417	2,194,365	-	2,194,365	3,331,782	-	3,331,782
Interest	1,919,848	-	1,919,848	3,680,761	-	3,680,761	5,600,609	-	5,600,609
Changes of benefit terms	-	-	-	1,238,609	-	1,238,609	1,238,609	-	1,238,609
Differences between expected and actual experience	(293,859)	-	(293,859)	(647,158)	-	(647,158)	(941,017)	-	(941,017)
Changes in assumptions	488,560	-	488,560	3,340,244	-	3,340,244	3,828,804	-	3,828,804
Contributions - employer	-	1,255,065	(1,255,065)	-	1,213,140	(1,213,140)	-	2,468,205	(2,468,205)
Contributions - member	-	144,642	(144,642)	-	1,499,056	(1,499,056)	-	1,643,698	(1,643,698)
Net investment income	-	2,261,406	(2,261,406)	-	(2,785,579)	2,785,579	-	(524,173)	524,173
Benefit payments, including refunds of member contributions	(899,450)	(899,450)	-	(2,674,443)	(2,674,443)	-	(3,573,893)	(3,573,893)	-
Administrative expenses	-	(133,656)	133,656	-	(90,644)	90,644	-	(224,300)	224,300
Other	-	3,014	(3,014)	-	-	-	-	3,014	(3,014)
Net changes	2,352,516	2,631,021	(278,505)	7,132,378	(2,838,470)	9,970,848	9,484,894	(207,449)	9,692,343
Balances at 6/30/18 (DTC Plan) and 12/31/18 (DART Plan)	$ 30,228,648	$ 28,133,804	$ 2,094,844	$ 58,834,916	$ 47,718,449	$ 11,116,467	$ 89,063,564	$ 75,852,253	$ 13,211,311

Changes in DTC's net pension liability for the Fiscal Year Ended June 30, 2018 were as follows:

	DTC Plan			DART Plan			Totals		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 7/1/16 (DTC Plan) and 1/1/17 (DART Plan)	$ 24,540,311	$ 22,668,043	$ 1,872,268	$ 47,808,538	$ 44,059,192	$ 3,749,346	$ 72,348,849	$ 66,727,235	$ 5,621,614
Changes for the year									
Service cost	1,059,502	-	1,059,502	2,097,424	-	2,097,424	3,156,926	-	3,156,926
Interest	1,691,465	-	1,691,465	3,406,325	-	3,406,325	5,097,790	-	5,097,790
Changes of benefit terms	-	-	-	1,042,316	-	1,042,316	1,042,316	-	1,042,316
Differences between expected and actual experience	(192,021)	-	(192,021)	(120,900)	-	(120,900)	(312,921)	-	(312,921)
Changes of assumptions	1,529,944	-	1,529,944	-	-	-	1,529,944	-	1,529,944
Contributions - employer	-	1,103,635	(1,103,635)	-	1,047,983	(1,047,983)	-	2,151,618	(2,151,618)
Contributions - member	-	116,052	(116,052)	-	1,344,419	(1,344,419)	-	1,460,471	(1,460,471)
Net investment income	-	2,528,821	(2,528,821)	-	6,742,936	(6,742,936)	-	9,271,757	(9,271,757)
Benefit payments, including refunds of member contributions	(753,069)	(753,069)	-	(2,531,165)	(2,531,165)	-	(3,284,234)	(3,284,234)	-
Administrative expenses	-	(160,699)	160,699	-	(106,446)	106,446	-	(267,145)	267,145
Net changes	3,335,821	2,834,740	501,081	3,894,000	6,497,727	(2,603,727)	7,229,821	9,332,467	(2,102,646)
Balances at 6/30/17 (DTC Plan) and 12/31/17 (DART Plan)	$ 27,876,132	$ 25,502,783	$ 2,373,349	$ 51,702,538	$ 50,556,919	$ 1,145,619	$ 79,578,670	$ 76,059,702	$ 3,518,968

(7) Sensitivity of Net Pension Liability to Changes in the Discount Rate

The sensitivity of the net pension liability to changes in the DTC Plan's discount rate as of June 30, 2018, and the DART Plan's discount rate as of December 31, 2018 were as follows:

	1% Decrease	Current Discount Rate	1% Increase
DTC Plan (7.0%)	$ 5,850,184	$ 2,094,844	$ (1,052,920)
DART Plan (7.0%)	$ 18,472,311	$11,116,467	$ 4,939,148

The sensitivity of the net pension liability to changes in the DTC Plan's discount rate as of June 30, 2017, and the DART Plan's discount rate as of December 31, 2017 were as follows:

	1% Decrease	Current Discount Rate	1% Increase
DTC Plan (7.0%)	$ 5,804,890	$ 2,373,349	$ (517,381)
DART Plan (7.0%)	$ 6,521,861	$ 1,145,619	$ (3,495,548)

(8) Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

The components of pension expense for the DTC Plan were as follows for the Fiscal Years Ended June 30,:

	2019	2018
Service cost	$ 1,137,417	$ 1,059,502
Interest	1,919,848	1,691,465
Member contributions	(144,642)	(116,052)
Differences between expected and actual experience	(184,460)	(147,728)
Changes in assumptions	252,313	191,243
Administrative expenses	133,656	160,699
Projected investment earnings on plan investments	(1,798,131)	(1,597,471)
Amortization of investment return differences	(37,882)	54,773
Other changes in fiduciary net position	(3,014)	-
Pension expense	$ 1,275,105	$ 1,296,431

The components of pension expense for the DART Plan were as follows for the Fiscal Years Ended June 30,:

	2019	2018
Service cost	$ 2,194,365	$ 2,097,424
Interest	3,680,761	3,406,325
Member contributions	(1,499,056)	(1,344,419)
Benefit changes	1,238,609	1,042,316
Differences between expected and actual experience	(141,194)	(48,743)
Changes in assumptions	477,178	-
Administrative expenses	90,644	106,446
Projected investment earnings on plan investments	(3,537,164)	(3,075,706)
Amortization of investment return differences	1,349,387	84,838
Pension expense	$ 3,853,530	$ 2,268,481

For the Fiscal Years Ended June 30, 2019 and 2018, DTC recognized pension expense of $5,128,635 and $3,564,912, respectively.

Contributions Made Subsequent to the Measurement Period - Contributions made subsequent to the measurement period (Fiscal Year 2019 contributions) are included as deferred outflows of resources and will be recognized as a reduction to the net pension liability in Fiscal Year 2020.

*Expected and Actual Experience Difference*s - The difference between expected and actual experience with regard to economic and demographic factors is amortized over the weighted average of the expected remaining service life of active and inactive members. The first year of amortization is recognized as pension expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Changes in Assumptions - The change in assumptions about future economic or demographic factors or other inputs is amortized over the weighted average of the expected remaining service life of active and inactive Plan members. The first year of amortization is recognized as pension expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Differences Between Projected and Actual Investment Earnings on Pension Plan Investments - The difference between the actual earnings on plan investments compared to the DTC Plan's expected rate of return of 7.0% and DART Plan's expected rate of return of 7.0% is amortized over a closed period of five years. The first year of amortization is recognized as pension expense with the remaining four years recognized as either a deferred outflow or deferred inflow of resources.

The following presents the deferred outflows of resources and deferred inflows of resources related to the DTC Plan and DART Plan as of June 30, 2019:

	DTC Plan		**DART Plan**		**Totals**	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 982,671	$ -	$ 860,604	$ -	$ 1,843,275
Changes in assumptions	1,574,948	-	2,863,066	-	4,438,014	-
Net differences between projected and actual investment earnings on pension plan investments	-	221,962	3,747,678	-	3,747,678	221,962
Employer contributions subsequent to the measurement date	1,457,272	-	909,948	-	2,367,220	-
Totals	$ 3,032,220	$ 1,204,633	$ 7,520,692	$ 860,604	$ 10,552,912	$ 2,065,237

The following presents the deferred outflows of resources and deferred inflows of resources related to the DTC Plan and DART Plan as of June 30, 2018:

	DTC Plan		DART Plan		Totals	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 873,272	$ -	$ 354,640	$ -	$ 1,227,912
Changes in assumptions	1,338,701	-	-	-	1,338,701	-
Net differences between projected and actual investment earnings on pension plan investments	203,431	-	-	1,225,678	203,431	1,225,678
Employer contributions subsequent to the measurement date	1,141,056	-	1,185,733	-	2,326,789	-
Totals	$ 2,683,188	$ 873,272	$ 1,185,733	$ 1,580,318	$ 3,868,921	$ 2,453,590

As of June 30, 2019, DTC reported $2,367,220 as deferred outflows of resources related to pensions resulting from DTC contributions subsequent to the measurement dates, which will be recognized as a reduction of the net pension liability for the Fiscal Year Ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the Fiscal Years Ending June 30,:

	DTC Plan	DART Plan	Total
2020	$ 245,753	$ 1,685,370	$ 1,931,123
2021	39,571	938,626	978,197
2022	(211,072)	867,087	656,015
2023	(24,802)	1,600,531	1,575,729
2024	104,949	335,984	440,933
Thereafter	215,916	322,542	538,458

(9) Payable to the Plans

At June 30, 2019 and 2018, DTC reported no outstanding amount for contributions due to the DTC Plan.

At June 30, 2019, DTC reported no outstanding amount for contributions due to the DART Plan. At June 30,2018, DTC reported payables of $1,100,905 for the outstanding amount of contributions due to the DART Plan.

C. Total Pension Expense

For the Fiscal Years Ended June 30, 2019 and 2018, the Department's total pension expense for all defined benefit pension plans that the Department participates in amounted to $14,388,765 and $13,755,567, respectively.

(14) Other Post-Employment Benefits (OPEB)

A. State Employees' OPEB Plan

On July 1, 2007, the Delaware OPEB Fund Trust (the Plan) was established pursuant to Section 115 of the Internal Revenue Code and separate from the DPERS. With the exception of DTC employees (see Note 14B); the Department's full-time employees are covered under the Plan, a cost-sharing, multiple-employer, defined benefit plan, which 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.

Detailed information concerning the Plan is presented in its publicly available annual basic financial statements, which are available online at https://open.omb.delaware.gov/Financials.shtml.

(1) Plan Description and Eligibility

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.

Eligibility

State Employees:

Early Retirement: Age 55 with 15 years of service or any age with 25 years of service.
Normal Retirement (hired before January 1, 2012):

Non-General Assembly: Age 62 with five years of service, age 60 with 15 years of service, or any age with 30 years of service.

General Assembly: Age 60 with five years of service, or age 55 with 10 years of service.

Normal Retirement (hired on or after January 1, 2012): Age 65 with 10 years of service, age 60 with 20 years of service, or any age with 30 years of service.

Judges:

Normal Retirement (before July 1, 1980): Age 65 with 12 years of service, any age with 24 years of service, or involuntarily retired after 22 years of service as a judge.

Normal Retirement (after June 30, 1980): Age 62 with 12 years of service, any age with 24 years of service, or involuntarily retired after 22 years of service as a judge.

Closed State Police:

Normal Retirement: Age 55 or 20 years of service.

Open State Police:

Normal Retirement: Employed at age 55 with 10 years of service, any age with 20 years of service, or 10 years of service when age plus service equals 75.

Benefits

During the Fiscal Years Ended June 30, 2019 and 2018, the State provided health insurance options through several providers, and the Plan pays premiums ranging from 50% to 100%, depending on a retiree's years of service and hire date.

Spouse and Survivor Coverage

Spouse and survivor coverage is available under any of the plan options with similar retiree contributions. Surviving spouses are eligible for coverage after the retiree's death.

Retiree Contributions

If hired prior to July 1, 1991, no contributions are required. If hired on or after July 1, 1991 and before January 1, 2007 (except disability pension), contributions depend on years of service, as follows:

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

If hired on or after January 1, 2007 (except disability pension), contributions depend on years of service, as follows:

Years of Service	**Percent of Premium Paid by State**
Less than 15	0 %
15 - 17.5	50
17.5 - 19	75
20 or more	100

Pensioners who retire after July 1, 2012 and who become eligible for Medicare will pay in addition to their percentage above, an additional 5% of the Medicare supplement offered by the State.

Employer 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 percentage of covered payroll, with an additional amount to pre-fund benefits, which is not actuarially determined. The Department's contributions to the Plan for Fiscal Years 2019 and 2018 were $8,714,836 and $7,727,304, respectively.

