NEW ISSUE

Ratings: Fitch "AAA"
Moody's "Aaa"
S&P "AAA"

In the opinion of Bond Counsel, interest on the Bonds (as defined herein) is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the condition described in "Tax Matters" herein. Interest on the Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum taxes. However, under the Code, such interest may be subject to certain other taxes affecting corporate holders of the Bonds. In addition, under existing statutes, interest on the Bonds is exempt from personal and corporate income taxes imposed by The State of Delaware (the "State" or "Delaware"). For a more complete discussion, see "Tax Matters" herein.

$275,425,000
THE STATE OF DELAWARE
General Obligation Bonds – Series 2011

Dated: Date of Issuance **Due: As shown on the Inside Front Cover**

The Bonds consist of the $275,425,000 General Obligation Bonds, Series 2011 (the "2011 Bonds" or the "Bonds"). The 2011 Bonds are general obligations of the State and the full faith and credit of the State will be pledged for the payment of the principal of and interest on the 2011 Bonds.

Interest on the 2011 Bonds is payable semiannually on January 1 and July 1 of each year commencing July 1, 2012.

The 2011 Bonds maturing on or after July 1, 2021 are subject to redemption prior to maturity in whole or in part at any time and from time to time, at the option of the State, in any order of maturity and interest rate selected by the State, beginning July 1, 2020, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest as set forth more fully herein.

The 2011 Bonds will be issued in book-entry form as fully registered bonds in denominations of $1,000 and integral multiples thereof. The investor will not receive physical delivery of Bond certificates. Principal and interest payments on the Bonds will be paid to The Depository Trust Company or its nominee as record owner of the 2011 Bonds and investors should look for payment to the institution from which their 2011 Bonds were purchased.

The 2011 Bonds are offered when, as and if issued and received by the Underwriters (as defined hereafter) subject to prior sale, to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Saul Ewing LLP, Bond Counsel, Wilmington, Delaware, and certain other conditions. Certain legal matters will be passed upon for the Underwriters of the 2011 Bonds by their counsel Cozen O'Connor, Wilmington, Delaware and Philadelphia, Pennsylvania. It is expected that the Bonds will be available through the facilities of The Depository Trust Company for delivery in New York, New York, on or about November 15, 2011.

BofA Merrill Lynch

Citigroup	**Morgan Stanley**	**M&T Securities, Inc.**	**PNC Capital Markets LLC**	**RBC Capital Markets**	**Siebert Brandford Shank & Co., L.L.C.**

The date of this Official Statement is November 1, 2011.

MATURITIES, AMOUNTS, RATES, YIELDS AND PRICES

2011 BONDS

Maturity (July 1)	Principal Amount ($)	Interest Rate (%)	Yield (%)	Price ($)	CUSIP Number† (246381)
2012	15,525,000	2.000	0.208	101.123	AA5
2013	1,450,000	2.000	0.420	102.560	AB3
2013	19,445,000	4.000	0.420	105.801	AV9
2014	1,200,000	2.000	0.640	103.537	AC1
2014	16,455,000	5.000	0.640	111.342	AW7
2015	2,360,000	2.000	0.960	103.698	AD9
2015	18,180,000	5.000	0.960	114.368	AX5
2016	3,585,000	2.000	1.260	103.315	AE7
2016	12,960,000	5.000	1.260	116.760	AY3
2017	2,255,000	2.250	1.480	104.142	AF4
2017	14,255,000	5.000	1.480	118.938	AZ0
2018	6,285,000	2.500	1.720	104.865	AG2
2018	10,180,000	5.000	1.720	120.460	BA4
2019	875,000	2.500	2.000	103.519	AH0
2019	15,570,000	5.000	2.000	121.123	BB2
2020	2,715,000	2.750	2.250	103.899	AJ6
2020	13,735,000	5.000	2.250	121.453	BC0
2021	605,000	3.000	2.390	104.728*	AK3
2021	11,240,000	5.000	2.390	120.236*	BD8
2022	870,000	2.500	2.500	100.000	AL1
2022	10,975,000	5.000	2.500	119.291*	BE6
2023	11,845,000	5.000	2.640	118.099*	AM9
2024	11,845,000	5.000	2.780	116.922*	AN7
2025	11,845,000	5.000	2.960	115.429*	AP2
2026	1,335,000	3.000	3.070	99.177	AQ0
2026	10,510,000	5.000	3.070	114.528*	BF3
2027	11,845,000	5.000	3.170	113.715*	AR8
2028	285,000	3.250	3.220	100.221*	AS6
2028	11,560,000	5.000	3.220	113.312*	BG1
2029	-	-	-	-	-
2030	11,820,000	5.000	3.410	111.794*	AT4
2031	2,360,000	3.500	3.460	100.293*	AU1
2031	9,455,000	5.000	3.460	111.398*	BH9

* Priced to first call date of July 1, 2020.

No dealer, broker, salesperson or other person has been authorized by the State or by the Underwriters to give any information or to make any representation in connection with the Bonds or the matters described herein, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied on as having been authorized by the State or by the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date thereof. Only the statements and information contained herein should be considered in making an investment decision with respect to the Bonds. This Official Statement is distributed in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

All estimates and assumptions herein have been made on the best information available at the time of issuance and are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Neither the Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

The Underwriters of the Bonds have provided the following sentence for inclusion in this Official Statement: The Underwriters of the Bonds have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters of the Bonds do not guarantee the accuracy, completeness or fairness of such information.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such forward-looking statements speak only as of the date of this Official Statement. The State disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the State's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

All quotations from and summaries and explanations of provisions of laws and documents described herein do not purport to be complete and reference is made to said laws and documents for full and complete statements of their provisions.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, or under any state securities laws in reliance upon exemptions contained in such Act or under such state securities laws. The Bonds will not be listed on any stock or other securities exchange. Any registration or qualification of the Bonds in accordance with applicable provisions of securities laws of the states in which the Bonds may be registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the State, will have passed upon the accuracy, completeness or adequacy of this Official Statement or approved the Bonds for sale. Any representation to the contrary may be a criminal offense.

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OFFICIAL STATEMENT

of

THE STATE OF DELAWARE

$275,425,000
THE STATE OF DELAWARE
General Obligation Bonds – Series 2011

INTRODUCTION

This Official Statement (including the cover page and the appendices, the "Official Statement") has been prepared by The State of Delaware (the "State" or "Delaware") and provides certain information about the State and its $275,425,000 General Obligation Bonds - Series 2011 (the "Bonds" or the "2011 Bonds"). The 2011 Bonds are issued as tax-exempt obligations of the State under the Internal Revenue Code of 1986, as amended (the "Code").

Brief descriptions of the State, the authorizing Resolutions (as defined below) of the State's Issuing Officers (as defined below), and the Bonds are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Resolutions and the Bonds are qualified in their entirety by reference to such documents. All such descriptions are further qualified in their entirety by reference to laws relating to or affecting generally the enforcement of creditors' rights and general principles of equity. Copies of such documents are available for inspection at the offices of the Secretary of Finance of the State.

DESCRIPTION OF THE BONDS

General Information

The 2011 Bonds are general obligations of the State to be issued pursuant to a resolution adopted on November 1, 2011 (the "Resolution") by the Governor, the Secretary of Finance, the Secretary of State and the State Treasurer (the "Issuing Officers"). The Bonds will contain a pledge of the State's full faith and credit for the payment of the principal of and interest on the Bonds. The Bonds will be dated, bear interest, mature and are payable as described on the inside of the cover page of this Official Statement. The Bonds will be issued as fully registered bonds in denominations of $1,000 and integral multiples thereof.

Redemption

Optional Redemption

The 2011 Bonds maturing on or after July 1, 2021 are subject to redemption at the option of the State on or after July 1, 2020, and prior to maturity, in whole or in part at any time and from time to time, in any order of maturity and interest rate selected by the State (and within a maturity and interest rate by lot), at 100% of the principal amount of the 2011 Bonds to be redeemed, plus interest accrued and unpaid to the redemption date.

Notice of Redemption

Notice of redemption will be mailed to registered owners of the 2011 Bonds not less than 30 days nor more than 60 days prior to any optional redemption date in the manner and upon the terms and conditions set forth in the 2011 Resolution. The State, so long as a book-entry system is used for determining ownership of 2011 Bonds, will send the notice of redemption to The Depository Trust Company ("DTC"). Any failure of DTC to mail such notice to any DTC participant will not affect the validity of the redemption of the 2011 Bonds. If at the time of mailing of a notice of redemption, the State shall not have deposited with the bank or depositary acting as refunding escrow agent money sufficient to redeem all 2011 Bonds called for redemption, the notice of redemption may state that it is conditional, i.e., that it is subject to the deposit of sufficient redemption money with a refunding escrow agent not later than the redemption date, and such notice shall be of no effect unless such money is so deposited

Authorization and Purpose

The Bonds are issued pursuant to the State Constitution, statutes of the State, including acts of the General Assembly (the "General Assembly") authorizing the issuance of the Bonds (the "Authorization Acts") and the Resolution. A portion of the proceeds of the Bonds will be applied to pay for various capital facilities of the State and to provide financing for other capital projects, as authorized by the Authorization Acts. The remaining portion of the proceeds of the Bonds will be applied to refund the general obligation bonds of the State identified below (the "Refunded Bonds").

Schedule of Refunded Bonds

Series	Maturities	Principal Amount	Date of Optional Call	Redemption Price
2004A	January 1 in the years 2013-2015, inclusive	$ 20,320,000	01/01/2012	100%
2005D	September 1 in the years 2015-2020, inclusive	$ 31,600,000	09/01/2013	100%

In order to provide for the refunding of the Refunded Bonds, the State will use a portion of the proceeds of the Bonds, together with certain other available moneys, to purchase United States Treasury Obligations, State and Local Government Series, or other direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States Government (the "Government Securities"), the principal of which together with interest payable thereon will be sufficient to pay when due the interest on the Refunded Bonds on or prior to the call date or to maturity, as the case may be, and to redeem on such call date Refunded Bonds which become due after such date or to pay at maturity, as the case may be. Neither the maturing principal of the Government Securities nor the interest thereon will secure or be available for the payment of principal of, interest or redemption premium, if any, on any obligations of the State other than the Refunded Bonds.

The Government Securities are to be held in a trust fund (the "Escrow Fund") by U.S. Bank National Association, as escrow agent (the "Escrow Agent") pursuant to an Escrow Agreement to be dated November 15, 2011 (the "Escrow Agreement") between the State and the Escrow Agent for the benefit of the holders of the Refunded Bonds.

The State Constitution provides that any money borrowed by the State shall be used exclusively for the purpose for which it is borrowed, but that if any borrowed money remains after a project has been completed or abandoned, such money may be expended according to law. The Delaware Code provides that any funds borrowed pursuant to an Authorization Act and not expended for the purposes set forth therein shall be deposited in a special fund and applied with the approval of the Issuing Officers to the remaining costs of any project authorized by any prior Authorization Act.

SOURCES AND USES OF FUNDS

The sources and uses of funds to accomplish the purposes of the Bonds are expected to be as follows:

Sources:	**Total**
Par Amount of the 2011 Bonds:	$ 275,425,000.00
Net Original Issue Premium	37,346,942.85
Total Sources:	$ 312,771,942.85
Uses:	
Capital Projects	$ 257,390,595.87
Deposit to Escrow Fund	54,631,947.55
Underwriters' Discount	547,580.74
Other Financing Expenses	201,818.69
Total Uses:	$ 312,771,942.85

SECURITY FOR BONDS

The Bonds are direct obligations of the State to which the full faith and credit of the State will be pledged. The payment of principal of and interest on debt obligations of the State is made pursuant to appropriations by the General Assembly of the State. Historically, the State has appropriated funds for and paid the principal of and interest on its debt obligations as they have come due.

If the State fails to make sufficient provision to pay the principal of and interest on the Bonds, or, at the time such amount is payable, sufficient funds are unavailable for such payment, a sufficient sum to pay such principal and interest is required by State law to be set apart by the State Treasurer from the first revenues thereafter received by the State. The State Treasurer may be required to set apart and apply such revenue to the payment of such principal and interest at the suit of any holder of the Bonds.

In the event the State fails to make timely payment of the principal of or interest on the Bonds, the owner of the Bond on which default in payment has occurred may also sue the State for breach of contract. In the opinion of the Attorney General of the State, the State may not successfully invoke the defense of sovereign immunity in an action alleging breach of contract by the State, and in the further opinion of the Attorney General, the Bonds pertaining thereto are such contracts. Any judgment against the State obtained in such an action, however, must be paid solely from funds appropriated by the General Assembly for the purpose of such payment.