(2) Allocation Percentage Methodology

In accordance with GASB No. 75, the State prepared a Schedule of OPEB Amounts by Participating Employer, which calculates the employer's proportionate share of the Plan's collective net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. Management has elected to allocate the employer's proportionate shares of the collective OPEB amounts based on the percentage of actual employer contributions. The Department's proportionate share of the collective OPEB amounts was 3.4401% and 3.4429% at June 30, 2018 and 2017, respectively, which represents a decrease of 0.0028% and 0.0009% from the Department's proportionate share as of June 30, 2017 and 2016, respectively.

(3) Net OPEB Liability

For the Fiscal Years Ended June 30, 2019 and 2018, the Department reported a net OPEB liability in the amount of $282,436,856 and $284,231,597, respectively, for its proportionate share of the Plan's collective net OPEB liability. The total collective OPEB liability for the June 30, 2018 and 2017 measurement date was determined by actuarial valuations as of June 30, 2017 and 2016, respectively, and update procedures were used to roll forward the valuation results. 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 valuations and related update procedures used the following actuarial assumptions for the measurement dates as of June 30,:

	2018	**2017**
Investment rate of return, net of OPEB Plan investment expenses including inflation	3.75%	3.75%
Discount rate	3.87%	3.58%
Projected salary increases, including inflation	3.25% + Merit	3.25% + Merit
Healthcare cost trend rate	6.80%	7.00%
Ultimate rate of medical inflation	4.00%	4.00%

These assumptions are based on an experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality assumptions are based on the sex-distinct RP-2014 Total Dataset Employee Mortality table, including adjustments for healthy annuitant and disabled annuitant factors. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

For employees who currently have medical coverage, 95% of employees are assumed to elect coverage at retirement if they have 20 or more years of service and 80% if they have less than 20 years of service. These employees are assumed to remain in their current plan. For employees who do not currently have medical coverage, 50% of employees are assumed to elect medical coverage in the comprehensive plan prior to retirement, and then will follow the election percentages above. 40% of current and future terminated vested employees are assumed to elect coverage. 100% of LTD participants are assumed to elect coverage. 50% of employees are assumed to elect spousal coverage at retirement.

Long-Term Expected Rate of Return - The long-term expected rate of return on Plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized in the following table for the June 30, 2018 measurement date:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation Percentage
Domestic equity	5.70 %	38.7 %
International equity	5.70	19.0
Fixed income	2.00	39.3
Cash and cash equivalents	-	3.0

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized in the following table for the June 30, 2017 measurement date:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation Percentage
Domestic equity	3.75 %	36.7 %
International equity	3.75	19.2
Fixed income	3.75	38.1
Cash and cash equivalents	-	6.0

Discount Rate - The discount rate used to measure the total collective OPEB liability was 3.87% and 3.58% at the June 30, 2018 and 2017 measurement dates, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index, an index satisfying the GASB requirement of an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Department's proportionate share of the Plan's net collective OPEB liability, calculated using the discount rate at each measurement date, as well as what the Department's proportionate share of the net collective OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or higher than the current rate (expressed in thousands):

Valuation Date	1% Decrease	Discount Rate	1% Increase
June 30, 2018 (3.87%)	$ 336,093	$ 282,437	$ 240,248
June 30, 2017 (3.58%)	$ 340,808	$ 284,232	$ 240,147

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate*s - The following presents the Department's proportionate share of the Plan's net collective OPEB liability, calculated using the healthcare cost trend rate at each measurement date, as well as what the Department's proportionate share of the net collective OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or higher than the current rate (expressed in thousands):

Valuation Date	1% Decrease	Healthcare Trend Rate	1% Increase
June 30, 2018 (6.80%)	$ 240,479	$ 282,437	$ 333,533
June 30, 2017 (7.00%)	$ 240,659	$ 284,232	$ 337,608

(4) OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the Fiscal Years Ended June 30, 2019 and 2018, the Department recognized $11,347,909 and $13,253,213 in OPEB expense, respectively, which represents its proportionate share of the Plan's collective OPEB expense.

Contributions Made Subsequent to the Measurement Period - Contributions made subsequent to the measurement period of June 30, 2018 (Fiscal Year 2019 contributions) are included as deferred outflows of resources and will be recognized as a reduction to the net OPEB liability in Fiscal Year 2020.

Expected and Actual Experience Differences - The difference between expected and actual experience with regard to economic and demographic factors is amortized over the weighted average of the expected remaining service life of active and inactive members. The first year of amortization is recognized as OPEB expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Changes in Assumptions - The change in assumptions about future economic or demographic factors or other inputs is amortized over the weighted average of the expected remaining service life of active and inactive Plan members. The first year of amortization is recognized as OPEB expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Changes in Employer Proportionate Share - The change in employer proportionate share is the amount of the difference between the employer proportionate share of the net OPEB liability in the prior year compared to the current year. This change in proportion is amortized over the weighted average of the expected remaining service life of active and inactive Plan members. The first year of amortization is recognized as OPEB expense, with the remaining years recognized as a deferred inflow or outflow of resources.

Differences Between Projected and Actual Investment Earnings on OPEB Plan Investments - The difference between the actual earnings on Plan investments compared to the Plan's expected rate of return of 3.75% is amortized over a closed period of five years. The first year of amortization is recognized as OPEB expense, with the remaining four years recognized as a deferred inflow of resources.

The following presents the deferred outflows of resources and deferred inflows of resources related to the Plan as of June 30, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on OPEB Plan investments	$ -	$ 709,635
Changes in employer proportionate share of net OPEB liability	-	757,969
Changes in assumptions	-	38,372,999
Employer contributions subsequent to the measurement date	8,714,836	-
Totals	$ 8,714,836	$ 39,840,603

The following presents the deferred outflows of resources and deferred inflows of resources related to the Plan as of June 30, 2018:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on OPEB Plan investments	$ -	$ 562,788
Changes in employer proportionate share of net OPEB liability	-	680,567
Changes in assumptions	-	33,181,901
Employer contributions subsequent to the measurement date	7,727,304	-
Totals	$ 7,727,304	$ 34,425,256

At June 30, 2019, the Department reported $8,714,836 as deferred outflows of resources related to the Plan resulting from Department contributions subsequent to the measurement date of June 30, 2018 (Fiscal Year 2019 contributions), which will be recognized as a reduction of the net OPEB liability for the Fiscal Year Ending June 30, 2020. Other amounts reported related to the Department's proportionate share of the deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense during the Fiscal Years Ending June 30,:

2020	$ (9,393,275)
2021	(9,393,275)
2022	(9,393,275)
2023	(9,252,578)
2024	(2,408,200)

B. DTC OPEB Plan

(1) Plan Description

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 was amended and restated on January 1, 2014. Furthermore, the DTC OPEB Trust was amended to change employee eligibility and DTC subsidy requirements effective January 1, 2016. The DTC OPEB Trust is administered by DTC. Policy for and management of the DTC OPEB Trust benefits provided to retirees are the responsibility of DTC. No stand-alone financial report is issued for the DTC OPEB Trust.

The DTC OPEB Trust is a single-employer, defined benefit plan. The DTC OPEB Trust provides retirement medical and life insurance coverage to retired employees and their eligible dependents.

DTC retains the authority to establish, evaluate, and amend the benefit terms provided under the DTC OPEB Trust. DTC assumes no contractual obligations to continue contributions to the DTC OPEB Trust and reserves the right at any time and for any reason to discontinue or amend the above-mentioned post-employment benefits. Failure by DTC to continue to make contributions to the DTC OPEB Trust shall not give rise to any liability to DTC. It is the expectation of DTC to continue the DTC OPEB Trust indefinitely.

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

	2018	2017
Retirees and beneficiaries receiving benefits		
Pre-65	73	40
Post-65	270	172
Total retirees and beneficiaries receiving benefits	343	212
Total active plan members	875	874
Total	1,218	1,086

Substantially all DTC full-time employees become eligible for post-retirement benefits if they reach retirement age while working for DTC. However, employees who elect early retirement at age 55 with 10 years of service are also eligible for OPEB benefits. The plan provisions are as follows:

Eligibility

Contract Employees:

For employees hired before January 1, 2016 - Age 65 with five years of service or after 25 years of service.

For employees hired after January 1, 2016 - Age 65 with ten years of service or after 25 years of service.

Non-Contract Employees:

For employees hired before January 1, 2016 - Age 55 with ten years of service or age 62 with five years of service.

For employees hired after January 1, 2016 - Age 55 with ten years of service.

For both contract and non-contract employees, disabled participants must reach retirement age to be eligible.

Benefits

During the Fiscal Years Ended June 30, 2019 and 2018, DTC provided health insurance options through two providers and life insurance through one provider.

Spouse and Survivor Coverage

Surviving spouses of participants are allowed access to the plan and receive the same subsidy as retirees.

Retiree Contributions

The only required contributions by retirees are their respective portion of current year premiums as described in Note 14(B)(3). DTC retains the authority to amend the requirements for retiree contributions at any time.

(2) Funding Policy and Employer Contributions

DTC funds the DTC OPEB Trust on a pay-as-you-go basis with additional funding provided on an ad-hoc basis. Contributions to the DTC OPEB Trust are generally made at the same time and in the same amount as benefit payments and expenses becoming due.

Funds are recorded in the DTC OPEB Trust for the payment of retiree healthcare and life insurance claims and investment expenses. Employer contributions for healthcare are recorded in the DTC OPEB Trust. The funds available are invested under DTC's management, who acts as the Trustee of and is responsible for the financial management of the DTC OPEB Trust. The cash basis costs associated with these benefits were \$2,516,148 and \$2,279,511 for the Fiscal Years Ended June 30, 2019 and 2018, respectively.

(3) Employer Subsidy

Medical, Dental, and Vision for Employees Hired Before January 1, 2016:

DTC subsidizes 90% of medical premiums based on published rates for retirees less than age 65 and 100% for retirees age 65 or greater. DTC subsidizes 100% of the dental and vision coverage for non-contract employees. Contract employees are allowed access to dental and vision coverage, but must pay the full premium.

Medical, Dental, and Vision for Employees Hired After January 1, 2016:

DTC subsidizes 50% of medical premiums based on published rates after 10 years of service and 75% after 15 years of service. For retirees less than age 65 and greater than 20 years of service, retirees are responsible for the same premium paid by active employees, with DTC subsidizing the remaining amount. For retirees greater than age 65 and greater than 20 years of service, DTC subsidizes 100% of the medical premiums. DTC subsidizes 100% of dental and vision coverage for all retirees and their spouses and dependents after 10 years of service.

Life Insurance

Life insurance is provided to retirees. Retirees under age 70 receive \$6,000 in coverage. Once the participant reaches age 70, the coverage drops to \$5,000. DTC must pay \$0.265 per month per \$1,000 of coverage for each employee.

The premium payments for post-employment benefits paid by retirees were $85,385 and $88,503 for the Fiscal Years Ended June 30, 2019 and 2018, respectively.

(4) Net OPEB Liability

The net OPEB liability was measured as of June 30, 2018 and 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of June 30, 2019 and 2017, respectively. Actuarial valuations are performed every two years and roll forward or rollback procedures are performed between the actuarial valuation date and measurement date.

The total OPEB liability used to calculate the net OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurements for the Fiscal Years Ended June 30,:

	2019	2018
Inflation	2.4%	2.4%
Salary increases	2.5%, including inflation	2.5%, including inflation
Investment rate of return	3.6%, based on the government bond index rate of as June 30, 2018	3.6%, based on the government bond index rate of as June 30, 2017

The healthcare cost trend rate is 5.7% and 3.9% as of June 30, 2018 and 2017, respectively, based on the Society of Actuaries Long-Run Medical Cost Trend Model. Sample trends are as follows:

	Post-Medicare	Pre-Medicare
2019	5.7%	5.7%
2024	5.0%	5.0%
2029	5.0%	5.8%
2054	4.7%	5.1%

Mortality rates were based on: RP 2014 Generational Blue Collar Headcount Weighted Mortality Tables for Contract members; RP 2014 Generational White Collar Headcount Weighted Mortality Tables for Non-Contract members; RP 2014 Generational Disabled Annuitant Headcount Weighted Mortality Tables for Disabled members. All tables were projected using Scale MP-2018 and base year 2006.

There have been no significant changes to assumptions between the measurement date and the report date that are expected to have a significant effect on the net OPEB liability.

All participants currently enrolled in healthcare coverage are assumed to continue to elect healthcare coverage in the future. All participants that have waived healthcare coverage are assumed to continue to waive healthcare coverage in the future. 92% of those currently enrolled are assumed to continue coverage into retirement. This assumption is based on DTC's experience.

(5) Discount Rate

The discount rate used to measure the total OPEB liability was 3.62% and 3.58%, based on the 20-year general obligation bond index as of June 30, 2018 and 2017, respectively.

(6) Changes in the Net OPEB Liability

Changes in DTC's net OPEB liability for the Fiscal Year Ended June 30, 2019 were as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of July 1, 2017	$ 163,346,444	$ 3,735,643	$ 159,610,801
Changes for the year			
Service cost	11,453,625	-	11,453,625
Interest	5,786,270	-	5,786,270
Differences between expected and actual experience	(23,811,648)	-	(23,811,648)
Changes in assumptions	1,136,832	-	1,136,832
Contributions - employer	-	2,279,511	(2,279,511)
Net investment income	-	588,972	(588,972)
Benefit payments, including refunds of member contributions	(2,279,511)	(2,279,511)	-
Net changes	(7,714,432)	588,972	(8,303,404)
Balances at June 30, 2018	$ 155,632,012	$ 4,324,615	$ 151,307,397

Changes in DTC's net OPEB liability for the Fiscal Year Ended June 30, 2018 were as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of July 1, 2016	$ 170,183,501	$ 2,255,538	$ 167,927,963
Changes for the year			
Service cost	13,166,160	-	13,166,160
Interest	4,801,244	-	4,801,244
Differences between expected and actual experience	(1,365,378)	-	(1,365,378)
Changes in assumptions	(21,366,896)	-	(21,366,896)
Contributions - employer	-	3,572,187	(3,572,187)
Net investment loss	-	(19,895)	19,895
Benefit payments, including refunds of member contributions	(2,072,187)	(2,072,187)	-
Net changes	(6,837,057)	1,480,105	(8,317,162)
Balances at June 30, 2017	$ 163,346,444	$ 3,735,643	$ 159,610,801

(7) Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate

The sensitivity of the net OPEB liability to changes in the DTC OPEB Trust's discount rate as of June 30, 2018 was as follows:

	1% Decrease (2.6%)	Current Discount Rate (3.6%)	1% Increase (4.6%)
Net OPEB liability	$ 182,057,597	$ 151,307,397	$ 127,319,554

The sensitivity of the net OPEB liability to changes in the DTC OPEB Trust's discount rate as of June 30, 2017 was as follows:

	1% Decrease (2.6%)	Current Discount Rate (3.6%)	1% Increase (4.6%)
Net OPEB liability	$ 190,042,819	$ 159,610,801	$ 135,391,862

The sensitivity of the net OPEB liability to changes in the DTC OPEB Trust's healthcare cost trend rate as of June 30, 2018 was as follows:

	1% Decrease (4.7%)	Current Healthcare Trend Rate (5.7%)	1% Increase (6.7%)
Net OPEB liability	$ 126,107,462	$ 151,307,397	$ 184,285,680

The sensitivity of the net OPEB liability to changes in the DTC OPEB Trust's healthcare cost trend rate as of June 30, 2017 was as follows:

	1% Decrease (2.9%)	Current Healthcare Trend Rate (3.9%)	1% Increase (4.9%)
Net OPEB liability	$ 132,408,139	$ 159,610,801	$ 194,980,750

(8) OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

The components of OPEB expense for DTC were as follows for the Fiscal Years Ended June 30,:

	2019	2018
Service cost	$ 11,453,625	$ 13,166,160
Interest	5,786,270	4,801,244
Projected earnings on DTC OPEB Trust	(261,495)	3,979
Current period amortization of deferred outflows associated with differences between projected and actual earnings	(61,516)	(136,538)
Current period amortization of deferred inflows associated with differences between projected and actual experience	(2,782,277)	-
Current period amortization of deferred inflows associated with changes in assumptions	(2,010,375)	(2,136,690)
DTC OPEB expense	$ 12,124,232	$ 15,698,155

Contributions Made Subsequent to the Measurement Period - Contributions made subsequent to the measurement date of June 30, 2018 (Fiscal Year June 30, 2019 contributions) are included as deferred outflows of resources and will be recognized as a reduction to the net OPEB liability in Fiscal Year 2020.

Expected and Actual Experience Difference - The difference between expected and actual experience with regard to economic and demographic factors is amortized over the weighted average of the expected remaining service life of active and inactive members. The first year of amortization is recognized as OPEB expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Changes in Assumptions - The change in assumptions about future economic or demographic factors or other inputs is amortized over the weighted average of the expected remaining service life of active and inactive members. The first year of amortization is recognized as OPEB expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Differences Between Projected and Actual Investment Earnings on DTC OPEB Trust Investments - The difference between the actual earnings on OPEB investments compared to the expected rate of return of 3.6% is amortized over a closed period of five years. The first year of amortization is recognized as OPEB expense, with the remaining four years recognized as either a deferred outflow or deferred inflow of resources.

The following presents the deferred outflows of resources and deferred inflows of resources related to the DTC OPEB Trust as of June 30, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 22,258,211
Changes in assumptions	1,010,517	17,093,516
Net differences between projected and actual investment earnings on DTC OPEB Trust investments	-	250,045
Employer contributions subsequent to the measurement date	2,516,148	-
Totals	$ 3,526,665	$ 39,601,772

The following presents the deferred outflows of resources and deferred inflows of resources related to the DTC OPEB Trust as of June 30, 2018:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,228,840
Changes in assumptions	-	19,230,206
Net differences between projected and actual investment earnings on DTC OPEB Trust investments	15,916	-
Employer contributions subsequent to the measurement date	2,279,511	-
Totals	$ 2,295,427	$ 20,459,046

At June 30, 2019, DTC reported $2,516,148 as deferred outflows of resources related to the DTC OPEB Trust resulting from DTC contributions subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability for the Fiscal Year Ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to DTC OPEB will be recognized in OPEB expense during the Fiscal Years Ending June 30,:

2020	$ (4,854,168)
2021	(4,854,168)
2022	(4,854,168)
2023	(4,858,149)
2024	(4,792,652)
Thereafter	(14,377,950)

(9) Payable to the DTC OPEB Trust

At June 30, 2019 and 2018, there were no outstanding amounts for contributions due to the DTC OPEB Trust.

(10) Additional Information for the DTC OPEB Trust

The following additional information is being provided related to the DTC OPEB Trust as of and for the Fiscal Year Ended June 30, 2018, the measurement date of the DTC OPEB liability, since separate plan financial statements are not publicly available.

Schedule of Fiduciary Net Position - DTC OPEB Trust
June 30, 2018

Assets	
Cash and cash equivalents	$ 45,067
Investments, at fair value	
Fixed income	1,321,711
Domestic equities	1,921,666
International equities	1,036,171
Total investments, at fair value	4,279,548
Total assets	$ 4,324,615
Net position restricted for other post-employment benefits	$ 4,324,615

Schedule of Plan Investment Net Income - DTC OPEB Trust
For the Fiscal Year Ended June 30, 2018

Additions	
Investment income	
Net realized and unrealized gain	$ 520,338
Interest and dividends	92,803
	613,141
Less: investment expenses	24,169
Net investment income	$ 588,972

The following additional information is being provided related to the DTC OPEB Trust as of and for the Fiscal Year Ended June 30, 2017, the measurement date of the DTC OPEB liability, since separate plan financial statements are not publicly available.

Schedule of Fiduciary Net Position - DTC OPEB Trust
June 30, 2017

Assets	
Cash and cash equivalents	$ 15,238
Investments, at fair value	
Fixed income	1,246,668
Domestic equities	1,547,861
International equities	925,876
Total investments, at fair value	3,720,405
Total assets	$ 3,735,643
Net position restricted for other post-employment benefits	$ 3,735,643

Schedule of Plan Investment Net Income (Loss) -
DTC OPEB Trust
For the Fiscal Year Ended June 30, 2017

Additions	
Investment income (loss)	
Net realized and unrealized loss	$ (62,051)
Interest and dividends	52,137
	(9,914)
Less: investment expenses	9,981
Net investment income (loss)	$ (19,895)

Disclosures Specific to the DTC OPEB Trust

Cash and Cash Equivalents

The DTC OPEB Trust considers all short-term money market shares purchased to be cash equivalents.

Valuation of Investments and Income Recognition

Investments are administered by Wilmington Trust Company and quarterly reports are analyzed and reviewed by DTC. Investments are valued at fair value as determined by quoted market prices.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date.

Basis of Accounting

The financial statements of the DTC OPEB Trust are reported using the economic resources measurement focus and are prepared on the accrual basis of accounting in conformity with GAAP. Contributions are recognized when due pursuant to the terms of the DTC OPEB Trust and established funding policies. Expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Benefits are recognized when due and payable in accordance with the terms of the DTC OPEB Trust.

Investments

Investment Policy

DTC has appointed the DTC OPEB Trust Committee to administer the DTC OPEB Trust and to oversee certain policies and procedures related to the investment of the DTC OPEB Trust assets.

The DTC OPEB Trust Committee has adopted an Investment Policy Statement (IPS) to set forth the factors involved in the management of investment assets for the trust, and the IPS is included with every investment manager's agreement. The DTC OPEB Trust Committee has the authority to establish and amend the IPS. The IPS was most recently amended with an effective date of April 2015.

DTC adopted the philosophy that the most effective risk control procedure is to adequately diversify the investments of the DTC OPEB Trust among different asset classes with differing risk profiles. Diversification is achieved through providing a wide variety of investment classes in which to invest the funds. The IPS sets the allowable asset ranges. Long-term expected real rate of return and asset allocation for the DTC OPEB Trust's funds as of June 30, 2018 were as follows:

Asset Class	Long-Term Expected Real Rate of Return	Asset Allocation Percentage
Domestic equity	5.0 %	42.0 %
International equity	4.9	16.0
Emerging equity	5.0	7.0
Core fixed income	2.6	17.5
Intermediate IG Corp	3.6	8.7
High yield	4.1	4.4
Emerging debt	4.2	4.4

Long-term expected real rate of return and asset allocation for the DTC OPEB Trust's funds as of June 30, 2017 were as follows:

Asset Class	Long-Term Expected Real Rate of Return	Asset Allocation Percentage
Domestic equity	5.2 %	42.0 %
International equity	5.2	16.0
Emerging equity	5.2	7.0
Core fixed income	3.0	25.0
Intermediate IG Corp	3.8	2.5
Bank loans	2.7	2.5
High yield	4.3	2.5
Emerging debt	4.8	2.5

The long-term expected rate of return on the DTC OPEB Trust's investments was determined using a building-block method, where return expectations are established for each asset class. The building-block approach uses the current underlying fundamentals, not historical returns.

Along with diversification, DTC set forth the following investment goals and objectives in the IPS:

- To invest assets of the DTC OPEB Trust in a manner consistent with the following fiduciary standards (a) all transactions undertaken must be for the sole interest of DTC OPEB Trust participants and their beneficiaries, and (b) assets are to be diversified in order to minimize the impact of large losses in individual investments.

- To provide for the funding and anticipated withdrawals on a continuing basis for payment of benefits and reasonable expenses of operation of the DTC OPEB Trust.

- To enhance the value of DTC OPEB Trust assets in real terms over the long-term through asset appreciation and income generation, while maintaining a reasonable investment risk profile.

- Subject to performance expectations over the long-term, to minimize principal fluctuations over the time horizon, as defined in the IPS.

- To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the DTC OPEB Trust's actuarial discount rate.

Implementing and complying with these goals and guidelines are the responsibilities of the DTC OPEB Trust Committee, third-party consultants, and investment managers. The IPS also outlines the review and control procedures that DTC monitors for compliance.

Investment Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on DTC OPEB Trust investments, net of investment expenses was 6.4% and 8.7% for the Fiscal Years Ended June 30, 2018 and 2017, respectively.