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements of general obligation bonds of the State, prior to and after giving effect to the issuance of the Bonds.

General Obligation Bond Debt Service(1)(2)
(expressed in millions)

Fiscal Year Ending June 30	Prior to Issuance of the Bonds				After Issuance of the Bonds			
	Principal	Interest	Total Debt Service	Principal Outstanding	Principal	Interest	Total Debt Service	Principal Outstanding
2012	139.7	73.3	213.0	1,473.0	139.7	72.3	212.0	1,696.5
2013	144.7	66.4	211.0	1,328.3	154.4	78.2	232.7	1,542.0
2014	142.7	57.6	200.3	1,185.6	154.7	67.7	222.3	1,387.3
2015	128.7	51.3	180.0	1,056.9	140.7	60.8	201.5	1,246.6
2016	122.7	45.3	168.0	934.1	134.7	54.2	188.9	1,111.9
2017	117.6	39.6	157.2	816.6	129.5	48.0	177.5	982.4
2018	105.3	34.4	139.6	711.3	117.2	42.1	159.3	865.3
2019	87.9	30.2	118.1	623.4	99.8	37.4	137.2	765.5
2020	70.5	26.7	97.3	552.9	82.4	33.4	115.8	683.1
2021	68.4	23.7	92.1	484.5	80.2	29.8	110.1	602.9
2022	68.2	20.8	89.0	416.3	80.1	26.3	106.4	522.8
2023	66.3	17.9	84.2	350.0	78.1	22.9	101.0	444.7
2024	59.4	15.0	74.3	290.6	71.2	19.3	90.6	373.5
2025	52.7	12.5	65.2	238.0	64.5	16.3	80.8	309.0
2026	49.4	10.3	59.7	188.6	61.2	13.5	74.7	247.8
2027	44.2	8.1	52.3	144.4	56.1	10.7	66.8	191.7
2028	34.5	6.2	40.7	109.8	46.4	8.2	54.6	145.3
2029	27.4	4.7	32.0	82.5	39.2	6.1	45.3	106.1
2030	71.9	2.2	74.1	10.5	71.9	3.3	75.3	34.2
2031	10.5	0.2	10.8	-	22.3	1.1	23.4	11.8
2032	-	-	-	-	11.8	0.3	12.1	-
TOTAL	**$1,612.6**	**$546.4**	**$2,158.9**	-	**1,836.1**	**652.0**	**2,488.2**	

(1) Totals may not add due to rounding.
(2) Outstanding debt service gross of Federal Interest Subsidy.

BONDED INDEBTEDNESS OF THE STATE

Authorization of General Obligation Debt

General obligation bonds and bond anticipation notes of the State are issued and the proceeds thereof appropriated to various purposes pursuant to Authorization Acts of the General Assembly. Under the State Constitution, Authorization Acts become law upon the approval of three-quarters of all the elected members of each house of the General Assembly and the concurrence of the Governor. The Governor may veto a bill by returning the bill to the house of the General Assembly in which the bill originated within ten days of receipt, Sunday excepted. The General Assembly may override the Governor's veto by a three-fifths vote of all members in each house. No bill becomes law after final adjournment of the General Assembly unless previously approved by the General Assembly and approved by the Governor within 30 days after such adjournment. The Governor has veto power over line item appropriations.

Once an Authorization Act is enacted, the Issuing Officers are authorized by State law to issue bonds and bond anticipation notes thereunder. Bond anticipation notes may be issued for a term of one year and may be renewed, but all such renewal notes must mature not later than four years after the date of original issuance of such notes. No bond anticipation notes have been outstanding since fiscal 1978. All bonds are required to mature within 20 years from their date of issuance. Other than bonds issued in fiscal years 2010 through 2013, bonds may not provide for principal payments higher in later years than earlier years (except for refunding bonds, capital appreciation bonds, qualified zone academy bonds and retail bonds) and may have such other terms as the Issuing Officers may determine, subject to the limitations of the Authorization Acts and other provisions of law.

The Issuing Officers are authorized to issue bonds to refund bonds in advance of maturity provided that the refunding results in a present value savings to the State.

The Issuing Officers may also issue revenue anticipation notes, in an amount they determine necessary, to meet a casual deficiency of revenue in the budgetary General Fund to pay budgetary General Fund obligations or to pay existing debts. Revenue anticipation notes may be issued at any time and from time to time prior to June 25 in any State fiscal year. There has not been a State issue of revenue anticipation notes since fiscal 1977. If at any time during the fiscal year prior to June 15 there is a casual deficiency of revenue in the budgetary General Fund to pay budgetary General Fund obligations or to pay existing debts, the State may draw upon available balances in the State's budgetary Special Funds to pay such obligations or debts. Such draws are required to be reimbursed to the appropriate budgetary Special Funds as soon as sufficient budgetary General Fund monies become available, and in any case, the budgetary General Fund cannot evidence a negative balance after June 15 of such fiscal year.

Debt Limits

There is no State Constitutional debt limit; however, the State has statutory debt limits as discussed herein.

In 1991, the State enacted legislation to replace the previous statutory debt limits with a three-part debt limit, effective July 1, 1991, as follows:

First, the aggregate principal amount of new “tax-supported obligations of the State” (hereinafter defined) which may be authorized in any one fiscal year (excluding refunding bonds) may not exceed 5% of estimated net budgetary General Fund revenue for that fiscal year, as determined by a Joint Resolution approved by a majority of the members elected to each house of the General Assembly and signed by the Governor in conjunction with the adoption of the annual Budget Appropriation Bill for that fiscal year (the

"5% Rule"). The June 2011 estimate of net general fund revenues for fiscal year 2012 was $3,422.9 million, thus a total of $171.1 million of new tax-supported general obligation debt was permitted under the 5% rule and was authorized.

The level of tax-supported debt permitted under the 5% Rule for the current and next four (4) fiscal years is set out in the following table. The fiscal year 2012 is based on House Joint Resolution No. 8 which provides fiscal 2012 official revenue, refund and unencumbered fund estimates. The revenue estimates for fiscal years 2013 and 2014 are estimated from the September 19, 2011 meeting of the Delaware Economic and Financial Advisory Council ("DEFAC"), See "STATE FINANCIAL OPERATIONS — Revenue Summary-Fiscal 2012E-Fiscal 2014E" herein. Fiscal 2015 and fiscal 2016 are based on the long-term growth rates of (0.8)% and 3.3%, respectively, adopted by DEFAC at its September 19, 2011 meeting. DEFAC projections are dependent on a variety of economic factors affecting the State's projected revenues. See "STATE FINANCIAL OPERATIONS - Revenue and Expenditure Forecasting".

The 5% Rule
(in millions)

	Fiscal 2012	**Fiscal 2013**	**Fiscal 2014**	**Fiscal 2015**	**Fiscal 2016**
Estimated Net Budgetary General Fund Revenue	$ 3,422.9	$ 3,559.6	$ 3,620.1	$3,589.9	$3,709.1
Projected New Tax-Supported Debt Authorizations	$ 171.1	$ 178.0	$ 181.0	$ 179.5	$ 185.5

Second, no "tax-supported obligations of the State" and no "Transportation Trust Fund ("Trust Fund" or "TTF") debt obligations" (each as hereinafter defined) of the Delaware Transportation Authority may be incurred if the aggregate maximum annual payments on all such outstanding obligations exceed 15% of the estimated aggregate budgetary General Fund revenue, plus Trust Fund revenue for the fiscal year following the fiscal year in which such obligation is incurred (the "15% Test"). Any such debt incurred would have to comply with this test, as illustrated in the following table:

The 15% Test
(in millions)

	Fiscal 2013(1)
General Obligation Debt Service	$ 232.7
Less: Excluded Debt Service (2)	(64.5)
Other Tax-Supported Debt Service (3)	25.7
Total Tax-Supported Debt Service	$ 193.9
Delaware Transportation Authority (TTF) Debt Service	$ 124.6
Total Debt Service	$ 318.5
Estimated Aggregate Budgetary General Fund and TTF Revenue (4)	$4,001.8
Total Debt Service as Percent of Total Revenue	7.96%

(1) Year of maximum annual debt service. Totals in column may not add due to rounding.
(2) Portion of general obligation debt service to be reimbursed by local school districts and the Trust Fund.
(3) Includes projected payments on lease obligations of the State.
(4) Based upon September 19, 2011 revenue projections of DEFAC for fiscal 2013. See "STATE FINANCIAL OPERATIONS - Revenue and Expenditure Forecasting."

"Tax-supported obligations of the State" include a) all obligations of the State or any agency or authority thereof to which the State's full faith and credit is pledged; and b) all obligations of the State or any agency or authority thereof extending beyond one year with respect to the lease, occupancy or acquisition of property which are incurred in connection with debt financing transactions (for example, certificates of participation), and which are payable from taxes, fees, permits, licenses and fines imposed or approved by the General Assembly. Tax-supported obligations do not include a) obligations incurred to acquire a like principal amount of full faith and credit obligations issued by a local school district to the extent such local school district obligations are not in default; b) any obligations of the Delaware Transportation Authority; c) any tax or other revenue anticipation notes or bonds of the State; or d) obligations to the extent that the debt service with respect thereto is reasonably expected to be offset (as determined by the Secretary of Finance) by lease payments, user fees, federal grants or other payments from a non-budgetary General Fund source.

"Transportation Trust Fund debt obligations" include all debt obligations of the Delaware Transportation Authority, including all obligations extending beyond one year with respect to the lease, occupancy or acquisition of property which are incurred in connection with debt financing transactions (for example, certificates of participation), and which in any case are payable from the Trust Fund. Trust Fund debt obligations do not include any obligations to the extent that the debt service with respect thereto is reasonably expected to be offset (as determined by the Secretary of Finance) by lease payments, user fees, federal grants or other payments from a non-State source.

Third, no general obligation debt (with certain exclusions) may be incurred if the maximum annual debt service payable in any fiscal year on all such outstanding obligations will exceed the estimated cumulative cash balances (including all reserves) for the fiscal year following the fiscal year in which such obligation is incurred (the "Cash Balances Test"), as estimated by the Secretary of Finance. The Bonds also comply with the Cash Balances Test, as illustrated below:

The Cash Balances Test
(in millions)

	Fiscal 2013 [(1)]
General Obligation Debt Service	$ 232.7
Less: Excluded Debt Service [(2)]	(64.5)
Net General Obligation Debt Service	$ 168.2
Projected Cumulative Cash Balances [(3)]	$ 218.5

(1) Year of maximum annual debt service. Totals in column may not add due to rounding.
(2) Portion of general obligation debt service to be reimbursed by local school districts and the Trust Fund.
(3) As estimated by the Secretary of Finance based upon September 19, 2011 budgetary General Fund revenue projections by DEFAC for fiscal year 2013.

General Obligation Debt

On June 30, 2011, the outstanding general obligation debt of the State, a portion of which was supported by budgetary General Fund revenue and a portion of which was supported by budgetary Special Funds, was as follows:

Outstanding General Obligation Debt
(in millions)

General Obligation Debt Supported by Budgetary General Fund Revenue	
State Facilities	$463.5
School Facilities (State Share)	612.4
Subtotal	$1,075.9
General Obligation Debt Supported by Budgetary Special Funds	
Highways and Other Transportation Improvements	$ 0.8
School Facilities (Local Share)	535.9
Subtotal	$ 536.7
Total General Obligation Debt Outstanding	$1,612.6 [1]

(1) Totals may not add due to rounding.

The Trust Fund reimburses the budgetary General Fund for the payment of debt service on previously issued transportation-related general obligation debt and debt issued on behalf of the Division of Motor Vehicle. As of June 30, 2011, $0.8 million of such debt was outstanding.

The State pays between 60% and 80% of the cost of capital improvements for public school districts upon approval of such cost by the State Board of Education. The public school districts pay the remaining percentage. In conjunction with aggregate construction spending of capital improvement projects, the State issues bonds for 100% of the cost of approved school district projects pursuant to Authorization Acts. Simultaneously, the school districts issue their own bonds (the "School District Bonds") to the State for their 20% to 40% share of capital costs at an interest rate not exceeding 1/4 of 1% above the interest rate on the corresponding State bonds. As debt service payments on the State's bonds become due, school districts are required to pay debt service on the School District Bonds from their tax receipts into the State's budgetary General Fund, and the State pays the total debt service from its budgetary General Fund appropriation. This policy allows the local school districts to borrow capital funds at very competitive rates and to lessen the associated costs of issuance and market access.

No public school district has ever defaulted on any such obligation to the State.

Authorized but Unissued General Obligation Debt

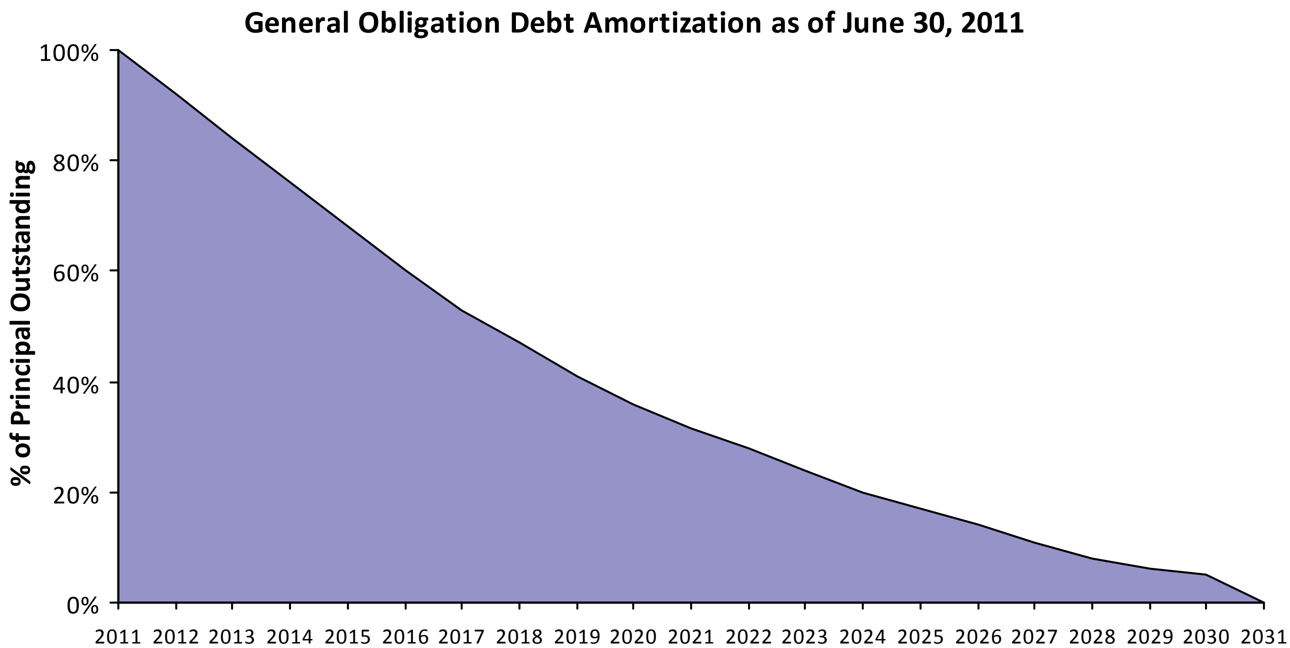
Prior to the issuance of the Bonds, statutory authorization exists for the issuance of additional general obligation debt of the State in the principal amount of $386.1 million.

General Obligation Note Debt

There are no outstanding State general obligation notes or any notes of any authority or agency for whose debt the State has a contingent liability as of the date of this Official Statement.

Debt Burden Comparisons

The State's general obligation debt outstanding was $1,612.6 million on June 30, 2011 with approximately 72.4% scheduled to mature within ten years. The following chart further demonstrates the State's commitment to the rapid retirement of its general obligation debt.



Delaware's debt burden reflects the centralized role of the State government in financing capital projects that are typically funded by local governments in other states, such as schools and correctional facilities. In the U.S. Census Bureau's Public Education Finances survey of 2007 issued in July 2009, Delaware ranked 10th in state spending per pupil in elementary – secondary public schools. Of the $1,612.6 million of debt outstanding as of June 30, 2011, $535.9 million or 33.2% was issued on behalf of local school districts. This debt is fully supported by the property tax revenues of those districts.

The State has instituted a number of measures designed to manage and reduce its indebtedness, as outlined below.

- **Aggressive Retirement of General Obligation Debt**: The State voluntarily retires its general obligation debt rapidly. Approximately 72.4% of current general obligation debt is scheduled to mature within ten years, as noted above.

- **Strict Debt Limitations**: In 1991, the State instituted new debt limits, one of which restricts new debt authorizations to 5% of budgetary General Fund revenue as projected for the next fiscal year. Should revenue collections increase during the fiscal year, no additional authorizations are made. The debt limit also effectively eliminates the use of any "off balance sheet" financing instruments, such as certificates of participation. See "Bonded Indebtedness of the State - Debt Limits" for further information concerning the State's debt limits.

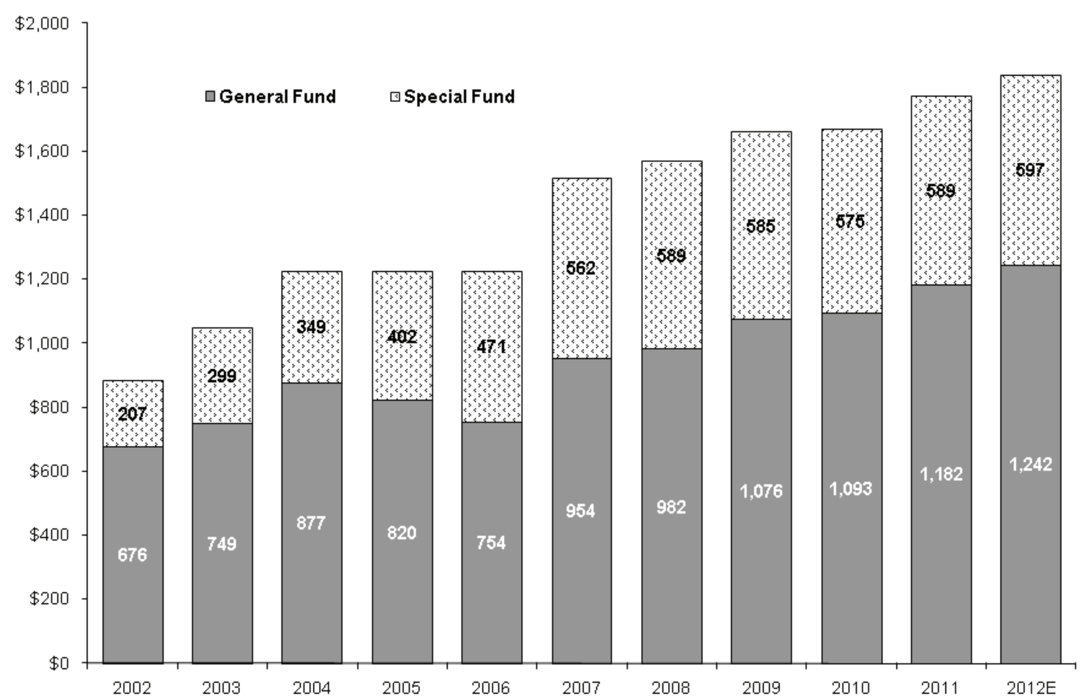
- **Significant "Pay-As-You-Go" Financing**: Over the years, the State has appropriated surplus cash for "pay-as-you-go" financing. Revenue surpluses between fiscal years 1993 to 2001 allowed the State to appropriate cash on average at a rate of 52.6% of capital expenditures. With more modest revenue growth, cash contributions in fiscal 2002 and 2003 were reduced. However, between fiscal 2004 and 2011, the cash funding exceeded $1 billion or 26.8% of capital expenditures.

- **Debt Reduction**: During the period of 1995-2001, the State implemented a substantial debt reduction plan as extraordinary surpluses permitted. Revenues in the fiscal years since 2001 have precluded additional debt reduction efforts, but the State remains committed to debt reduction as a policy initiative as revenues allow.

- **Numerous Bond Refundings**: The State has undertaken a series of bond refundings which have lowered the overall debt service on outstanding State general obligation debt. The savings identified in the following sentences reflect net present value savings. In fiscal 2003, the State refunded over $167 million of its general obligation bonds for a combined savings of $8.7 million. In fiscal 2004, savings of $2.9 million were realized after the State refunded $74.6 million of its general obligation bonds; in fiscal 2005, savings of $1.9 million were realized after the State refunded $48.3 million of its general obligation bonds; in fiscal 2008, savings of $.7 million were realized after the State refunded $16.4 million of its general obligation bonds; in fiscal 2010, savings of $26.4 million were realized after the State refunded $460.6 million of its general obligation bonds; and in fiscal 2011, savings of $3.4 million were realized after the State refunded $54.6 million of its general obligation bonds. With the issuance of the 2011 Bonds, the State will realize net present value savings of approximately $2.7 million after refunding $51.9 million of its general obligation bonds. The State continues to monitor opportunities to refund its outstanding bonds to lower future debt service requirements.

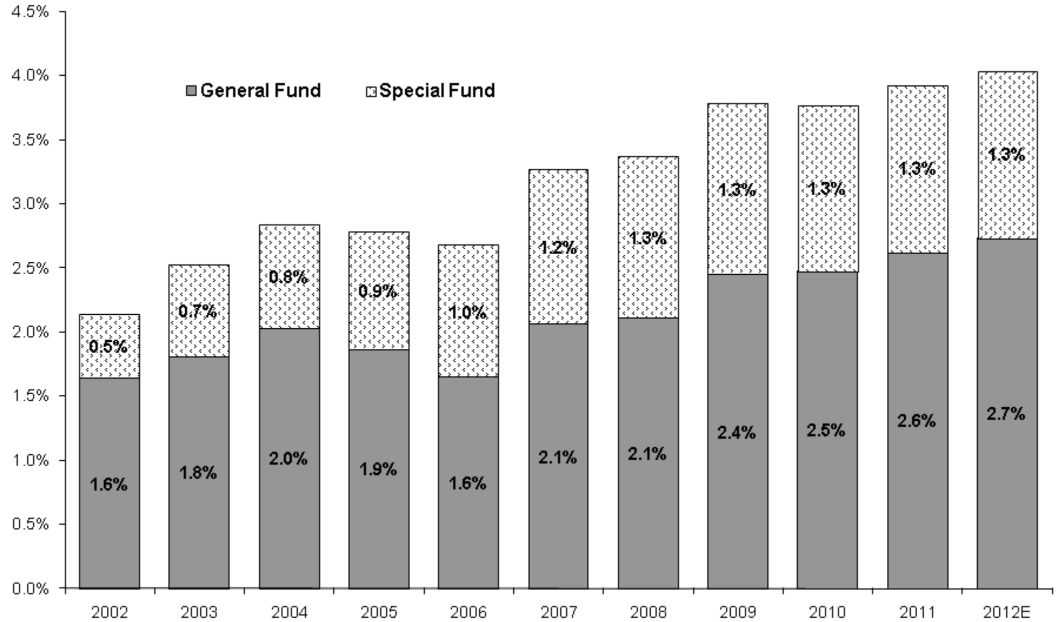
The result of these initiatives has been to reduce the rate of growth in Delaware's debt burden, as depicted on a fiscal year basis in the following three charts.

Debt Per Capita at June 30



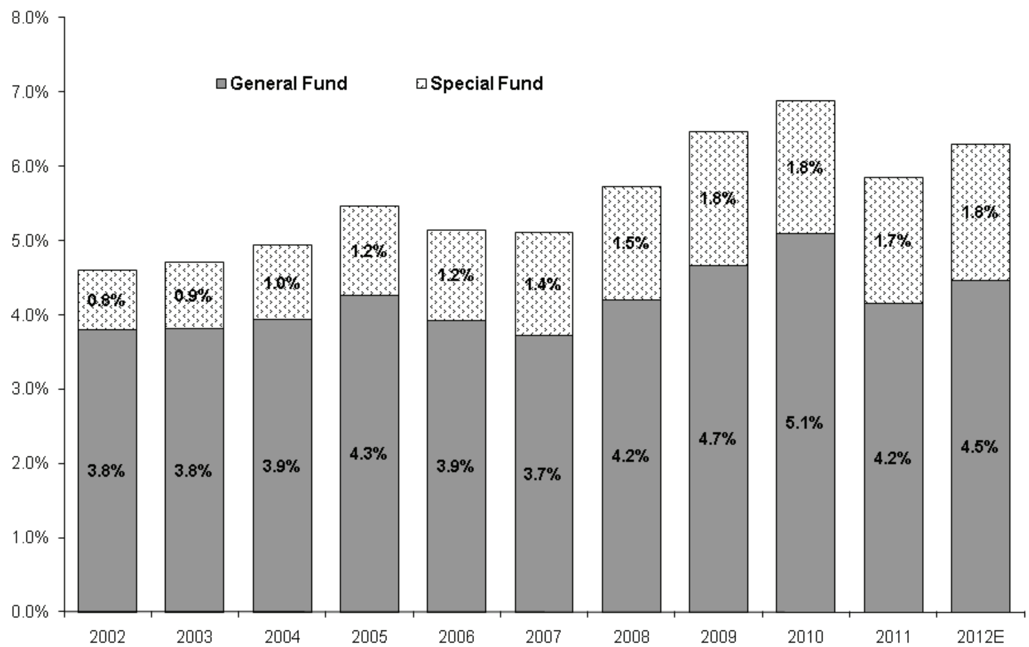
Notes: Shaded area represents portion of general obligation debt funded by the budgetary General Fund. The remainder is funded by budgetary Special Funds.
2012 data assumes a population growth rate of 1.4%.