Fair Value of Investments

The fair values of the DTC OPEB Trust's investments based on quoted market prices are presented, by type, as follows:

		Fair Value Measurements at June 30, 2018		
Investments by Type	**Total**	**Level 1**	**Level 2**	**Level 3**
Debt securities				
Fixed income mutual funds	$ 1,321,711	$ 1,321,711	$ -	$ -
Equity securities				
Domestic equity mutual funds	1,921,666	1,921,666	-	-
International equity mutual funds	1,036,171	1,036,171	-	-
Total investments measured at fair value	$ 4,279,548	$ 4,279,548	$ -	$ -

		Fair Value Measurements at June 30, 2017		
Investments by Type	**Total**	**Level 1**	**Level 2**	**Level 3**
Debt securities				
Fixed income mutual funds	$ 1,246,668	$ 1,246,668	$ -	$ -
Equity securities				
Domestic equity mutual funds	1,547,861	1,547,861	-	-
International equity mutual funds	925,876	925,876	-	-
Total investments measured at fair value	$ 3,720,405	$ 3,720,405	$ -	$ -

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the DTC OPEB Trust will not be able to recover the value of investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the DTC OPEB Trust, and are held by either the counterparty or the counterparty's trust department or agent but not in the DTC OPEB Trust's name. As of June 30, 2018 and 2017, the DTC OPEB Trust's investment securities were not exposed to custodial credit risk because all securities were held by the DTC OPEB Trust's custodian in the DTC OPEB Trust's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The DTC OPEB Trust does not have a formal policy that limits investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the DTC OPEB Trust. The DTC OPEB Trust's investments in the Wilmington Trust US Government Money Market Fund had an Aaa rating at June 30, 2018 and 2017. The DTC OPEB Trust had no other direct investment in fixed income securities as of June 30, 2018 and 2017.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although the DTC OPEB Trust does not have a formal policy governing foreign currency risk, the DTC OPEB Trust does manage its exposure to fair value loss by requiring its investment managers to maintain diversified portfolios to limit foreign currency risk. DTC does not deem foreign currency risk significant.

Administrative Expenses

Administrative expenses consist of investment management expenses incident to the administration of the DTC OPEB Trust. DTC pays all administrative expenses incurred by the DTC OPEB Trust.

DTC OPEB Trust Termination

The DTC OPEB Trust Agreement shall be irrevocable unless and until DTC no longer has any liability for other post-employment benefits. Upon termination of the DTC OPEB Trust, after all expenses have been paid, any assets remaining shall revert to DTC or be transferred to another entity or person that meets the requirements for exemption from tax under Section 115 of the Internal Revenue Code.

C. Total OPEB Expense

For the Fiscal Years Ended June 30, 2019 and 2018, the Department's total OPEB expense recognized for all OPEB plans that the Department participates in amounted to $23,472,141 and $28,951,368, respectively.

(15) Commitments and Contingencies

(a) Construction Commitments

The Department had contractual commitments of $539,623,876 and $450,985,241 for construction of various highway projects at June 30, 2019 and 2018, respectively. Current and future appropriations will fund these commitments as work is performed.

(b) Litigation

The Department is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Department.

(c) Pollution Remediation

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

a. Pollution poses an imminent danger to the public and the Department is compelled to take action;

b. The Department is in violation of a pollution-related permit or license;

c. The Department is named, or has evidence that it will be named, as a responsible party by a regulator;

d. The Department is named, or has evidence that it will be named, in a lawsuit to enforce a cleanup; or

e. The Department commences, or legally obligates itself to conduct, remediation activities.

The Department becomes aware of pollution conditions in the fulfillment of its mission, and site investigation, planning and design, cleanup, and site monitoring are typical remediation activities of the Department. The Department has the knowledge and expertise to estimate the remediation obligations presented herein based upon prior experience in identifying and funding similar remediation activities. GASB No. 49 requires the Department to calculate pollution remediation liabilities using the expected cash flow technique. Where the Department cannot reasonably estimate a pollution remediation obligation, it does not report a liability; however, the Department has not identified any of these situations.

The remediation obligation estimates presented in these financial statements 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 Department's obligation. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

At June 30, 2019 and 2018, the Department had outstanding pollution remediation liabilities of $13,750 and $84,500, respectively.

(16) Risk Management

The Department is exposed to various risks of loss related to workers' compensation, healthcare, automobile, and casualty claims. Except as noted below, the Department is a participant in the State of Delaware's Risk Management Program, which covers all claim settlements and judgments out of its General Fund. The Department pays premiums to the General Fund for this coverage. In the past three years of insured coverage, settled claims have not exceeded commercial coverage.

(a) Workers' Compensation Insurance

DTC maintains coverage for workers' compensation benefits. DTC manages the coverage through both the retention of risk and the purchase of commercial insurance. The payment of workers' compensation claims is processed through a third-party administrator.

For years prior to 2003, DTC established workers' compensation loss contingency reserves based upon insurance carriers' actuarial reviews. Benefit claims in an amount of $100,000 or less per person, per coverage year are paid by DTC from the workers' compensation loss contingency reserve. Once any claim exceeds $100,000 or total claims for a given policy period exceed the maximum loss amount, the insurance policy covers the excess.

For Fiscal Year 2003, DTC changed its coverage to a first dollar program. Also, all claims were subject to a $5,000 deductible for the medical portion of a claim. All other expenses related to a claim were covered by the insurance carrier.

Subsequent to Fiscal Year 2003, DTC changed its coverage and was insured through Fiscal Year 2011 by the State. For Fiscal Years 2012 through 2014, DTC was insured through Liberty Mutual. In Fiscal Year 2015, DTC returned to being covered by the State. The premium for Fiscal Years 2019 and 2018 was calculated as $1.55 and $2.00 per $100 on gross wages, respectively. DTC is not responsible for any costs other than the premium paid, thus no loss contingency reserves were established.

(b) Auto Insurance

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

For years prior to 2003, DTC established auto loss reserves based upon insurance carriers' actuarial reviews. Individual claims in an amount of $100,000 or less per incident, per coverage year were paid from the auto loss reserve funds. Once a specific claim exceeds $100,000 or total claims for a given policy period exceed the maximum loss amount established by the insurance carrier, the insurance policy covers the excess.

For 2003 and subsequent years, DTC changed its auto insurance coverage whereby they established self-insured retention thresholds up to certain dollar amounts and purchased commercial insurance (wrap-around) policies for coverage amounts in excess of the self-insured retention thresholds.

DTC established initial loss reserve insurance liabilities for each of the years based upon actuarially determined valuations assuming DTC's maximum liability exposure to be $1,000,000 per occurrence (this reflects the sovereign immunity cap pursuant to Title 2 of the Delaware Code, Subsection 1329). DTC had several cases that were settled in excess of the sovereign immunity cap.

For individual claims in excess of the sovereign immunity cap, DTC established a maximum amount of loss based upon their self-insured retention program, as well as purchasing commercial insurance coverage in the amounts identified in the table below:

Fiscal Year	**Initial Loss Reserve Insurance Liability Established**	**Maximum Amount of Loss Under Self-Insured Retention Program (Per Occurrence)**	**Excess Commercial Coverage (Aggregate)**
2019	$ 4,435,000	$ 1,000,000	***
2018	4,929,000	1,000,000	***
2017	5,040,000	1,000,000	***
2016	4,679,000	1,000,000	***
2015	5,078,000	1,000,000	***
2014	4,510,000	1,000,000	***
2013	4,304,004	1,000,000	***
2012	3,828,996	1,000,000	***
2011	3,372,000	1,000,000	***
2010	3,467,000	1,000,000	***
2009	3,129,000	900,000	**
2008	3,106,000	900,000	**
2007 (01/15/07 - 06/30/07)	*	900,000	**
2007 (07/01/06 - 01/14/07)	2,607,350	2,300,000	$ 5,000,000
2006	2,858,258	2,300,000	5,000,000
2005	2,763,367	2,300,000	5,000,000
2004	2,666,763	1,300,000	6,000,000
2003	2,561,000	1,300,000	10,000,000

* Initial loss reserve established July 1, 2006 in the amount of $2,607,350 for the entire fiscal year.

** For these loss years, DTC was self-insured for the first $900,000, and the next $100,000 was commercial coverage. DTC had no additional coverage beyond this point.

*** For these years, DTC was self-insured with no commercial coverage.

The components of the remaining insurance loss reserve on the statements of net position were as follows at June 30,:

Auto Loss Reserve Remaining for Fiscal Year	2019	2018
2019	$ 4,247,000	$ -
2018	2,615,000	3,695,000
2017	1,685,000	2,885,000
2016	434,000	1,611,000
2015	81,000	624,000
2014	-	238,000
2013	-	122,000
2000	4,000	4,000
	$ 9,066,000	$ 9,179,000

Changes in the balance of total claim liabilities during the Fiscal Years Ended June 30, 2019 and 2018 were as follows:

Fiscal Year	Beginning Balance - July 1	Current Year Estimated Claims and Changes in Estimates	Actual Claim Payments	Ending Balance - June 30
2019	$ 9,179,000	$ 4,457,260	$ (4,570,260)	$ 9,066,000
2018	$ 9,451,000	$ 4,966,066	$ (5,238,066)	$ 9,179,000

(17) Operating Leases

The Department has several noncancellable operating leases, primarily for operation and maintenance facilities, which expire at various times through October 2, 2022. Those leases require the Department to pay for maintenance and liability insurance costs. Rental expenses were $191,286 and $186,862 for the Fiscal Years Ended June 30, 2019 and 2018, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2019 are as follows:

2020	$ 146,952
2021	114,134
2022	8,579
	$ 269,665

On September 2, 2016, DTC entered into an operating lease agreement for transit vehicle tires that covers a three-year period with the option to extend the contract up to two times for a period of up to one year. DTC has exercised the option to extend the contract. The lease agreement requires DTC to make monthly payments based on miles driven multiplied by a mileage rate as set forth in the agreement. The mileage rate is based on contract year and estimated annual vehicle miles. For the Fiscal Years Ended June 30, 2019 and 2018, DTC incurred expenses related to this lease of $469,715 and $260,087, respectively.

(18) Transfers in From and Out to Other Funds

According to the terms of the Trust Agreement, the Trust Fund is responsible for reimbursing the State for the Department's operating, maintenance, and capital expenses financed by the State's general bank account. However, the State's General Assembly and the State's Division of Revenue transferred the following amounts as general operating support from the State's General Fund to the Department at June 30,:

	2019	2018
Amounts transferred to the Trust Fund		
Division of Motor Vehicles	$ 2,800,000	$ 2,856,547
Division of Revenue, Motor Vehicle Dealer/Lessor License and Document Fees	396,882	447,842
Build America Bond	1,823,775	606,195
E-ZPass Operations	5,000,000	5,000,000
Other	(4,922,000)	7,772,000
	$ 5,098,657	$ 16,682,584

In addition, the Trust Fund is responsible for maintaining funds appropriated by the General Assembly for DTC and reimbursing DTC for its operating and capital expenses up to the total amount of the appropriated funds. Total reimbursements for the Fiscal Years Ended June 30, 2019 and 2018 were $111,387,586 and $102,177,731, respectively.

(19) Service Concession Arrangement for Welcome Center and Service Plaza

At the end of Fiscal Year 2010, construction was completed on the Welcome Center and Service Plaza (the Center) pursuant to an agreement with HMS Host Tollroads, Inc. (HMS), under which HMS financed, designed, and built the Center and continues to maintain and operate the Center for 35 years. The agreement with HMS was entered into in order to improve the comfort of motorists traveling through Delaware and to avoid the issuance of debt. Under the agreement, HMS is responsible for maintaining the Center to current conditions and insuring the Center over the course of the 35-year operations period. The Trust Fund will be entitled to a percentage of all sales from fuel and non-fuel items sold. At the end of the arrangement, operation of the Center will be transferred to the Trust Fund in its enhanced condition. The Department initially reported the Center as a capital asset with a carrying amount of $22,100,000 at June 30, 2014, and a related deferred inflow of resources of $22,100,000, which is being amortized over 35 years. Amortization expense was $631,429 for each of the Fiscal Years Ended June 30, 2019 and 2018.

(20) Blended Component Unit - Condensed Financial Information

The Authority is a blended component unit of the Department (see Note 1). The following tables present the condensed financial information of the Authority as of and for the Fiscal Years Ended June 30, 2019 and 2018:

State of Delaware
Department of Transportation
Notes to Financial Statements
June 30, 2019 and 2018

Condensed Statements of Net Position

	2019	2018
Assets		
Current assets	$ 328,591,204	$ 371,548,380
Capital assets, net	1,985,539,796	1,873,544,419
Other assets	31,502,364	87,700,211
Total assets	2,345,633,364	2,332,793,010
Deferred outflows of resources	39,469,527	35,498,083
Liabilities		
Current liabilities	173,081,805	164,038,849
Noncurrent liabilities	1,164,513,493	1,165,968,750
Total liabilities	1,337,595,298	1,330,007,599
Deferred inflows of resources	58,084,151	39,961,207
Net position		
Net investment in capital assets	947,497,363	846,211,659
Restricted	180,879,433	217,610,947
Unrestricted deficit	(138,953,354)	(65,500,319)
Total net position	$ 989,423,442	$ 998,322,287

Condensed Statements of Revenues, Expenses, and Change in Net Position

	2019	2018
Operating revenues		
Pledged	$ 505,350,221	$ 479,077,381
Other	98,318,829	94,875,696
Total operating revenues	603,669,050	573,953,077
Operating expenses	490,851,026	384,237,629
Operating income	112,818,024	189,715,448
Nonoperating revenues (expenses)		
Income from investments - pledged	5,524,248	6,783,620
Federal grant revenue	6,440,993	6,419,482
Interest expense	(33,218,751)	(20,178,839)
Other	(4,595,258)	(3,855,475)
Deficiency of nonoperating revenues over nonoperating expenses	(25,848,768)	(10,831,212)
Income before transfers	86,969,256	178,884,236
Net transfers	(95,868,101)	(96,170,450)
Change in net position	(8,898,845)	82,713,786
Net position - beginning of year	998,322,287	915,608,501
Net position - end of year	$ 989,423,442	$ 998,322,287

Condensed Statements of Cash Flows

	2019	2018
Net cash provided by (used in)		
Operating activities	$ 159,991,901	$ 225,982,451
Noncapital financing activities	(110,427,335)	(104,432,148)
Capital and related financing activities	(152,710,359)	(156,873,780)
Investing activities	108,536,811	34,417,244
Net increase (decrease) in cash and cash equivalents	5,391,018	(906,233)
Cash and cash equivalents - beginning of year	67,532,813	68,439,046
Cash and cash equivalents - end of year	$ 72,923,831	$ 67,532,813

(21) Subsequent Events

Events and transactions subsequent to year end have been evaluated for potential recognition in the financial statements or disclosure in the notes to financial statements. All events and transactions have been evaluated through December 6, 2019, which is the date the financial statements were available to be issued.

In August 2019, Moody's Investors Service upgraded the Department's Transportation System Senior Revenue Bonds to Aa1 from Aa2. In addition, Moody's Investors Service upgraded the US 301 Project Revenue Bonds to Aa3 from A1 and the TIFIA bonds to Aa3 from A2.

In August 2019, the Department issued $137,135,000 in Transportation System Senior Revenue Bonds, Series 2019, maturing between July 1, 2020 and July 1, 2039. The bonds bear coupon rates between 3.00% and 5.00%. The issuance of the bonds will fund capital projects for the Department.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information - Governments That Use the Modified Approach for Infrastructure Assets

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.

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

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

State of Delaware
Department of Transportation
Required Supplementary Information
June 30, 2019 and 2018

Structural Rating Numbers and Percentages for Bridges

		Calendar Year Ended December 31,:					
		2019		2018		2017	
	BCR Condition Rating	Number	Percentage	Number	Percentage	Number	Percentage
Good	6 - 9	645	76.2	575	69.7	582	69.0
Fair	5	179	21.1	221	26.8	228	27.0
Poor	0 - 4	23	2.7	29	3.5	33	4.0
	Totals	847	100.0	825	100.0	843	100.0

Deck Rating Numbers and Percentages for Bridges

		Calendar Year Ended December 31,:					
		2019		2018		2017	
	OPC Condition Rating	Square Feet	Percentage	Square Feet	Percentage	Square Feet	Percentage
Good	6 - 9	5,332,466	64.1	4,518,306	57.3	4,788,784	61.0
Fair	5	2,624,005	31.6	2,977,442	37.8	2,669,285	34.0
Poor	0 - 4	358,949	4.3	390,210	4.9	395,124	5.0
	Totals	8,315,420	100.0	7,885,958	100.0	7,853,193	100.0

Center-Line Mile Numbers and Percentages for Road Pavement

		Calendar Year Ended December 31,:					
		2017		2015		2013	
	OPC Condition Rating	Center-Line Miles	Percentage	Center-Line Miles	Percentage	Center-Line Miles	Percentage
Good	3.0 - 5.0	3,623	81.3	3,960	88.9	4,032	90.6
Fair	2.5 - 3.0	407	9.2	310	7.0	356	8.0
Poor	Below 2.5	300	6.7	118	2.7	60	1.4
Unrated		125	2.8	64	1.4	-	-
	Totals	4,455	100.0	4,452	100.0	4,448	100.0

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

	Fiscal Year Ended June 30,:				
	2019	2018	2017	2016	2015
Estimated	$ 402,508	$ 317,177	$ 246,928	$ 242,299	$ 241,900
Actual	356,793	308,681	297,364	281,554	291,630

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

See independent auditors' report.

State of Delaware
Department of Transportation
Required Supplementary Information
June 30, 2019 and 2018

Required Supplementary Information - DelDOT/Trust Fund Pension

Schedule of Proportionate Share of Net Pension Liability

Proportionate Share of Net Pension Liability	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
DelDOT/Trust Fund proportion of the net pension liability	3.5295 %	3.5235 %	3.5621 %	3.6502 %	3.8332 %
DelDOT/Trust Fund proportion of the net pension liability - dollar value	$ 45,582,509	$ 51,653,964	$ 53,679,225	$ 24,283,925	$ 14,114,288
DelDOT/Trust Fund covered payroll	$ 76,802,503	$ 75,469,182	$ 72,908,127	$ 73,603,519	$ 74,801,858
DelDOT/Trust Fund proportionate share of the net pension liability as a percentage of covered payroll	59.35 %	68.44 %	73.63 %	32.99 %	18.87 %
Plan fiduciary net position as a percentage of the total pension liability	87.5 %	85.4 %	84.1 %	92.7 %	95.8 %

Notes to Schedule

Benefit changes: None.

Changes to assumptions: None.

In accordance with GASB No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

See independent auditors' report.

Required Supplementary Information - DelDOT/Trust Fund Pension

Schedule of Contributions

Contributions	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	$ 8,743,943	$ 7,301,989	$ 6,575,636	$ 6,508,251	$ 6,508,133	$ 6,702,782
Contributions in relation to the contractually required contribution	8,743,943	7,301,989	6,575,636	6,508,251	6,508,133	6,702,782
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -
DelDOT/Trust Fund covered payroll	$ 81,227,711	$ 76,802,503	$ 75,469,182	$ 72,908,127	$ 73,603,519	$ 74,801,858
Contribution as a percentage of covered payroll	10.76 %	9.51 %	8.71 %	8.93 %	8.84 %	8.96 %

Notes to Schedule

Valuation date: Actuarially determined contribution rates in the Schedule of Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates for 2019:

Actuarial cost method	Entry age normal
Amortization method	Percentage of pay - open
Remaining amortization period	20 years
Asset valuation method	Smoothed market, 20% annual market weight
Inflation	2.5%
Investment rate of return	7.0%, including inflation
Salary increase	2.5% plus merit component based on service, including inflation
Cost-of-living adjustments	ad hoc

In accordance with GASB No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

See independent auditors' report.

Required Supplementary Information - DelDOT/Trust Fund OPEB

Schedule of Proportionate Share of Net OPEB Liability

Proportionate Share of Net OPEB Liability	June 30, 2018	June 30, 2017
DelDOT/Trust Fund proportion of the net OPEB liability	3.4401 %	3.4429 %
DelDOT/Trust Fund proportion of the net OPEB liability - dollar value	$ 282,436,856	$ 284,231,597
DelDOT/Trust Fund covered payroll	$ 76,802,503	$ 75,469,182
DelDOT/Trust Fund proportionate share of the net OPEB liability as a percentage of covered payroll	367.74 %	376.62 %
Plan fiduciary net position as a percentage of the total OPEB liability	4.44 %	4.13 %

Notes to Schedule

Benefit changes: None.

Changes in assumptions: The discount rate increased from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

The healthcare trend rate decreased from 7.00% as of June 30, 2017 to 6.80% as of June 30, 2018.

In accordance with GASB No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

See independent auditors' report.

Required Supplementary Information - DelDOT/Trust Fund OPEB

Schedule of Contributions

Contributions	June 30, 2018	June 30, 2017	June 30, 2016
Contractually required contribution	$ 8,714,836	$ 7,727,304	$ 8,167,249
Contributions in relation to the contractually required contribution	8,714,836	7,727,304	8,167,249
Contribution deficiency	$ -	$ -	$ -
DelDOT/Trust Fund covered payroll	$ 81,227,711	$ 76,802,503	$ 75,469,182
Contribution as a percentage of covered payroll	10.73 %	10.06 %	10.82 %

Notes to Schedule

Contribution rates are established annually by the budgeting process of the State. As a result, there are no actuarially-determined contributions.

In accordance with GASB No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Required Supplementary Information - Schedule of Changes in Net Pension Liability and Related Ratios - DTC Plan

Last 10 Fiscal Years
(Dollar amounts in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total pension liability										
Service cost	$ 1,137	$ 1,060	$ 873	$ 843	$ 840					
Interest	1,920	1,691	1,724	1,612	1,483					
Changes of benefit terms	-	-	-	-	-					
Differences between expected and actual experience	(294)	(192)	(693)	(297)	-					
Changes in assumptions	489	1,530	-	-	-					
Benefit payments, including refunds of member contributions	(899)	(753)	(705)	(629)	(569)					
Net changes in total pension liability	2,353	3,336	1,199	1,529	1,754					
Total pension liability - beginning	27,876	24,540	23,341	21,812	20,058					
Total pension liability - ending (a)	$ 30,229	$ 27,876	$ 24,540	$ 23,341	$ 21,812					
Plan fiduciary net position										
Contributions - employer	$ 1,255	$ 1,104	$ 1,104	$ 1,176	$ 1,158					
Contributions - members	145	116	81	57	30					
Net investment income	2,261	2,529	405	554	2,443	Information for Fiscal Year 2013 and earlier is not available.				
Benefit payments, including refunds of member contributions	(899)	(753)	(705)	(629)	(569)					
Administrative expenses	(134)	(161)	(166)	(94)	(116)					
Other	3	-	-	-	-					
Net changes in plan fiduciary net position	2,631	2,835	719	1,064	2,946					
Plan fiduciary net position - beginning	25,503	22,668	21,949	20,885	17,939					
Plan fiduciary net position - ending (b)	$ 28,134	$ 25,503	$ 22,668	$ 21,949	$ 20,885					
Net pension liability - ending (a) - (b)	$ 2,095	$ 2,373	$ 1,872	$ 1,392	$ 927					
Plan fiduciary net position as a percentage of total pension liability	93.07 %	91.49 %	92.37 %	94.04 %	95.75 %					
Covered payroll	$ 14,985	$ 14,161	$ 13,142	$ 12,261	$ 12,099					
Net pension liability as a percentage of covered payroll	13.98 %	16.76 %	14.24 %	11.35 %	7.66 %					

Notes to Schedule

Benefit changes: None.
Changes of assumptions: Expected rates of future mortality changed to RP-2014 table with generational projection using scale MP-2017.

See independent auditors' report.

Required Supplementary Information - Schedule of Changes in Net Pension Liability and Related Ratios - DART Plan

Last 10 Fiscal Years
(Dollar amounts in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total pension liability										
Service cost	$ 2,193	$ 2,098	$ 2,048	$ 1,976	$ 1,766					
Interest	3,681	3,406	3,209	2,925	2,675					
Changes of benefit terms	1,239	1,042	197	1,473	1,030					
Differences between expected and actual experience	(647)	(121)	(217)	(112)	4					
Changes in assumptions	3,340	-	-	-	-					
Benefit payments, including refunds of member contributions	(2,674)	(2,531)	(2,411)	(2,134)	(2,103)					
Net changes in total pension liability	7,132	3,894	2,826	4,128	3,372					
Total pension liability - beginning	51,703	47,809	44,983	40,855	37,483					
Total pension liability - ending (a)	$ 58,835	$ 51,703	$ 47,809	$ 44,983	$ 40,855					
Plan fiduciary net position										
Contributions - employer	$ 1,213	$ 1,048	$ 1,080	$ 1,253	$ 909					
Contributions - members	1,499	1,344	1,360	1,388	1,263					
Net investment income	(2,786)	6,743	2,550	(869)	2,605	Information for Fiscal Year 2013 and earlier is not available.				
Benefit payments, including refunds of member contributions	(2,674)	(2,531)	(2,411)	(2,134)	(2,103)					
Administrative expenses	(91)	(106)	(94)	(100)	(133)					
Net changes in plan fiduciary net position	(2,839)	6,498	2,485	(462)	2,541					
Plan fiduciary net position - beginning	50,557	44,059	41,574	42,036	39,495					
Plan fiduciary net position - ending (b)	$ 47,718	$ 50,557	$ 44,059	$ 41,574	$ 42,036					
Net pension liability - ending (a) - (b)	$ 11,117	$ 1,146	$ 3,750	$ 3,409	$ (1,181)					
Plan fiduciary net position as a percentage of total pension liability	81.10 %	97.78 %	92.16 %	92.42 %	102.89 %					
Covered payroll	$ 31,684	$ 27,383	$ 27,472	$ 28,203	$ 25,748					
Net pension liability as a percentage of covered payroll	35.09 %	4.19 %	13.65 %	12.09 %	(4.59)%					

Notes to Schedule

Benefit changes:	Effective January 1, 2018, the multiplier for employees who retire after December 31, 2017 was increased to a monthly benefit per year of service of $70.50.
Changes in assumptions:	Expected rates of future mortality changed to sex distinct RP-2014 blue collar mortality, fully generational, using scale MP-2018. The salary increases changed from 4.0% to 2.5% and inflation changed from 2.0% to 2.5%.