Debt as a Percentage of Personal Income at June 30



Notes: Shaded area represents portion of general obligation debt funded by the budgetary General Fund. The remainder is funded by budgetary Special Funds.
Personal Income estimates provided by Global Insight and Delaware Department of Finance.

Debt Service as a Percent of Net Budgetary General Fund Revenue at June 30



Notes: Shaded area represents portion of general obligation debt funded by the budgetary General Fund. The remainder is funded by budgetary Special Funds.

Build America Bonds and Qualified School Construction Bonds

"Build America Bonds" are taxable general obligation bonds backed by the full faith and credit of the State and could only be issued in calendar years 2009 and 2010 to finance capital expenditures for which the State could issue tax-exempt bonds. In calendar years 2009 and 2010, the State issued $295,090,000 in aggregate principal amount of Build America Bonds and elected to receive periodic payments from the United States Treasury on each interest payment date equal to 35% of the corresponding interest payable on such Build America Bonds (the "BAB Subsidy Payments").

"Qualified School Construction Bonds" are taxable general obligation bonds backed by the full faith and credit of the State and could be issued to finance the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed. For calendar years 2009 and 2010, the State received Qualified School Construction Bond allocations of $29,784,000 and $29,797,000, respectively. The State carried forward the entire $29,784,000 from 2009 and issued $59,580,000 in aggregate principal amount of Qualified School Construction Bonds in 2010 and elected to receive periodic payments from the United States Treasury on each interest payment date equal to the lesser of: (i) the amount of interest payable on the such Bonds on such date; or (ii) the amount of interest that would have been payable on the such Bonds if the interest were determined at the applicable tax credit rate pursuant to Section 54A(b)(3) of the Code published by the United States Treasury on the sale date of such Bonds (the "QSCB Subsidy Payments").

Neither the BAB Subsidy Payments nor the QSCB Subsidy Payments were pledged to the payment of the Build America Bonds or the Qualified School Construction Bonds, respectively. Such Subsidy Payments are paid directly to the State and the holders of such Build America Bonds and Qualified School Construction Bonds are not entitled to a tax credit related thereto, and interest paid to holders of such Bonds is subject to federal income tax.

Sustainable Energy Utility, Inc. Energy Efficiency Revenue Bonds

In August, 2011, pursuant to the Delaware Energy Act, 29 Del. C. §8059, Energy Utility, Inc. (the "SEU"), a Delaware nonprofit corporation created by and for the benefit of the State issued $67,435,000 of its Sustainable Energy Utility, Inc. Energy Efficiency Revenue Bonds, Series 2011 (the "SEU Bonds").

The SEU has developed a program (the "SEU Program") to issue bonds and utilize the proceeds to pay the costs of designing and implementing energy conservation measures ("ECMs") at the facilities of agencies (defined to include the State, municipalities and state and local governmental agencies and institutions of higher learning). The SEU Bonds were issued to finance the initial ECMs for several State agencies and departments participating in the SEU Program (the "Agencies" and each an "Agency"). Each Agency is obligated to make or cause to be made payments (the "Installment Payments") to the SEU for the ECMs under an Installment Payment Agreement in accordance with the Energy Performance Contracting Act, 29 Del. C. §6971. Each Installment Payment Agreement is the several obligation only of the applicable Agency under which Installment Payments are payable by such Agency out of funds appropriated to such Agency by the State and available for such purpose.

The SEU Bonds are limited obligations of the SEU payable primarily from the Installment Payments to be made by, or on behalf of, the Agencies. The Agencies' obligations to make Installment Payments are subject to appropriation by the State, and the State is not obligated to make any appropriation to an Agency. Neither the State nor any political subdivision thereof shall be obligated to make payments on the SEU Bonds. Neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the SEU Bonds. The issuance of the SEU Bonds does not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor, or to make any appropriation for their payment.

Qualified Zone Academy Bonds

Qualified Zone Academy Bonds ("QZAB") are general obligation bonds backed by the full faith and credit of the State for the repayment of principal, primarily through the use of a sinking fund with a bullet maturity. QZABs are taxable bonds the proceeds of which are limited to improving eligible public schools, such capital projects having been approved by the General Assembly. In lieu of receiving periodic interest payments from the State, an eligible QZAB holder is generally allowed annual federal income tax credits while the QZAB is outstanding.

On December 8, 2006, the State issued $1,433,000 QZABs for the purpose of financing renovations of the following facilities in the Cape Henlopen School District, Sussex County, Delaware: the Lewes School, Milton Elementary School, Rehoboth Elementary School and H.O. Brittingham Elementary School. In conjunction with the QZAB, the State executed a forward delivery contract requiring that the State establish an escrow account to be funded with annual sinking fund deposits and which will be guaranteed interest at a rate of 2.72% per annum.

In 2004, the State issued $908,000 QZABs and, in fiscal 2005, issued $224,177 QZABs to finance the renovations of the Charlton School in the Caesar Rodney School District, Kent County, Delaware. In fiscal 2003, the State issued $760,000 QZABs and, in fiscal 2002, issued $649,000 QZABs. The fiscal 2003 QZAB proceeds funded the renovation of the Charlton School in the Caesar Rodney School District, Kent County, Delaware. The fiscal 2002 QZAB proceeds assisted in the renovation of Georgetown and Showell elementary schools in the Indian River School District, Sussex County, Delaware.

State Revenue Debt

There is currently no State revenue debt outstanding, nor any plans to authorize any State debt other than State general obligation debt.

Lease Obligations

The State has entered into long-term leases with terms in excess of one year. At June 30, 2011, aggregate remaining lease payments total approximately $175.1 million with $109.9 million payable through fiscal 2016. Real estate rentals account for 90.2% of the aggregate payments and equipment rentals account for the remainder. All payments are subject to annual appropriation. The State may not be held contractually liable for the payments in the event that such appropriations are not made. See "APPENDIX B - Notes to the Financial Statements - #8, Lease Commitments". Lease obligations are subject to one of the State's debt limits, the 15% Test. See "BONDED INDEBTEDNESS OF THE STATE - Debt Limits" for a further explanation.

INDEBTEDNESS OF AUTHORITIES, UNIVERSITIES AND POLITICAL SUBDIVISIONS

Oversight responsibility for the issuance of debt by the State and authorities deemed to be part of the State's financial reporting entity is centralized under the Secretary of Finance. The following section sets forth certain indebtedness of State authorities, Delaware State University, the University of Delaware and political subdivisions of the State. The State is not directly or contingently liable for debt service for any of the following indebtedness:

Authorities

Delaware Transportation Authority

The Delaware Transportation Authority (the "Authority") is a body corporate and politic constituting an instrumentality of the State. The Authority acts by resolution of the Secretary of the Department of Transportation (the "Department"), the Director of Finance of the Department and the Transportation Trust Fund Administrator. The Department has overall responsibility for coordinating and developing comprehensive, multi-modal transportation planning and policy for the State. The Authority assists in the implementation of this policy and has the power to develop a unified system of air, water, vehicular, public and specialized transportation in the State, subject to oversight by the Department and the State as hereinafter described.

To assist the Authority in financing a unified transportation system, the State created the Transportation Trust Fund (the "Trust Fund" or "TTF") within the Authority in 1987 to receive revenue and receipts of the Authority. The primary sources of funding of the Trust Fund are motor fuel taxes, motor vehicle document fees, motor vehicle registration fees, and other transportation-related fees, all of which are imposed and collected by the State and transferred to the Trust Fund. The State has irrevocably pledged, assigned and continuously appropriated these taxes and fees to the Trust Fund. The other major source of funding for the Trust Fund is toll and concession revenue of the Delaware Turnpike and the Route 1 Toll Road. 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 financings for these projects.

As of June 30, 2011, the Delaware Transportation Authority had outstanding $1,098.6 million in Transportation System Revenue Bonds and $113.5 million in Grant Anticipation Vehicle Bonds, or "GARVEEs", which were issued to finance a portion of the costs of completing the final design and right-of-way acquisition activities for a new U.S. 301. The Authority may issue bonds to refund prior Authority obligations.

Additional bonds secured on parity with the TTF's senior bonds may be issued subject to the satisfaction of debt service coverage tests and certain other requirements. Under certain circumstances, additional revenue may be pledged by the Authority to secure its bonds, in which case such revenue may be taken into account in determining satisfaction of these debt service coverage tests. The Authority may also incur additional debt, which has a lien on revenue subordinate to the lien of other bonds. See "APPENDIX B - Notes to the Financial Statements - #6, Revenue Bonds".

In addition to debt service coverage tests and certain other requirements, future debt issues of the Authority are subject to one of the debt limits of the State. The debt limit mandates that the aggregate maximum annual payments on the State's tax-supported obligations and the TTF debt obligations of the Authority (plus certain lease obligations) may not exceed 15% of total budgetary General Fund revenue, plus Trust Fund revenue for the fiscal year following the fiscal year in which such debt is issued. See "BONDED INDEBTEDNESS OF THE STATE - Debt Limits" for a further explanation.

The bonds of the Authority do not constitute a debt of the State or a pledge of the general taxing power or the faith and credit of the State or any political subdivision, agency or instrumentality thereof other than the Authority. The State's pledge and assignment to the Authority of motor fuel tax revenue, motor vehicle document fees, motor vehicle registration fees and other revenue pursuant to State law creates an obligation of the State, until there are no longer any Authority bonds remaining outstanding, to continue to impose and collect these taxes and fees at least at the rates in effect on the date of issuance of the Authority bonds and to transfer this revenue to the Authority. The State, however, has no obligation to increase these taxes or fees to provide sufficient revenue to meet payments of debt service on the Authority bonds.

Delaware State Housing Authority

The Delaware State Housing Authority ("DSHA"), created in 1968, had outstanding on June 30, 2011, \$713.7 million of tax-exempt revenue bonds and \$116.4 million of taxable revenue bonds. Approximately \$826.3 million of the outstanding bonds were issued to finance the purchase of single-family homes, and \$3.8 million was issued to finance multi-family housing. The security for these bonds is mortgage loan repayments, reserve funds, bond proceeds and other revenue. The taxable bonds have been issued primarily to finance second mortgages, providing down payment and closing cost assistance to eligible first-time homebuyers. See "APPENDIX B - Notes to the Financial Statements - #6, Revenue Bonds".

Bonds issued by DSHA ("DSHA Bonds") do not constitute a debt or liability of the State. The enabling legislation, however, provides that the General Assembly may, but is not obligated to, make appropriations to restore DSHA's capital reserve fund if such fund is drawn upon to meet debt service payments on certain of the DSHA Bonds. As of June 30, 2010, there were no DSHA Bonds outstanding which are entitled to the benefit of the capital reserve fund. To date, the General Assembly has not been requested to make any such "moral obligation" appropriations. The statutory debt limit of the DSHA is \$350.0 million in bonds carrying the moral obligation of the State.

The Delaware Economic Development Authority

The Delaware Economic Development Authority and its predecessors had outstanding approximately \$1.205 billion in economic development revenue bonds on June 30, 2011, none of which are backed by the full faith and credit of the State.

The following two Authorities are not part of the State's financial reporting entity. The State, however, exercises oversight regarding their debt activities.

Delaware Solid Waste Authority

The Delaware Solid Waste Authority was created in 1975 and is the sole entity in the State responsible for the planning and administration of a comprehensive statewide program for the management, storage, collection, transportation, utilization, processing (including resource recovery), and disposal of solid waste and sewage sludge. On June 30, 2011, the Authority had \$122.4 million outstanding solid waste revenue bonds.

Delaware Health Facilities Authority

The Delaware Health Facilities Authority, established in 1973, is authorized to issue revenue bonds and notes to finance projects for health care facilities located in the State. As of June 30, 2011, there were outstanding \$625.6 million of revenue bonds issued for the benefit of these facilities. The Authority has no taxing power and no source of funds other than from the contractual obligations of participating health care facilities.