See independent auditors' report.

State of Delaware
Department of Transportation
Required Supplementary Information
June 30, 2019 and 2018

Schedule of Contributions - DTC and DART Plans

Last 10 Fiscal Years
(Dollar amounts in thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
DTC Plan, as of June 30,											
Actuarially determined contribution	$ 1,343	$ 1,255	$ 980	$ 1,104	$ 1,176	$ 1,156					
Contributions in relation to the actuarially determined contribution	1,457	1,141	1,104	1,104	1,176	1,158					
Contribution deficiency (excess)	$ (114)	$ 114	$ (124)	$ -	$ -	$ (2)	Information for Fiscal Year 2013 and earlier is not available.				
Covered payroll	$ 15,099	$ 14,985	$ 14,161	$ 13,142	$ 12,261	$ 12,099					
Contributions as a percentage of covered payroll	9.65 %	7.61 %	7.80 %	8.40 %	9.59 %	9.57 %					
DART Plan, as of December 31,											
Actuarially determined contribution		$ 1,063	$ 1,027	$ 1,012	$ 857	$ 635	$ 773	$ 715	$ 598	$ 611	$ 859
Contributions in relation to the actuarially determined contribution		1,213	1,048	1,080	1,253	909	1,250	1,080	1,074	1,082	1,063
Contribution deficiency (excess)		$ (150)	$ (21)	$ (68)	$ (396)	$ (274)	$ (477)	$ (365)	$ (476)	$ (471)	$ (204)
Covered payroll		$ 31,684	$ 27,383	$ 27,472	$ 28,203	$ 25,748	$ 25,579	$ 22,985	$ 22,847	$ 22,675	$ 22,072
Contributions as a percentage of covered payroll		3.83 %	3.83 %	3.93 %	4.44 %	3.53 %	4.89 %	4.70 %	4.70 %	4.77 %	4.82 %

Notes to Schedule

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1 for the DTC Plan and January 1 for the DART Plan) for the immediately following fiscal year. Actuarial valuations are performed every year.

Methods and assumptions used to determine contribution rates for 2018:	*DTC Plan*	*DART Plan*
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of payroll (closed), increasing 2.0% per year	Level percentage of pay
Remaining amortization period	Range from 12 to 20 years	15 years rolling
Asset valuation method	Five-year market smoothed	Five-year market smoothed
Inflation	2.0%	2.5%
Salary increases	2.5%, including inflation	2.5%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation	7.0%
Retirement age	Rates vary by participant age and service	Rates vary by participant age and service
Mortality	RP-2014 Mortality with generational projection using scale MP-2017	Sex distinct RP-2014 Blue Collar Mortality, Fully Generational, using Scale MP-2018

See independent auditors' report.

State of Delaware
Department of Transportation
Required Supplementary Information
June 30, 2019 and 2018

Schedule of Changes in Net OPEB Liability and Related Ratios - DTC

Last 10 Fiscal Years
(Dollar amounts in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability										
Service cost	$ 11,454	$ 13,166								
Interest	5,786	4,801								
Changes of benefit terms	-	-								
Differences between expected and actual experience	(23,812)	(1,365)								
Changes in assumptions	1,137	(21,367)								
Benefit payments, net of retiree contributions	(2,280)	(2,072)								
Net changes in total OPEB liability	(7,715)	(6,837)								
Total OPEB liability - beginning	163,347	170,184								
Total OPEB liability - ending (a)	$ 155,632	$ 163,347								
Plan fiduciary net position										
Contributions - employer	$ 2,280	$ 3,572								
Net investment income	589	(20)	Information for Fiscal Year 2016 and earlier is not available.							
Benefit payments, net of retiree contributions	(2,280)	(2,072)								
Administrative expense	-	-								
Net changes in plan fiduciary net position	589	1,480								
Plan fiduciary net position - beginning	3,736	2,256								
Plan fiduciary net position - ending (b)	$ 4,325	$ 3,736								
Net OPEB liability - ending (a) - (b)	$ 151,307	$ 159,611								
Plan fiduciary net position as a percentage of total OPEB liability	2.78 %	2.29 %								
Covered-employee payroll	$ 52,732	$ 50,228								
Net OPEB liability as a percentage of covered-employee payroll	286.94 %	317.77 %								

Notes to Schedule

Benefit changes: None.
Changes of assumptions: The discount rate was changed from 3.58% as of June 30, 2017 to 3.62% as of June 30, 2018.

See independent auditors' report.

State of Delaware
Department of Transportation
Required Supplementary Information
June 30, 2019 and 2018

Schedule of Investment Returns - DTC OPEB Trust

Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Annual money-weighted rate of return, net of investment expense	6.4 %	8.7 %	Information for Fiscal Year 2016 and earlier is not available.							

See independent auditors' report.

SUPPLEMENTARY INFORMATION

State of Delaware
Department of Transportation
Consolidating Statement of Net Position
June 30, 2019 (with summarized financial information for June 30, 2018)

	DELDOT	Delaware Transportation Authority TTF	Delaware Transportation Authority DTC	2019	2018
Current assets					
Cash and cash equivalents					
Unrestricted	$ 1,693,990	$ 16,200,802	$ 17,516,478	$ 35,411,270	$ 38,897,434
Restricted	6,919	31,658,153	-	31,665,072	21,195,050
Pooled cash and investments	3,954,899	7,548,398	-	11,503,297	11,132,907
Investments - at fair value					
Unrestricted	-	88,094,467	15,594,641	103,689,108	145,537,432
Restricted	185,164	117,718,916	-	117,904,080	122,017,364
Accounts receivable					
Trade	8,450,635	13,565,281	1,019,416	23,035,332	22,260,510
Federal grants	20,801,186	369,749	-	21,170,935	26,763,549
Interest	-	787,555	-	787,555	918,747
Due from State General Fund	8,879,546	14,000,000	-	22,879,546	18,922,000
Inventory	17,574,616	-	4,423,132	21,997,748	20,573,708
Other assets	-	-	94,216	94,216	208,369
Total current assets	61,546,955	289,943,321	38,647,883	390,138,159	428,427,070
Noncurrent assets					
Capital assets, not depreciable					
Land	198,141,193	157,765,959	1,872,536	357,779,688	320,563,244
Infrastructure	2,629,480,589	1,671,886,436	-	4,301,367,025	4,185,972,459
Construction in progress	58,620,065	-	-	58,620,065	12,257,131
Service concession buildings and improvements	-	22,100,000	-	22,100,000	22,100,000
Capital assets, depreciable					
Land improvements	7,092,695	-	-	7,092,695	5,601,809
Buildings and improvements	87,208,154	8,036,932	91,115,337	186,360,423	168,030,193
Fixtures, vehicles, and equipment	144,406,715	-	199,306,892	343,713,607	322,756,441
Total capital assets	3,124,949,411	1,859,789,327	292,294,765	5,277,033,503	5,037,281,277
Less: accumulated depreciation	99,858,311	4,936,044	161,608,252	266,402,607	243,388,855
Capital assets, net	3,025,091,100	1,854,853,283	130,686,513	5,010,630,896	4,793,892,422
Investments - at fair value, net of current portion					
Unrestricted	-	-	-	-	13,104,001
Restricted	-	31,502,364	-	31,502,364	74,596,210
Total noncurrent assets	3,025,091,100	1,886,355,647	130,686,513	5,042,133,260	4,881,592,633
Total assets	3,086,638,055	2,176,298,968	169,334,396	5,432,271,419	5,310,019,703

(Continued)

State of Delaware
Department of Transportation
Consolidating Statement of Net Position
June 30, 2019 (with summarized financial information for June 30, 2018)

		Delaware Transportation Authority			
	DELDOT	TTF	DTC	2019	2018
Deferred outflows of resources					
Loss on refundings of debt	$ -	$ 25,389,950	$ -	$ 25,389,950	$ 29,333,735
Changes in assumptions - pension plans and OPEB plans	7,936,448	-	5,448,531	13,384,979	11,488,028
Net differences between projected and actual earnings on investments - pension and OPEB plans	-	-	3,747,678	3,747,678	6,257,883
Changes in employer proportionate share of net pension liability	93,838	-	-	93,838	84,864
Differences between expected and actual experience - pension plans	2,382,211	-	-	2,382,211	596,285
Contributions made subsequent to the measurement date - pension and OPEB plans	17,458,779	-	4,883,368	22,342,147	19,635,593
Total deferred outflows of resources	27,871,276	25,389,950	14,079,577	67,340,803	67,396,388
Current liabilities					
Accounts payable and other accrued expenses	22,784,011	37,608,249	6,255,449	66,647,709	65,263,737
Accrued payroll and related expenses	5,242,908	-	3,557,055	8,799,963	7,712,817
Escrow deposits	3,954,899	7,548,398	-	11,503,297	11,132,907
Customer toll deposits	-	12,266,467	-	12,266,467	12,702,832
Interest payable	-	14,773,482	-	14,773,482	16,563,175
Due to General Fund	-	-	-	-	5,573,127
Pollution remediation obligations	13,750	-	-	13,750	75,750
Insurance loss reserve	-	-	1,761,936	1,761,936	1,862,842
Compensated absences	639,809	-	1,163,861	1,803,670	1,881,609
Revenue bonds payable	-	75,440,000	-	75,440,000	74,770,000
Bond issue premium - net of accumulated amortization	-	12,706,908	-	12,706,908	14,424,537
Total current liabilities	32,635,377	160,343,504	12,738,301	205,717,182	211,963,333
Noncurrent liabilities					
Compensated absences - net of current portion	8,559,260	-	2,294,897	10,854,157	9,734,726
Insurance loss reserve - net of current portion	-	-	7,304,064	7,304,064	7,316,158
Pollution remediation obligations - net of current portion	-	-	-	-	8,750
TIFIA loan payable	-	191,936,698	-	191,936,698	106,904,751
Revenue bonds payable - net of current portion	-	762,775,000	-	762,775,000	838,215,000
Bond issue premium - net of accumulated amortization	-	35,684,126	-	35,684,126	48,391,034
Net pension liability	45,582,509	-	13,211,311	58,793,820	55,172,932
Net other post-employment benefits liability	282,436,856	-	151,307,397	433,744,253	443,842,398
Total noncurrent liabilities	336,578,625	990,395,824	174,117,669	1,501,092,118	1,509,585,749
Total liabilities	369,214,002	1,150,739,328	186,855,970	1,706,809,300	1,721,549,082

(Continued)

State of Delaware
Department of Transportation
Consolidating Statement of Net Position
June 30, 2019 (with summarized financial information for June 30, 2018)

		Delaware Transportation Authority			
	DELDOT	TTF	DTC	2019	2018
Deferred inflows of resources					
Service concession arrangement	$ -	$ 16,417,142	$ -	$ 16,417,142	$ 17,048,571
Changes in employer proportionate share of net pension liability	1,210,666	-	-	1,210,666	1,691,106
Changes in employer proportionate share of net OPEB liability	757,969	-	-	757,969	680,567
Differences between expected and actual experience - pension and OPEB plans	657,865	-	24,101,486	24,759,351	3,367,447
Net differences between projected and actual earnings on investments - pension and OPEB plans	2,641,853	-	472,007	3,113,860	1,788,466
Changes in assumptions - OPEB plans	38,372,999	-	17,093,516	55,466,515	52,412,107
Total deferred inflows of resources	43,641,352	16,417,142	41,667,009	101,725,503	76,988,264
Net position					
Net investment in capital assets	3,025,091,100	816,810,850	130,686,513	3,972,588,463	3,766,559,662
Restricted	192,083	180,879,433	-	181,071,516	217,808,624
Unrestricted deficit	(323,629,206)	36,842,165	(175,795,519)	(462,582,560)	(405,489,541)
Total net position	$ 2,701,653,977	$ 1,034,532,448	$ (45,109,006)	$ 3,691,077,419	$ 3,578,878,745

See independent auditors' report.

State of Delaware
Department of Transportation
Consolidating Statement of Revenues, Expenses, and Changes in Net Position
Fiscal Year Ended June 30, 2019
(with summarized financial information for the Fiscal Year Ended June 30, 2018)

		Delaware Transportation Authority			
	DELDOT	TTF	DTC	2019	2018
Operating revenues					
Pledged revenue - senior revenue bonds					
Turnpike revenue	$ -	$ 134,922,060	$ -	$ 134,922,060	$ 135,048,183
Motor fuel tax revenue	-	142,821,665	-	142,821,665	131,874,692
Motor vehicle document fee, registration fee, and other revenue	-	218,733,154	-	218,733,154	211,135,897
International Fuel Tax Agreement revenue	-	1,860,201	-	1,860,201	1,018,609
Pledged revenue - project revenue bonds					
Toll revenue - US 301	-	7,013,141	-	7,013,141	-
Toll revenue - Delaware SR-1	-	62,485,383	-	62,485,383	61,975,328
Passenger fares	-	-	17,476,880	17,476,880	18,029,965
Miscellaneous	38,622,839	14,859,094	3,497,472	56,979,405	32,300,795
Total operating revenues	38,622,839	582,694,698	20,974,352	642,291,889	591,383,469
Operating expenses					
Road maintenance, preservation and repairs	19,904,349	129,389,330	-	149,293,679	191,160,284
Payroll expense	128,813,134	-	91,460,651	220,273,785	216,786,335
Professional fees and services	45,090,863	178,753,698	26,383,136	250,227,697	193,650,252
Materials, supplies, and other	4,644,569	24,401,017	19,903,624	48,949,210	59,921,008
Depreciation	11,469,738	188,500	20,371,070	32,029,308	30,593,443
Total operating expenses	209,922,653	332,732,545	158,118,481	700,773,679	692,111,322
Operating income (loss)	(171,299,814)	249,962,153	(137,144,129)	(58,481,790)	(100,727,853)
Nonoperating revenues (expenses)					
Income from investments - pledged	-	5,524,248	-	5,524,248	6,783,620
Income from investments	-	-	531,943	531,943	194,831
Bad debt recovery, net of expenses	-	-	(19,955)	(19,955)	271,475
Federal grant revenues	205,598,403	127,316	6,313,677	212,039,396	241,114,538
Pass-through grant expenses	-	-	(5,738,675)	(5,738,675)	(4,953,210)
Interest expense	-	(33,218,751)	-	(33,218,751)	(20,178,839)
Service concession arrangement	-	631,429	-	631,429	631,429
Excess (deficit) of nonoperating revenues over nonoperating expenses	205,598,403	(26,935,758)	1,086,990	179,749,635	223,863,844
Income (loss) before transfers	34,298,589	223,026,395	(136,057,139)	121,267,845	123,135,991

(Continued)

State of Delaware
Department of Transportation
Consolidating Statement of Revenues, Expenses, and Changes in Net Position
Fiscal Year Ended June 30, 2019
(with summarized financial information for the Fiscal Year Ended June 30, 2018)

		Delaware Transportation Authority			
	DELDOT	TTF	DTC	2019	2018
Transfers to other governmental agencies	$ -	$ (8,167,828)	$ -	$ (8,167,828)	$ (7,639,322)
Transfers to State General Fund	-	(6,000,000)	-	(6,000,000)	(5,000,000)
Transfers from State General Fund	-	5,098,657	-	5,098,657	16,682,584
Capital contributions	(15,134,236)	-	15,134,236	-	-
Transfers to DTC	(18,205,686)	(93,181,900)	111,387,586	-	-
Transfers to DelDOT	120,138,852	(120,138,852)	-	-	-
Increase (decrease) in net position	121,097,519	636,472	(9,535,317)	112,198,674	127,179,253
Net position - beginning of year, as restated (Note 2(p))	2,580,556,458	1,033,895,976	(35,573,689)	3,578,878,745	3,451,699,492
Net position - end of year	$ 2,701,653,977	$ 1,034,532,448	$ (45,109,006)	$ 3,691,077,419	$ 3,578,878,745

See independent auditors' report.

State of Delaware
Department of Transportation
Consolidating Statement of Cash Flows
Fiscal Year Ended June 30, 2019
(with summarized financial information for the Fiscal Year Ended June 30, 2018)

	DELDOT	Delaware Transportation Authority TTF	Delaware Transportation Authority DTC	2019	2018
Cash flows from operating activities					
Receipts from customers	$ 40,953,822	$ 579,550,832	$ 17,448,966	$ 637,953,620	$ 589,703,235
Payments to suppliers	(96,009,005)	(315,477,427)	(42,399,494)	(453,885,926)	(438,717,079)
Payments to employees	(124,893,305)	-	(78,038,233)	(202,931,538)	(192,153,040)
Insurance claims paid	-	-	(4,570,260)	(4,570,260)	(5,238,066)
Other receipts	-	-	3,477,517	3,477,517	2,349,991
Net cash provided by (used in) operating activities	(179,948,488)	264,073,405	(104,081,504)	(19,956,587)	(44,054,959)
Cash flows from noncapital financing activities					
Transfers from State General Fund	-	5,098,657	-	5,098,657	16,682,584
Transfers to State General Fund	-	(6,000,000)	-	(6,000,000)	(5,000,000)
Federal receipts for operating activities	-	-	6,313,677	6,313,677	6,380,646
Pass-through grant payments	-	-	(5,738,675)	(5,738,675)	(4,953,210)
Transfers from TTF	101,933,166	(213,320,752)	111,387,586	-	-
Transfers to other governmental agencies	-	(8,167,828)	-	(8,167,828)	(7,639,322)
Net cash provided by (used in) noncapital financing activities	101,933,166	(222,389,923)	111,962,588	(8,494,169)	5,470,698
Cash flows from capital and related financing activities					
Payments of revenue bond principal	-	(74,770,000)	-	(74,770,000)	(69,880,000)
Proceeds from TIFIA loan	-	80,459,497	-	80,459,497	105,120,822
Federal receipts for capital and related financing activities	211,318,333	-	-	211,318,333	225,447,276
Proceeds from capital contributions	(15,134,236)	-	15,134,236	-	-
Acquisition of capital assets	(116,212,835)	(104,527,093)	(28,090,253)	(248,830,181)	(217,603,822)
Payments of interest	-	(40,916,746)	-	(40,916,746)	(42,885,095)
Net cash provided by (used in) capital and related financing activities	79,971,262	(139,754,342)	(12,956,017)	(72,739,097)	199,181
Cash flows from investing activities					
Purchase of investments	-	(3,535,587,281)	(278,023)	(3,535,865,304)	(3,457,336,846)
Proceeds from sale of investments	7,290	3,638,079,868	-	3,638,087,158	3,483,659,653
Collection on loans previously written off	-	-	-	-	321,475
Escrow insurance deposits	-	-	134,864	134,864	(74,786)
Interest received	-	5,655,440	531,943	6,187,383	7,842,822
Net cash provided by investing activities	7,290	108,148,027	388,784	108,544,101	34,412,318

(Continued)

State of Delaware
Department of Transportation
Consolidating Statement of Cash Flows
Fiscal Year Ended June 30, 2019
(with summarized financial information for the Fiscal Year Ended June 30, 2018)

		Delaware Transportation Authority			
	DELDOT	TTF	DTC	2019	2018
Net increase (decrease) in cash and cash equivalents	$ 1,963,230	$ 10,077,167	$ (4,686,149)	$ 7,354,248	$ (3,972,762)
Cash and cash equivalents - beginning of year	3,692,578	45,330,186	22,202,627	71,225,391	75,198,153
Cash and cash equivalents - end of year	$ 5,655,808	$ 55,407,353	$ 17,516,478	$ 78,579,639	$ 71,225,391
Reconciliation of operating loss to net cash provided by (used in) operating activities					
Operating gain (loss)	$ (171,299,814)	$ 249,962,153	$ (137,144,129)	$ (58,481,790)	$ (100,727,853)
Adjustment to reconcile operating gain (loss) to net cash provided by (used in) operating activities					
Depreciation	11,469,738	188,500	20,371,070	32,029,308	30,593,443
Changes in assets and deferred outflows of resources					
Decrease (increase) in accounts receivable - trade	1,553,989	(2,300,897)	(47,869)	(794,777)	(601,781)
Decrease (increase) in due from State General Fund	(8,879,546)	4,922,000	-	(3,957,546)	(4,183,366)
Increase in inventory	(1,106,698)	-	(317,342)	(1,424,040)	(1,062,495)
Decrease in prepaid expenses	-	-	(20,711)	(20,711)	11,419
Decrease in deferred outflows of resources	4,027,029	-	(7,915,229)	(3,888,200)	8,859,286
Changes in liabilities and deferred inflows of resources					
Increase (decrease) in accounts payable and other accrued expenses	(10,739,103)	12,144,618	(21,543)	1,383,972	3,912,580
Increase (decrease) in escrow deposits	776,994	(406,604)	-	370,390	2,441,872
Decrease in insurance loss reserve	-	-	(113,000)	(113,000)	(272,000)
Increase (decrease) in due to State General Fund	(5,573,127)	-	-	(5,573,127)	5,573,127
Increase (decrease) in compensated absences	637,941	-	403,551	1,041,492	(71,273)
Increase in accrued payroll and related expenses	506,760	-	580,386	1,087,146	699,178
Decrease in customer toll deposits	-	(436,365)	-	(436,365)	(1,170,334)
Decrease in pollution remediation obligations	(70,750)	-	-	(70,750)	(999,000)
Increase (decrease) in net pension liability	(6,071,455)	-	9,692,343	3,620,888	(4,127,907)
Decrease in net other post-employment benefits liability	(1,794,741)	-	(8,303,404)	(10,098,145)	(37,656,453)
Increase in deferred inflows of resources	6,614,295	-	18,754,373	25,368,668	54,726,598
Net cash provided by (used in) operating activities	$ (179,948,488)	$ 264,073,405	$ (104,081,504)	$ (19,956,587)	$ (44,054,959)

See independent auditors' report.

Delaware Transportation Authority
Transportation Trust Fund
Schedule of Net Position in Accordance with Trust Agreement
June 30, 2019
(with comparative totals for June 30, 2018)

	Operations	Trust Holdings	Debt Reserve	(Memorandum Only) 2019	2018
Current assets					
Cash and cash equivalents					
Unrestricted	$ 16,197,667	$ 3,135	$ -	$ 16,200,802	$ 16,185,357
Restricted	527	31,652,488	5,138	31,658,153	21,189,827
Pooled cash and investments	7,548,398	-	-	7,548,398	7,955,002
Investments - at fair value					
Unrestricted	76,970,628	11,123,839	-	88,094,467	130,283,213
Restricted	466,642	84,469,885	32,782,389	117,718,916	121,824,910
Accounts receivable					
Trade	13,565,281	-	-	13,565,281	11,264,384
Federal grants	369,749	-	-	369,749	242,433
Interest	787,555	-	-	787,555	918,747
Due from State General Fund	14,000,000	-	-	14,000,000	18,922,000
Total current assets	129,906,447	127,249,347	32,787,527	289,943,321	328,785,873
Noncurrent assets					
Capital assets, not depreciable					
Land	-	157,765,959	-	157,765,959	157,765,959
Infrastructure	-	1,671,886,436	-	1,671,886,436	1,567,359,343
Service concession buildings and improvements	-	22,100,000	-	22,100,000	22,100,000
Capital assets, depreciable					
Buildings and improvements	-	8,036,932	-	8,036,932	8,036,932
Total capital assets	-	1,859,789,327	-	1,859,789,327	1,755,262,234
Less: accumulated depreciation	-	4,936,044	-	4,936,044	4,747,544
Capital assets, net	-	1,854,853,283	-	1,854,853,283	1,750,514,690
Investments - at fair value, net of current portion					
Unrestricted	-	-	-	-	13,104,001
Restricted	-	-	31,502,364	31,502,364	74,596,210
Total noncurrent assets	-	1,854,853,283	31,502,364	1,886,355,647	1,838,214,901
Total assets	129,906,447	1,982,102,630	64,289,891	2,176,298,968	2,167,000,774
Deferred outflows of resources - loss on refundings of debt	-	25,389,950	-	25,389,950	29,333,735