Universities

Delaware State University

There were outstanding on June 30, 2011, \$54.3 million of revenue bonds issued by the Delaware State University. These bonds are secured by the University's pledge of certain of its net operating revenue and net non-operating revenue, exclusive of gifts, grants, bequests, contributions and donations to the extent specifically restricted to a particular purpose inconsistent with their use for the making of debt service payments and any funds appropriated by the State of Delaware.

University of Delaware

There were outstanding on June 30, 2011, $363.9 million of revenue bonds issued by the University of Delaware for housing, dining and other auxiliary facilities. These bonds are secured by revenue generated by the facilities.

Political Subdivisions

The approximate aggregate principal amount of general obligation bond indebtedness of the three counties, the City of Wilmington, the other cities and towns and the school districts of the State, as of June 30, 2011, is outlined in the following table:

General Obligation Debt of Political Subdivisions
(in millions)

New Castle County	$ 389.2
Sussex County	188.2
Kent County	50.3
Wilmington	106.5(1)
Other Cities and Towns	205.6(2)
School Districts	535.9(3)
Total	$1,475.7

(1) Of this total, $7.6 million in principal is supported by payments from the Diamond State Port Corporation, an instrumentality of the State. Excludes $25.4 million of Wilmington Parking Authority bonds guaranteed by the City of Wilmington.
(2) Excludes revenue bonds and anticipation notes.
(3) Represents local shares sold by the State on behalf of the school districts (as reported in the earlier chart entitled "Outstanding General Obligation Debt").

Source: Chief fiscal officers of respective governmental entities.

Indebtedness of counties, towns, and cities, other than the City of Wilmington, has been incurred primarily for water and sewer projects and general municipal purposes, subject to various debt limits. The State is not liable for any of this indebtedness. Unlike most other states, the State, rather than the local governments, is principally responsible for capital expenditures for schools and correctional facilities.

School districts may not issue bonds (including bonds sold to the State by school districts to fund the 20% to 40% share of capital costs), except to refund outstanding bonds, in an aggregate amount causing bonded debt of the district, less sinking funds on hand for payment of such bonded debt, to exceed 10% of the assessed value of the real property in the district.

ECONOMIC BASE

The State is located on the eastern seaboard of the United States and is bordered by the Atlantic Ocean and the Delaware Bay, as well as by the states of New Jersey, Pennsylvania and Maryland. It has a land area of 1,955 square miles, ranking 49th in area in the United States. The State is 96 miles long and varies from 9 to 35 miles wide, with elevations ranging from sea level to 442 feet. As the first state to ratify the United States Constitution on December 7, 1787, Delaware is known as "The First State."

Recent History

Since fiscal 2004, Delaware's economic performance has largely mirrored national trends, although the State's income growth and employment growth has slightly lagged the U.S. growth rates. While Delaware's ties to the national economy are unmistakable, throughout the recent business cycle, Delaware consistently posted lower unemployment rates than the United States. (For a summary of Delaware's most recent economic forecast, sec "STATE FINANCIAL OPERATIONS — Economic Projections".)

Delaware's mixed recent performance is due, in part, to the changing composition of its economic base. With a heavy concentration in financial services, the State's economy could not avoid the effects of recent industry turmoil. Despite this uncertainty, the State's major employers, Bank of America, JP Morgan Chase and Barclays Bank, for example, continue to maintain a major presence in the State and demonstrate Delaware's importance as a financial center. Most recently, Capital One has announced plans to add about 500 jobs in Delaware by 2013.

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

Since the adoption of the Financial Center Development Act in 1981, diversifying Delaware's economy has consistently ranked among State policymakers' highest priorities. The State's economic development efforts have followed a two-pronged approach. Broadly speaking, Delaware has continually improved its business climate using a combination of (i) prudent fiscal management, including judicious tax policy, and (ii) strategic investments in public education and infrastructure. When faced with specific challenges, alert and supportive policymakers have teamed with the business community to develop effective policy responses to a changing economic landscape.

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

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

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

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

Population

Between 2009 and 2010, Delaware's population was estimated to have increased by 1.3 percent, to 897,934 inhabitants. In comparison, there was 0.22 percent growth in the region and 0.6 percent growth in the nation over the same period.

The following table presents population trends for Delaware, the mid-Atlantic region and the United States for 2005 through 2010.

Population
(in thousands)

	Delaware		Mid-Atlantic Region [1]		United States	
	Population	Change	Population	Change	Population	Change
2005	840	1.6%	46,793	0.3%	295,753	0.9%
2006	853	1.6	46,917	0.3	298,593	1.0
2007	865	1.4	47,080	0.3	301,580	1.0
2008	876	1.3	47,232	0.3	304,375	0.9
2009	885	1.0	47,439	0.4	307,007	0.9
2010	898	1.3	47,544	0.2	308,746	0.6

(1) Mid-Atlantic region consists of Maryland, New Jersey, Pennsylvania, New York and Delaware.
Source: U.S. Census Bureau.

Major Political Subdivisions

The State has three counties: Kent, New Castle, and Sussex. All of the cities and towns in the State are independent, incorporated municipalities. There are three major cities: Wilmington, the largest city, with a 2010 estimated population count of 73,022; Dover, the State capital and the site of a major U.S. Air Force base, with a 2010 estimated population count of 37,341 residents; and Newark, the site of the University of Delaware, with a 2010 estimated population count of 30,486.

The following table shows the population of the State's three counties for the years 2005 through 2010. Approximately 60 percent of the State's population lives in New Castle County, the northernmost county. Sussex County, the southernmost county, and Kent County continue to show stronger growth, more than twice that experienced by New Castle County.

Population by County

	New Castle	Change	Kent	Change	Sussex	Change
2005	520,929	0.78%	143,308	3.5%	175,687	2.5%
2006	524,464	0.67	148,037	3.3	180,505	2.7
2007	527,778	0.63	152,094	2.7	185,022	2.5
2008	531,048	0.62	155,487	2.2	189,659	2.5
2009	534,636	0.67	157,740	1.4	192,755	1.6
2010	538,170	0.66	160,058	1.4	196,945	2.1

Source: Delaware Population Consortium.

Personal Income

Personal income is the income received by all persons from all sources. The State's total personal income rose by 3.6 percent from calendar 2009 to 2010, compared with increases of 3.9 percent for the mid-Atlantic region and 3.7 percent for the nation. Total State personal income in calendar 2010 was $35.7 billion.

The following table provides per capita personal income comparisons for calendar 2005 through 2010. (Per capita personal income is the annual total personal income of State residents divided by the population.) Per capita personal income of Delaware residents rose by 2.7 percent from calendar 2009 to 2010 compared with 3.1 percent in the mid-Atlantic region and 2.8 percent in the U.S. over the same period. In comparison, State per capita personal income was approximately equal to 99 percent of U.S. per capita personal income in calendar 2010.

Per Capita Personal Income

	Delaware	Change	Mid-Atlantic Region(1)	Change	United States	Change	Delaware as Percent of the United States
2005	$36,771		$39,777		$35,452		104%
2006	38,812	5.6%	42,544	7.0%	37,725	6.4%	103
2007	39,808	2.6	44,736	5.2	39,506	4.7	101
2008 ……….	40,549	1.9	46,314	3.5	40,947	3.6	99
2009	38,626	-4.7	44,397	-4.1	38,846	-5.1	99
2010	39,664	2.7	45,790	3.1	39,945	2.8	99

Source: U.S. Department of Commerce.
(1) Mid-Atlantic region includes Delaware, Maryland, New York, New Jersey and Pennsylvania.

Unemployment Rates

Delaware's average unemployment rate for 2010 rose to 8.5 percent from 8.0 percent in 2009. The region had an overall average unemployment rate of 8.7 percent in 2010, up from 8.3 percent in 2009. The following table presents the average annual unemployment rates for Delaware, the region, and the U.S. from 2003 through 2010.

Unemployment Rates

	Delaware	Mid-Atlantic Region[1]	United States
2003	4.2%	5.8%	6.0%
2004	3.9	5.3	5.5
2005	4.0	4.8	5.1
2006	3.5	4.5	4.6
2007	3.5	4.3	4.6
2008	4.9	5.2	5.8
2009	8.0	8.3	9.3
2010	8.5	8.7	9.6

Sources: U.S. Department of Labor and Delaware Department of Labor.

(1) Mid-Atlantic Region consists of Delaware, Maryland, New York, New Jersey and Pennsylvania.

In September 2011, Delaware's unemployment rate of 8.1 percent was the 24th lowest in the nation. In the surrounding states, Maryland was tied for 16th at 7.4 percent, New York was tied for 22nd at 8.0 percent, Pennsylvania was tied for 26th at 8.3 percent, and New Jersey was 36th at 9.2 percent.

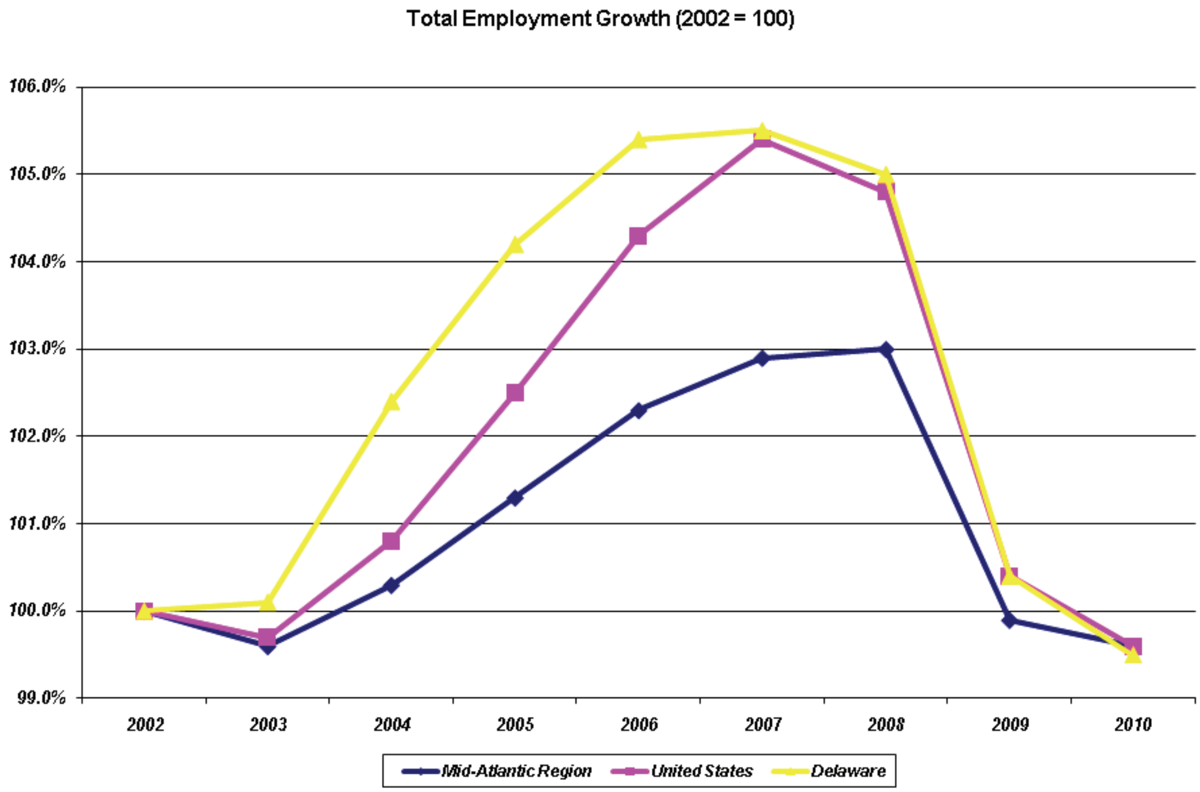
Employment

The rate of non-agricultural job growth in Delaware slowed to negative 0.9 percent in 2010. There were also job losses in the region and the nation of 0.3 percent and 0.8 percent, respectively.

Non-Agricultural Employment Growth Rates - %

	Delaware	Mid-Atlantic Region	United States
2002	(1.1)%	(0.9)%	(1.1)%
2003	0.1	(0.4)	(0.3)
2004	2.3	0.7	1.1
2005	1.8	1.0	1.7
2006	1.2	1.0	1.8
2007	0.1	0.6	1.1
2008	(0.5)	0.1	(0.6)
2009	(4.6)	(3.1)	(4.4)
2010	(0.9)	(0.3)	(0.8)

Sources: U.S. Department of Labor and Delaware Department of Labor.



Source: Delaware Department of Labor

In terms of employment, Government remained the single largest industry sector in Delaware in 2010. Total employment across all federal, state and local government entities averaged 62,800 over the year, an increase of 500 jobs over 2009. Among private industry sectors, Health Care and Social Assistance remained as the state's largest industry sector with 57,300 jobs; Retail Trade was again the second-largest with 49,500.

Four private industry sectors and Government added jobs in 2010: Health Care and Social Assistance (+900); Accommodation and Food Services (+600); Arts, Entertainment, and Recreation (+600); Government (+500); and Educational Services (+200).

Employment by Industry Sector
(in thousands)

	2005	2006	2007	2008	2009	2010
Construction	27.9	29.3	27.7	25.1	20.0	19.3
Manufacturing	33.2	33.5	33.4	31.7	27.9	26.2
Wholesale Trade	14.9	15.1	14.9	14.6	13.2	12.5
Retail Trade	53.5	53.6	54.3	53.0	49.7	49.5
Transportation, Warehousing and Utilities[1]	13.3	13.8	14.0	13.6	12.4	11.9
Information	6.7	6.7	6.9	7.0	6.5	6.0
Finance and Insurance	38.7	38.2	38.8	39.0	38.0	37.1
Professional, Scientific and Tech. Services	27.0	25.8	25.1	25.7	24.2	23.7
Management of Companies	12.5	12.0	11.5	10.8	10.1	9.5
Administrative and Support Services	23.0	23.4	23.4	23.1	21.3	21.3
Educational Services	6.8	7.3	7.4	7.4	7.3	7.5
Health Care and Social Assistance	48.8	50.6	52.6	55.2	56.4	57.3
Arts, Entertainment and Recreation	8.8	8.8	8.2	8.1	7.8	8.4
Accommodation and Food Services	31.8	32.2	32.5	33.0	32.9	33.5
Other Services	19.8	20.3	20.4	20.3	19.8	19.7
Government	59.4	60.6	61.2	62.1	63.3	63.8
Total Nonfarm Employment	432.7	437.8	438.3	436.1	416.6	412.7

[1] Combines the industry sector Transportation and Warehousing with the sector Utilities.
Source: Delaware Department of Labor.

Chemical and Advanced Materials Industry

In Delaware, the business of chemistry is a vital part of the economy. Chemicals represent the leading export category for the State accounting for about 52% of Delaware's total manufactured exports. The chemical manufacturing industry is a cluster in Delaware with more than a 200 year local history. The requirement for rapid chemical and material innovations has diversified and today thousands are employed in this vital industry.

The chemical industry in the State is diverse, going beyond the manufacturing of chemicals and includes advanced materials, instrumentation, research and development, marketing, distribution, intellectual property, and other capabilities that distinguish industry segments. Companies in Delaware are meeting the challenge for the future as they continue to innovate for growth rather than mature and decline.

The importance of the chemical industry to Delaware's economy historically stems from the establishment of E.I. du Pont de Nemours & Co., Inc. ("DuPont") which was founded in 1802. DuPont (NYSE: DD) is a market-driven, science company and one of the State's largest private employers. Operating globally with over $33 billion in annual sales in 2010, DuPont offers a wide range of innovative products and services for markets including agriculture, nutrition, electronics, communications, safety and protection, home and construction, transportation and apparel.

The global chemical and advanced materials industry is going through some of the most turbulent times in its history. The economic situation remains volatile, but many businesses are seeing a more stable environment for a continued recovery. Against this background, Delaware companies are making sure they are continually improving their processes and developing innovative solutions that meet the specific requirements of markets and consumers.

Ashland Inc. (NYSE: ASH) created a leading specialty chemicals company with the acquisition of Hercules. The company now includes three specialty chemical businesses (paper and water technologies, specialty resins, and specialty additives and functional ingredients) which will maintain a significant presence in Delaware especially at the research and technology center.

The Dow Chemical Company (NYSE: DOW), which acquired Rohm and Haas, expects that its Delaware site will continue to be responsible for products and process R&D applications and customer support primarily in North America and Europe.

L'Air Liquide (OTC: AIQUY) is a worldwide leader in industrial and medical gases and related services. Founded in 1902, L'Air Liquide operates in more than 65 countries through 125 subsidiaries. L'Air Liquide has a state-of-the-art R&D facility in Delaware where it consolidated US research and development operations along with some of its manufacturing engineering business. The total capital expenditures budget for this project was nearly $30 million and it brought to Delaware many top scientists from around the globe.

Agilent Technologies ("Agilent") (NYSE: A) Life Sciences and Chemical Analysis group is a world leading provider of instrumentation, supplies, software and services to life science and chemical analysis markets. The Little Falls Site in Delaware is the major location for the company's chemical analysis measurement R&D, marketing and manufacturing operations. In November 2007, Agilent opened its East Coast Center of Excellence at the company's Delaware facility which employs almost 800.

In 2008, BASF acquired Ciba Specialty Chemicals (NYSE: CSB). The acquisition strengthened the BASF portfolio and expanded BASF's leading position in specialty chemicals, particularly for the plastics and coatings industries as well as for water treatment. Ciba's Delaware operations were developed to serve as its NAFTA business and manufacturing headquarters for the Coating Effects Business Segment. Ciba made significant investments in Delaware over the last 10 years investing more than $200 million in the expansion and modernization of their pigment manufacturing capabilities. BASF is the world's leading chemical company. Its portfolio ranges from oil and gas to chemicals, plastics, performance products, agricultural products and fine chemicals. BASF has more than 109,000 employees and posted sales of almost $84.6 billion in 2010. BASF has affirmed its commitment to the Newport, Delaware site where they will continue to manufacture high-performance pigments that improve product quality for customers around the world.

TA Instruments ("TAI"), a division of Waters Corporation, is the world-wide market leader in the field of thermal analysis and rheology. It provides thermal analysis, rheometry, and microcalorimetry instruments throughout the world which are used primarily in predicting the suitability of polymers, fine chemicals, and viscous liquids for various industrial, consumer goods and health care products. TAI is also a developer and supplier of software-based products that interface with the company's instruments as well as other instruments manufactured by other companies. TAI's division headquarters are located in Delaware where they recently completed a $40 million expansion project .

Motech acquired the assets of GE Energy's solar module facility in Newark, Delaware and have announced a company-wide strategy to aggressively pursue new technologies. They plan to double the current workforce and significantly increase output.

In June 2010, Testing Machines, Inc., a leading supplier of material testing equipment moved to a new facility in New Castle, Delaware from New York. The new facility serves as a manufacturing location and the new corporate headquarters for the TMI Group of Companies.

Many other companies in this cluster have been investing in their Delaware facilities. Kuehne Chemical has seen its volumes grow and continues to spend capital at its site. Croda opened its innovation centers creating new state of the art R&D labs as well as a modern commercial center. Corn Products located its new applications and development, technical services and sales facility in the State. The DuPont Experimental Station dedicated the DuPont Innovation Center, a building designed through a partnership with the State. FMC Biopolymers invested nearly $8 million to upgrade its operations after selecting the Delaware site over its foreign-based facilities.

Life Sciences

The State is uniquely positioned in the center of one of our nation's life science corridors, as recognized by PhRMA (Pharmaceutical Research and Manufacturers of America). Most of the world's top pharmaceutical companies have major operations within a 50 mile radius of the state capital. Delaware is also home to Christiana Care Health Systems and Nemours A.I. duPont Hospital for Children, who in addition to actively participating in research and clinical trials, have launched a nationally recognized consortium known as the Delaware Health Science Alliance.

Delaware Health Science Alliance combines the priorities and assets of the member institutions, which are Christiana Care Health System, Nemours A.I. duPont Hospital for Children, Thomas Jefferson University and the University of Delaware. This new coalition of leading education, healthcare and medical research institutions has been formed to nurture research and the development of advanced technology with the State.

Other private industry investments help drive Delaware's leadership in life sciences, such as AstraZeneca, Inc., DuPont, Agilent and Siemens AG. DuPont launched their Center for Collaborative Research & Education at their Wilmington-based Experimental Station. The Experimental Station is home to the discovery and development of virtually every major DuPont product since 1903 -including neoprene, nylon, Kevlar(R) and Nomex(R) advanced fibers, Lycra(R) spandex, Tyvek(R) nonwovens, Corian(R) solid surfaces, and Suva(R) refrigerants.

In April 2007, the State and Siemens Healthcare announced the company's new Customer Solutions Center in Newark, Delaware. As a global powerhouse in electronics and electrical engineering, Siemens has always been synonymous with technological excellence, innovation, quality, reliability and internationality. By focusing its business on the industry, energy and healthcare segments, Siemens Healthcare is poised to respond to demographic change, urbanization, climate change and globalization — the megatrends of today and tomorrow.

In November 2007, Agilent, the world's largest maker of scientific equipment, opened an 8,000 square foot state-of-the-art demonstration laboratory in Delaware. Agilent's new Center of Excellence provides potential and existing clients with an opportunity to see its latest machines, run sample tests and have a one-on-one opportunity to meet with the company's scientists. Agilent's Delaware-based Center of Excellence is the eighth in the world and will revamp the way the company markets its products on the East Coast.

In 1999, AstraZeneca Inc. (NYSE: AZN) ("AZ"), formed by the merger of Stockholm-based Astra AB and London-based Zeneca Group PLC, one of the largest pharmaceutical companies in the world, selected Delaware as its U.S. headquarters. In 2004, AZ opened a state-of-the-art Automated Compound Management Facility (ACMF) at its Wilmington R&D campus. Part of a four-year, $165 million investment in U.S. research facilities, this addition is one of four new AZ drug discovery research facilities of its kind worldwide. AZ employs over 61,000 people worldwide in the discovery, development, manufacture and marketing of prescription medicines for six important areas of healthcare including cancer, cardiovascular, gastrointestinal, infection, neuroscience, and respiratory and inflammation. It is estimated that AZ currently employs 3,500 people in Delaware. AZ recently announced it will cut 400 jobs from its commercial business in the U.S., with most of the cuts centered on its Wilmington, Delaware headquarters.

Research and Development

Delaware's economy has long been a source of innovation and technological growth. Some of the State's most prominent firms, such as Agilent (NYSE: A), AstraZeneca, DuPont and W.L. Gore and Associates, are world renowned for their technical breakthroughs and resulting commercial success. The presence of these firms and others like them, as well as its highly capable research universities, have positioned Delaware as one of the leading states in the nation for industry investment and research and development as well as high wage service jobs. The Kauffman Foundation and the Information Technology & Innovation Foundation ranked Delaware 6th overall in the 2010 State New Economy Index, which measures the ability of states to transform from an industrial economic model to one that creates and retains high value-added, high- wage jobs. Delaware has consistently ranked in the top 10 and currently ranks in the top 7 states in the nation for high-wage traded services, foreign direct investment, scientists and engineers, patents and industry investment in R&D.

Delaware's high quality workforce and innovative research and development environment provide excellent opportunities for technology-based business growth and entrepreneurial ventures. The State provides a variety of technology resource programs and innovative business development support to enhance commercialization opportunities. This support includes Delaware's status as a Kauffman FastTrac Affiliate and its Kauffman FastTrac New Venture and Growth Venture Entrepreneurial Training Initiatives, the Delaware Emerging Technology Center ("DE ETC"), a virtual web portal for entrepreneurs, innovators and small businesses offering a Service Provider Network, an interactive Forum, a regionally based business calendar and an Entrepreneurs Boot Camp and Business Plan Competition. As part of its service offerings to the region's emerging technology entrepreneurs, innovators and small businesses, the Delaware Emerging Technology Center partners with initiatives statewide such as Startup Weekend Delaware and the Technology Forum of Delaware.

The University of Delaware's outstanding reputation for research in cooperation with industry is well recognized in many areas. The University's innovative research efforts are illustrated through its partnerships with industry in composite materials, information science, biotechnology, alternative energy, virology and development of genetically engineered vaccines, and agrigenetics, including plant tissue culture research. Through its seven colleges, institutes and various centers, including the Center for Composite Materials, Center for Catalytic Science and Technology, and Center for Climatic Research, the University has fostered growth and development in the chemical, computer, energy, food, agricultural and marine sciences industries.

The University's Institute of Energy Conversion, one of the world's largest thin-film solar cell laboratories performing research and process development for industry, has been designated by the U.S. Department of Energy as a national center of excellence in photovoltaic research and education. The University of Delaware's Center for Composite Materials is one of three partners in an Army Research Laboratory Materials Center of Excellence.