(Continued)

Delaware Transportation Authority
Transportation Trust Fund
Schedule of Net Position in Accordance with Trust Agreement
June 30, 2019
(with comparative totals for June 30, 2018)

	Operations	Trust Holdings	Debt Reserve	(Memorandum Only) 2019	2018
Current liabilities					
Accounts payable and other accrued expenses	$ 37,608,249	$ -	$ -	$ 37,608,249	$ 25,463,631
Escrow deposits	-	7,548,398	-	7,548,398	7,955,002
Customer toll deposits	12,266,467	-	-	12,266,467	12,702,832
Interest payable	-	14,773,482	-	14,773,482	16,563,175
Revenue bonds payable	-	75,440,000	-	75,440,000	74,770,000
Bond issue premium - net of accumulated amortization	-	12,706,908	-	12,706,908	14,424,537
Total current liabilities	49,874,716	110,468,788	-	160,343,504	151,879,177
Noncurrent liabilities					
TIFIA loan payable	-	191,936,698	-	191,936,698	106,904,751
Revenue bonds payable - net of current portion	-	762,775,000	-	762,775,000	838,215,000
Bond issue premium - net of accumulated amortization	-	35,684,126	-	35,684,126	48,391,034
Total noncurrent liabilities	-	990,395,824	-	990,395,824	993,510,785
Total liabilities	49,874,716	1,100,864,612	-	1,150,739,328	1,145,389,962
Deferred inflows of resources - service concession arrangement	-	16,417,142	-	16,417,142	17,048,571
Net position					
Net investment in capital assets	-	816,810,850	-	816,810,850	723,181,930
Restricted	467,169	116,122,373	64,289,891	180,879,433	217,610,947
Unrestricted	79,564,562	(42,722,397)	-	36,842,165	93,103,099
Total net position	$ 80,031,731	$ 890,210,826	$ 64,289,891	$ 1,034,532,448	$ 1,033,895,976

See independent auditors' report.

Delaware Transportation Authority
Transportation Trust Fund
Schedule of Revenues, Expenses, and Changes in Net Position in Accordance with Trust Agreement
Fiscal Year Ended June 30, 2019
(with comparative totals for the Fiscal Year Ended June 30, 2018)

	Operations	Trust Holdings	Debt Reserve	(Memorandum Only) 2019	2018
Operating revenues					
Pledged revenue - senior revenue bonds					
Turnpike revenue	$ 134,922,060	$ -	$ -	$ 134,922,060	$ 135,048,183
Motor fuel tax revenue	142,821,665	-	-	142,821,665	131,874,692
Motor vehicle document fee revenue	119,822,761	-	-	119,822,761	116,226,238
Motor vehicle registration fee revenue	58,054,092	-	-	58,054,092	55,333,227
Other motor vehicle revenue	40,856,301	-	-	40,856,301	39,576,432
International Fuel Tax Agreement revenue	1,860,201	-	-	1,860,201	1,018,609
Pledged revenue - project revenue bonds					
Toll revenue - US 301	7,013,141	-	-	7,013,141	-
Total pledged revenue	505,350,221	-	-	505,350,221	479,077,381
Toll revenue - Delaware SR-1	62,485,383	-	-	62,485,383	61,975,328
Miscellaneous	14,859,094	-	-	14,859,094	12,470,412
Total operating revenues	582,694,698	-	-	582,694,698	553,523,121
Operating expenses					
Road maintenance, preservation and repairs	891,503	128,497,827	-	129,389,330	102,638,520
Professional fees	49,092,591	129,661,107	-	178,753,698	94,323,511
Materials, supplies, and other	14,831,544	9,569,473	-	24,401,017	36,283,694
Depreciation	-	188,500	-	188,500	188,500
Total operating expenses	64,815,638	267,916,907	-	332,732,545	233,434,225
Operating income (loss)	517,879,060	(267,916,907)	-	249,962,153	320,088,896
Nonoperating revenues (expenses)					
Income from investments - pledged	1,005,649	3,178,978	1,339,621	5,524,248	6,783,620
Bad debt recovery, net of expenses	-	-	-	-	321,475
Federal grant revenues	-	127,316	-	127,316	38,836
Interest expense	-	(33,218,751)	-	(33,218,751)	(20,178,839)
Service concession arrangement	-	631,429	-	631,429	631,429
Excess (deficiency) of nonoperating revenues over nonoperating expenses	1,005,649	(29,281,028)	1,339,621	(26,935,758)	(12,403,479)
Income (loss) before transfers	518,884,709	(297,197,935)	1,339,621	223,026,395	307,685,417

(Continued)

Delaware Transportation Authority
Transportation Trust Fund
Schedule of Revenues, Expenses, and Changes in Net Position in Accordance with Trust Agreement
Fiscal Year Ended June 30, 2019
(with comparative totals for the Fiscal Year Ended June 30, 2018)

				(Memorandum Only)	
	Operations	**Trust Holdings**	**Debt Reserve**	**2019**	**2018**
Net transfers per agreement	$ (309,734,942)	$ 325,436,719	$ (15,701,777)	$ -	$ -
Transfers to other governmental agencies	(8,167,828)	-	-	(8,167,828)	(7,639,322)
Transfers to State General Fund	(6,000,000)	-	-	(6,000,000)	(5,000,000)
Transfers from State General Fund	5,000,000	98,657	-	5,098,657	16,682,584
Transfers to DTC	(93,181,900)	-	-	(93,181,900)	(89,759,100)
Transfers to DelDOT	(120,138,852)	-	-	(120,138,852)	(123,673,457)
Changes in net position	(13,338,813)	28,337,441	(14,362,156)	636,472	98,296,122
Net position - beginning of year	93,370,544	861,873,385	78,652,047	1,033,895,976	935,599,854
Net position - end of year	$ 80,031,731	$ 890,210,826	$ 64,289,891	$ 1,034,532,448	$ 1,033,895,976

See independent auditors' report.

Delaware Transportation Authority
Transportation Trust Fund
Schedule of Revenue Bonds Outstanding
June 30, 2019

Principal	2008 B Series	2009 A Series	2010 A Series	2010 B Series	2012 Series	2014 Series	2016 Series	2017 Series	Total Senior Bond Series	GARVEE 2010 Series	US 301 Project 2015 Series	Total
FY20	$ 5,480,000	$ 5,195,000	$ 5,485,000	$ 5,070,000	$ 21,555,000	$ 14,965,000	$ 2,075,000	$ 7,240,000	$ 67,065,000	$ 8,375,000	$ -	$ 75,440,000
FY21	-	-	-	5,200,000	12,715,000	10,650,000	12,825,000	23,720,000	65,110,000	8,785,000	3,220,000	77,115,000
FY22	-	-	-	5,340,000	23,100,000	12,330,000	13,420,000	8,300,000	62,490,000	9,210,000	5,225,000	76,925,000
FY23	-	-	-	5,495,000	30,280,000	8,060,000	14,085,000	2,770,000	60,690,000	9,625,000	5,675,000	75,990,000
FY24	-	-	-	5,655,000	24,800,000	8,465,000	14,745,000	2,910,000	56,575,000	10,145,000	-	66,720,000
FY25	-	-	-	5,830,000	19,350,000	195,000	22,725,000	3,055,000	51,155,000	10,555,000	-	61,710,000
FY26	-	-	-	6,015,000	-	12,045,000	23,770,000	3,205,000	45,035,000	-	-	45,035,000
FY27	-	-	-	6,215,000	-	-	24,870,000	3,365,000	34,450,000	-	-	34,450,000
FY28	-	-	-	6,450,000	-	-	17,930,000	3,535,000	27,915,000	-	-	27,915,000
FY29	-	-	-	6,695,000	-	-	18,815,000	3,715,000	29,225,000	-	-	29,225,000
FY30	-	-	-	6,945,000	-	-	16,215,000	3,860,000	27,020,000	-	-	27,020,000
FY31	-	-	-	7,210,000	-	-	-	3,955,000	11,165,000	-	-	11,165,000
FY32	-	-	-	-	-	-	-	4,055,000	4,055,000	-	1,285,000	5,340,000
FY33	-	-	-	-	-	-	-	4,180,000	4,180,000	-	1,450,000	5,630,000
FY34	-	-	-	-	-	-	-	4,305,000	4,305,000	-	2,450,000	6,755,000
FY35	-	-	-	-	-	-	-	4,435,000	4,435,000	-	3,200,000	7,635,000
FY36	-	-	-	-	-	-	-	4,565,000	4,565,000	-	3,500,000	8,065,000
FY37	-	-	-	-	-	-	-	4,705,000	4,705,000	-	4,000,000	8,705,000
FY38	-	-	-	-	-	-	-	4,845,000	4,845,000	-	2,250,000	7,095,000
FY39	-	-	-	-	-	-	-	-	-	-	3,395,000	3,395,000
FY40	-	-	-	-	-	-	-	-	-	-	3,660,000	3,660,000
FY41	-	-	-	-	-	-	-	-	-	-	4,835,000	4,835,000
FY42	-	-	-	-	-	-	-	-	-	-	6,090,000	6,090,000
FY43	-	-	-	-	-	-	-	-	-	-	6,420,000	6,420,000
FY44	-	-	-	-	-	-	-	-	-	-	6,825,000	6,825,000
FY45	-	-	-	-	-	-	-	-	-	-	7,280,000	7,280,000
FY46	-	-	-	-	-	-	-	-	-	-	8,770,000	8,770,000
FY47	-	-	-	-	-	-	-	-	-	-	10,400,000	10,400,000
FY48	-	-	-	-	-	-	-	-	-	-	11,095,000	11,095,000
FY49	-	-	-	-	-	-	-	-	-	-	11,810,000	11,810,000
FY50	-	-	-	-	-	-	-	-	-	-	12,515,000	12,515,000
FY51	-	-	-	-	-	-	-	-	-	-	14,490,000	14,490,000
FY52	-	-	-	-	-	-	-	-	-	-	16,595,000	16,595,000
FY53	-	-	-	-	-	-	-	-	-	-	17,615,000	17,615,000
FY54	-	-	-	-	-	-	-	-	-	-	18,670,000	18,670,000
FY55	-	-	-	-	-	-	-	-	-	-	19,815,000	19,815,000
	$ 5,480,000	$ 5,195,000	$ 5,485,000	$ 72,120,000	$ 131,800,000	$ 66,710,000	$ 181,475,000	$ 100,720,000	$ 568,985,000	$ 56,695,000	$ 212,535,000	$ 838,215,000

See independent auditors' report.

Delaware Transportation Authority
Transportation Trust Fund
Schedule of Revenue Bond Coverage
June 30, 2019

Oversight responsibility for the issuance of debt by the State and its authorities is centralized under the Secretary of Finance. The following table sets forth certain indebtedness of the Authority. Further information for the Authority may be found in the notes to financial statements, changes in long-term liabilities, and bonds outstanding.

(Dollar amounts in thousands)

		Debt Service Requirements			
Fiscal Year	**Gross Pledged Revenue**	**Principal**	**Interest**	**Total**	**Coverage***
2009	$ 367,399	$ 73,510	$ 43,619	$ 117,129	3.14
2010	363,948	74,380	50,885	125,265	2.91
2011	376,186	71,760	52,585	124,345	3.03
2012	378,960	76,320	56,411	132,731	2.86
2013	387,918	83,230	48,097	131,327	2.95
2014	401,923	75,205	47,162	122,367	3.28
2015	412,850	77,655	41,467	119,122	3.47
2016	462,205	72,580	44,450	117,030	3.95
2017	479,570	70,595	44,581	115,176	4.16
2018	485,861	69,880	42,885	112,765	4.31
2019	503,861	66,785	27,704	94,489	5.33

* The above calculation represents the total gross pledged revenue as it relates to the total debt service requirement of all Senior and Junior Bonds. The calculation above does not include pledged revenues from US 301 toll revenues, nor does it include any debt service requirements related to the US 301 Project Revenue Bonds, the GARVEE bonds, or the TIFIA loan payable. The calculation method used in the Official Statement per the Trust Agreement calculates only the Senior Bond debt service requirement and subtracts investment income revenue from gross pledged revenue.

See independent auditors' report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

State of Delaware Department of Transportation
Dover, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the State of Delaware Department of Transportation (Department of Transportation), which is an enterprise fund of the State of Delaware, as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department of Transportation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department of Transportation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department of Transportation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department of Transportation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department of Transportation 's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department of Transportation 's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
December 6, 2019