Nemours Biomedical Research, the nation's largest group medical practice devoted to pediatric care, education, and research and headquartered at the Nemours Alfred I. DuPont Hospital in Wilmington, Delaware, has more than 40 different research programs and laboratories to support the medical and surgical staff in restoring and improving the health of acutely and chronically ill children. Based on dollars received from the National Institutes of Health ("NIH"), collectively, Nemours Biomedical Research would rank 16th in overall awards to freestanding children's hospitals. According to the American Hospital Association Guide there are about 250 such children's hospitals.

The Delaware Technology Park ("DTP") is part of Delaware's commitment to attracting both established businesses and promising high-tech companies. With a combination of government, academic and industry partners, it is now home to 54 high-tech companies, including the Delaware Biotechnology Institute. The mission behind the Delaware Technology Park is to promote economic development and innovation and, to that end, has developed an integrated system of technology focused facilities and services. Since its inception, DTP has housed more than 75 companies, including 25 companies that have matured and graduated from the Park. There has been $300 million invested in DTP and an additional $300 million given to DTP organizations through research grants.

Biotechnology

The Delaware Biotechnology Institute ("DBI"), located in the DTP, is an academic unit of the University of Delaware and a partnership among government, academia and industry to help establish Delaware as a center of excellence in biotechnology and the life sciences. DBI's mission is to build a biotechnology network of people and facilities to enhance academic and private sector research, catalyze unique cross-disciplinary research and education initiatives and to foster the entrepreneurship that creates high quality jobs. DBI's 72,000 square foot research facility is designed to house 140 faculty and student researchers and features 25 dedicated research laboratories, 10 common research laboratories, 6 state-of-the-art research instrumentation centers, and several large and small conference areas.

Some of the companies started at DBI are: the Fraunhofer Center for Molecular Biotechnology, Napro Biopharmaceuticals (now Tapestry Pharmaceuticals), LLuminari, Neurologix, InfoQuest Systems, NanoSelect and Quantum Leap.

Delaware's investments serve as seed funding for private investments, such as Fraunhofer Center for Molecular Biotechnology's ("CMB") recent $3.5 million grant from the Bill & Melinda Gates Foundation to support the development of transmission-blocking vaccines against malaria. Established in July 2001 as a partnership between the Fraunhofer Society in Germany and the State of Delaware, CMB conducts research in the area of plant biotechnology, developing cutting edge technologies to assist the diagnosis, prevention and treatment of human and animal diseases. CMB will use the Gates Foundation funding to produce lifesaving vaccines in non-genetically modified plants. This is the third grant that CMB has received from the Bill & Melinda Gates Foundation, having previously received a $2.7 million award for the development of novel subunit vaccines against influenza and a $1.2 million grant for pre-clinical studies towards the development of a vaccine against African trypanosomiasis. CMB has received a $4.398 million award from the Defense Advanced Research Projects Agency to develop a vaccine against H1N1 influenza virus using its plant-based production platform.

DBI led Delaware's effort towards gaining Experimental Program to Stimulate Competitive Research ("EPSCoR") status with the National Science Foundation's Experimental Program Status Competitive Research. EPSCoR status provides Delaware and 22 other qualifying states and U.S. territories with a better chance for federal funding dollars. Eight federal agencies participate in this program with the NIH and the National Science Foundation ("NSF"), two of the most prominent agencies.

Over the past five years, DBI has successfully built a nationally recognized capability in plant molecular biology to better understand the basic processes that control plant development on the genetic level. Combined with the highly regarded genomics-based poultry disease research located at DBI, this newly developed capability has direct applications to serve Delaware's agricultural industry.

Leading-edge interdisciplinary research is at the core of DBI's work. Successful partnerships are already underway involving biology, biochemistry, engineering, marine, materials science and computational biology. Encompassing 12 academic departments at the University of Delaware alone, collaborations are also state-wide, national and international, with the participation of scientists from Delaware State

University, Delaware Technical & Community College, and Wesley College. DBI-affiliated researchers are principal investigators in a growing portfolio of federal research grants from NSF, NIH, the U.S. Department of Agriculture ("USDA") and numerous other government agencies and private foundations.

To ensure Delaware's continued voice in regional biotechnology industry opportunities, the Delaware BioScience Association ("DBA") was formed in 2006. DBA is a non-profit trade association dedicated to promoting and expanding Delaware's bioscience industry by establishing a unified voice in order to accelerate the growth of human, animal, plant, and industrial bioscience, advocating on behalf of the industry in support of public policies that advance bioscience in the State, supporting initiatives that help attract bioscience talent and enterprises to the State, as well as support their retention and growth, while developing and implementing programs that build local, regional, national, and international recognition of and support for Delaware's bioscience industry.

Delaware State University ("DSU"), an Historically Black College is another proud contributor to Delaware's biotechnology research and technology transfer. In 2009, DSU launched the Center for Integrated Biological and Environmental Research designed as a regional faculty network hub that includes DSU, Wesley College, Delaware Technical & Community College and University of Delaware. Major functions of the center include: (1) identifying funding opportunities and assisting in bringing together groups of researchers in order to secure grants; (2) communicating the availability of and training on the use of research instrumentation and equipment across the network; (3) coordinating the use and maintenance of key common research facilities at DSU; and (4) integrating research and outreach activities for partner institutions.

Financial Services Industry

Banks and other financial institutions have been a major focus of Delaware's economic development activity since 1981. In that year, landmark legislation was passed that opened Delaware to interstate banking, modernized the State's banking laws, and permitted the creation of new types of special purpose intermediaries. The 1981 Financial Center Development Act created strong economic incentives for the banking industry in Delaware, including a favorable state tax structure and a market based approach to lending that eliminated restrictive usury caps. These laws continue to create a favorable economic environment for banking. The State subsequently enacted additional legislation in order to sustain the State's competitive advantage in banking. In 1989, the Bank and Trust Company Insurance Powers Act was signed into law which allowed State-chartered banks and trust companies to underwrite and sell various types of insurance. In response to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, the State enacted legislation in 1995 to keep Delaware's banking community competitive and to maintain Delaware's role as a financial services center. In 1995, the State Bank Commissioner issued the "Incidental Powers Regulation", which is designed to keep Delaware competitive by allowing state-chartered banks and trust companies to exercise additional powers incident to a banking corporation. The State tax structure was modernized in 2006 by allowing banks to elect an alternative system based on a three-factor income apportionment for multi-state operations, plus a location benefit tax reflecting the value of utilizing Delaware's banking laws and bank system.

There are currently over 70 banks and trust companies in Delaware, including full-service commercial banks, credit card banks, non-deposit and limited purpose trust companies, wholesale banks, and federal and state savings banks. Banking is one of the State's largest private industry sector employers, with over 25,650 employees as of December 2010, according to the Delaware Department of Labor. Credit cards are a major industry. Prominent credit card issuers in Delaware include Bank of America, JP Morgan Chase & Co. (USA), Discover Bank and Barclays Bank Delaware. Other major bank employers include M&T Bank Corporation, PNC Financial Services Group, Inc., ING Direct, N.A., Citigroup and HSBC. During the fiscal year ending June 30, 2011, the bank franchise tax contributed $119.7 million, about 3.4% of the State's total revenues.

Construction

During 2010, Delaware's housing production totaled 3,169 units. The following table outlines total housing production in the State by county for 2006 through 2010. Housing production includes single and multifamily, public and private housing, as well as mobile homes. In 2010, single family housing (including condominiums) represented 89% of total production, and multifamily units represented 11%.

Production of Housing Units

	2006	**2007**	**2008**	**2009**	**2010**
New Castle County	1,752	1,314	822	794	608
Kent County	1,840	1,282	988	774	787
Sussex County..............................	3,086	2,347	1,536	1,555	1,560
Mobile Homes*............................	1,203	752	524	344	214
Total	7,881	5,695	3,870	3,467	3,169

* Mobile homes sales data is from the Delaware Division of Motor Vehicles (DMV). As of 2007, the DMV is collecting this data on the fiscal year rather than the calendar year, as in years past. Please keep this in mind when comparing data.

Source: Delaware State Housing Authority.

Automotive Industry

In October 2009, Fisker Automotive, a start-up automaker, announced the acquisition of GM's Wilmington Boxwood Road Assembly Plant ("Boxwood Road Plant") to build plug-in hybrid electric cars. Financed with the help of a $528 million U.S. government loan, Fisker, of Irvine, California, plans to produce a family sedan called the "Nina". Fisker ultimately expects to build as many as 100,000 electric hybrid sedans in the Boxwood Road Plant, hiring as many as 2,500 people, with 650 people by early 2013. While DEFAC's forecast includes a ramp up in employment to 750 jobs by mid-2013, it incorporates no further assumptions regarding additional hiring beyond that point.

Incorporations

As of December 2010 the total number of business entities registered with the Delaware Division of Corporations exceeded 909,000. More than 117,000 new business entities were formed in Delaware in 2010. The State continues to be the corporate home of over half of all publicly-traded firms in the United States. Delaware is the legal domicile of more than 63% of the companies listed in the "Fortune 500". Delaware leads the nation in per capita business entity filings and has ranked among the top five states in the nation for new business entity formations since 1989. The principal driver of this growth over the long term has been the popularity of alternative business entities, such as Delaware limited liability companies.

The Delaware General Corporation Law is widely regarded as the most modern and flexible corporate statute in the nation. In addition to the option of forming a Delaware corporation, the Delaware Code enables businesses to form as general partnerships, limited partnerships, limited liability companies and statutory trusts. Businesses may also qualify as limited liability partnerships or limited liability limited partnerships. Delaware's legal entity statutes, combined with a well-developed body of case law in important areas of corporate governance such as director liability and takeovers; prompt resolution of commercial and corporate disputes by Delaware's Court of Chancery; and efficient service from the Delaware Division of Corporations have resulted in significant business formation activity.

In order to sustain its competitive edge over other states and countries, Delaware continues to adopt statutes that respond to changing business conditions. Recent laws extend the corporate jurisdiction of the

Court of Chancery to include jurisdiction over commercial technology disputes and allows the Court to mediate many types of complex business disputes, providing a more cost-effective, confidential, and consensual method for resolving litigable disputes. Delaware law provides incentives for businesses to locate headquarter services and captive insurance operations in Delaware. The State's legal entity laws provide a simple method for domesticating an entity in Delaware and converting from one type of business entity to another type of entity. The Division of Corporations continues to enhance its services by offering 1-hour processing service and expanding Internet services to allow businesses to reserve corporate names, access general corporate information and file annual tax returns. All of these enhancements provide further incentives for entrepreneurs, businesses and investors to make Delaware their legal home.

Revised Article IX of the Uniform Commercial Code ("UCC") took effect in most U.S. states in 2001 and provided that many UCC documents should be filed in the debtor's state of incorporation. In July 2001, Delaware became one of the first states to allow for the filing of UCC information via the Internet. In calendar year 2010, the Division of Corporations processed 352,705 UCC filings and searches. General Fund revenue from UCC transactions totaled $16.4 million in fiscal year 2011.

Agriculture

Agriculture is a very significant industry in Delaware. In 2010, there were 2,480 farms, and land in farms at 490,000 acres, accounted for 39% of Delaware's total land area. Farm size averaged 198 acres.

In 2010, the total market value of agricultural land and buildings was $3.97 billion, and the average value per farm was $1,601,000. The average market value per acre of farmland and buildings in Delaware is $8,100, over three times the national average of $2,350. Only four states had a higher value per acre of farm real estate. The average value per acre was unchanged from 2009.

In 2010, the value of agricultural sector production was $1.19 billion and the Delaware agricultural cash receipts total was $1.06 billion for all commodities. Cash receipts at $1.06 billion in 2010 was up 5 percent from the 2009 level of $1.01 billion.

Delaware's 2010 net farm income increased 1% from the 2009 level of $186 million to $188 million. Production increases in livestock values were primarily responsible for the increase in net farm income.

In 2010, Delaware ranked 1st in the United States in both the agricultural production value per farm ($482,005) and per acre ($2,440) as well as cash receipts per acre at $2,169 and net farm income per acre at $384. Delaware ranks 3rd nationally in the number of equine per county and equine-related expenditures in Delaware are estimated at $280 million annually. Delaware is ranked 1st in lima bean acreage and 8th in value of broiler production.

The cash receipts from Delaware farms as compared to the U.S. total in 2006-2010 are outlined in the table below.

FARM CASH RECEIPTS

	DELAWARE				UNITED STATES	
Year	**Livestock & Livestock Products**	**Crops**	**Total Cash Receipts**	**Change from Previous Year**	**Total Cash Receipts**	**Change from Previous Year**
	---------million dollars--------			percent	billion dollars	percent
2006	654	158	812	(13.0)	240.6	(0.1)
2007	790	188	978	20.0	288.5	19.9
2008	781	261	1,042	6.5	316.7	9.8
2009	772	242	1,014	(3.0)	288.5	(9.0)
2010	831	232	1,063	4.8	314.4	8.9

Sources: Delaware Department of Agriculture and National Agricultural Statistics Service/USDA.

The Port of Wilmington

The Port of Wilmington (the "Port") is one of the two largest importers of containerized bananas and other fruit in the world and is a significant east coast importer of: break bulk fruit, juice and produce, particularly winter Chilean fruit, citrus products from Morocco, juice concentrate and fruit from Argentina and liquid bulk juice concentrate from Brazil. Other notable break bulk items moving over the Port's piers include: steel, lumber, paper liner board, dry bulk and liquid petroleum products. The Port has also established a niche in handling specialized cargo such as large wind turbines, dismantled distillation and chemical plants, generators, and livestock export. The Port continues to be a major point of consolidation and export of vehicles to the Middle East, Africa and Central and South America.

The Port has a central location on the east coast and excellent access to rail and highway transportation systems. Warehouse facilities include 250,000 square feet of dry and 750,000 square feet of modern temperature controlled refrigerated space. The combination of relatively new facilities, operational experience, proximity to transportation networks and a skilled labor force has made the Port among the most successful ports in the very competitive mid-Atlantic and Northeast region.

Founded in 1923, the Port is owned and operated by the Diamond State Port Corporation ("DSPC"). In June 1995, the General Assembly authorized the creation of the DSPC, a membership corporation with the Department of State as the sole member, for the purpose of acquiring and operating the Port. On September 1, 1995, DSPC acquired substantially all of the Port's assets from the City of Wilmington. Under the terms of that agreement, DSPC agreed to make payments to the City equal to \$39.9 million over a 30- year period and to pay amounts equal to total debt service on approximately \$51.0 million of indebtedness previously incurred by the City for Port related assets. The Delaware Transportation Authority's Transportation Trust Fund has loaned funds to the DSPC to enable it to restructure certain of the DSPC's debt and to fund certain capital projects. The Delaware River and Bay Authority has participated with DSPC to fund a refrigerated warehouse in 2006. Bank of America and M&T Bank (now owner of the former Wilmington Trust Company) have both loaned funds to DSPC for equipment purchases. DSPC does not have the power to pledge the credit of the State. The total long-term debt of the DSPC outstanding as of June 30, 2011 was \$31.0 million.

In fiscal 2011, a total of 4.4 million tons of cargo passed through the Port's facilities, an increase of 5% compared to fiscal 2010. The combination of growth in cargo tonnage and changes to the mix of cargo increased operating revenue by 13.0% from $28.2 million to $31.9 million. Petroleum Liquid Bulk imports decreased by 0.4 million tons in fiscal 2011 to 1.1 million tons. Compared to fiscal 2010, Dry-Bulk cargo tons increased by 19%. Over $177 million has been provided by the State through fiscal 2011 for Port infrastructure improvements and debt restructuring. The Port is not required to repay these funds.

The Port is part of the State's financial reporting entity and is considered an enterprise fund for the State's GAAP financial reporting purposes. See "Appendix C - Notes to the Financial Statements-#6, Revenue Bonds".

Dover Air Force Base

The federal government maintains a major U.S. Air Force base (the "Base") in Dover, Delaware. The 3,900 acre Base, established in 1941, is the nation's busiest military cargo terminal and a key airlift center. It is home to the 436th Airlift Wing, known as the "Eagle Wing" and the 512th Airlift Wing, referred to as the "Liberty Wing". The 436th Airlift Wing provides command and support functions for assigned airlift operations, permitting worldwide movement of outsized cargo (including the military's largest tanks and heaviest weapons and equipment) and personnel. The unit flies Lockheed C-5 Galaxy transport planes, known as "the free world's largest airlifter" and C-17 Globemaster. Together with the 512th Airlift Wing, aircrews from Dover fly an air fleet that comprises 25% of the nation's strategic airlift capacity. In addition, the Base hosts the Charles C. Carson Center for Mortuary Affairs, the defense department's largest joint-service mortuary facility and the only one located in the continental U.S. There are currently approximately 6,400 military personnel – 3,900 active duty, 1,500 reservists, and 1,000 civilians – who work at the Base. It is estimated that the economic impact of the Base on the local economy is $466 million annually.

STATE FINANCIAL OPERATIONS

The State controls and records its financial transactions on a cash basis of accounting for its day-to-day operations in accordance with the various budgets and statutes passed by the General Assembly and approved by the Governor. See "FINANCIAL STRUCTURE Budgetary Control and Financial Management Systems". The State's audited June 30, 2010, Basic Financial Statements as set forth in Appendix B, were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) using both the modified accrual basis and full accrual basis of accounting. The following discussion of State finances relates to the budgetary General and budgetary Special Funds of the State, as more fully set out in the financial statements included under Appendix A hereto.

Revenue and Expenditure Forecasting

The Delaware Economic and Financial Advisory Council ("DEFAC"), created in 1977, is comprised currently of 34 members appointed by the Governor. Current members of DEFAC include five cabinet-level officials, the State Treasurer, the Controller General, one other governmental official, six legislators, and 20 private citizens from the business, financial and academic communities.

DEFAC is mandated by executive order to submit to the Governor and the General Assembly budgetary General Fund and Transportation Trust Fund revenue forecasts six times each fiscal year in September, December, March, April, May and June for the current fiscal year and the succeeding two fiscal years. A forecast for the current fiscal year and the succeeding four fiscal years is generated once each year, not later than October 1. Budgetary General Fund and Transportation Trust Fund expenditure forecasts are generated for the current fiscal year in December, March, April, May and June. The various DEFAC forecasts contained in this Official Statement were provided as of September 19, 2011.

These revenue and expenditure forecasts are used in the State budget process to ensure compliance with the State's constitutional limits on spending and statutory debt limitations. See "FINANCIAL STRUCTURE - Appropriation Limit" and "Debt Limits". The subcommittees of DEFAC are the Expenditure and Revenue subcommittees, which meet prior to the DEFAC meetings. The full DEFAC meetings are open to the public and provide a general forum for members of the private and public sectors to exchange views on matters of economic and fiscal concern for the State.

DEFAC relies on projections of national economic trends by Global Insight, Inc. (formerly DR1-WEFA), the Department of Finance's econometric model, projections generated by the Department of Transportation, its members' knowledge of the State's particular economic strengths, and its members' understanding of the structure of the State's revenue system. Comparison of DEFAC's forecasts of budgetary General Fund revenue with actual year-end revenue are reviewed in the following table. These forecasts were generated 18 months and 9 months prior to the end of each fiscal year. DEFAC does not project the revenue impact of legislation until after its enactment.

DEFAC Budgetary General Fund Revenue Projections
(in millions)

	2007	2008	2009	2010	2011
18 Months Before Fiscal Year-End	$3,140.4	$3,367.8	$3,524.1	$2,937.7	$3,176.3
9 Months Before Fiscal Year-End	3,280.3	3,390.0	3,411.7	3,143.1	3,363.0
Actual Fiscal Year-End Revenue.........	3,290.2	3,356.7	3,148.0	3,235.1	3,531.5

Economic Projections

Based upon national forecasts by Global Insight, Inc. in September 2011, the State's economy is expected to mirror the performance of the broader U.S. economy, which has been in modest recovery since the recession ended June 2009. The following chart compares forecasted population, employment and personal income growth rates for fiscal 2012 through 2014 for Delaware and the United States, considered by DEFAC in making its revenue forecasts as presented herein.

Projected Economic Growth Rates

	Delaware			United States		
	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2012	Fiscal 2013	Fiscal 2014
Population Growth...........................	1.4%	1.4%	1.4%	1.0%	1.0%	1.0%
Employment Growth........................	0.9	1.8	1.5	0.9	1.1	1.6
Personal Income Growth..................	3.8	4.0	4.0	4.2	3.5	4.1

Sources: Delaware Department of Finance and Global Insight, Inc.

Revenue Summary - Fiscal 2012E - Fiscal 2014E

The following table and chart include DEFAC's forecast of budgetary General Fund revenue from all sources as of September 19, 2011, for fiscal 2012, fiscal 2013 and fiscal 2014. DEFAC forecasts General Fund revenue growth of -4.3%, 5.3% and 1.7% for fiscal years 2012, 2013 and 2014, respectively. See "Fiscal Year Ending June 30, 2012".

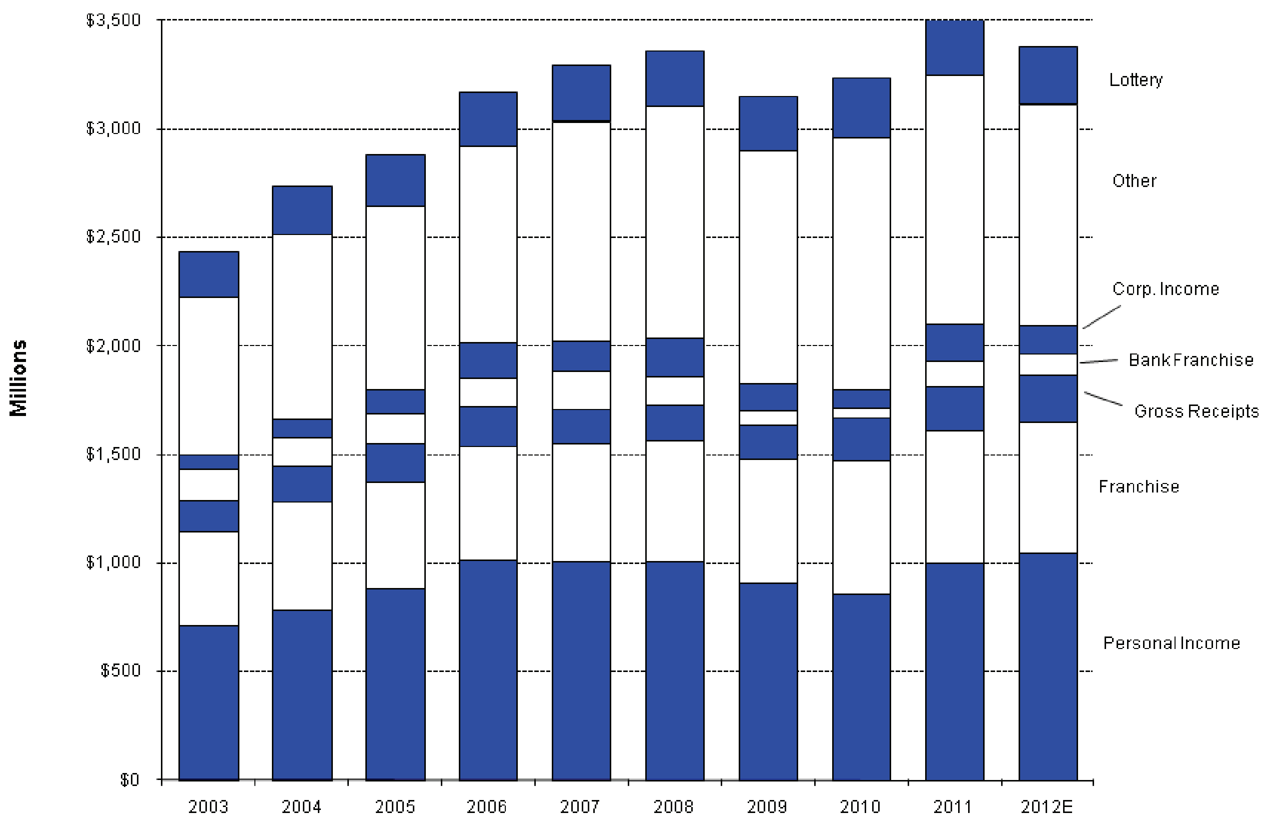
Budgetary General Fund Revenue
(in millions)

	DEFAC Forecasts as of September 19, 2011					
	Fiscal 2012		Fiscal 2013		Fiscal 2014	
	Forecast	Change	Forecast	Change	Forecast	Change
Personal Income Tax	1,233.1	4.9%	1,285.4	4.2%	1,328.0	3.3%
Less: Refunds	-190.0	6.3%	-199.5	5.0%	-209.5	5.0%
PIT Less Refunds	1,043.1	4.6%	1,085.9	4.1%	1,118.5	3.0%
Franchise Tax	608.3	-1.0%	608.3	0.0%	608.3	0.0%
Limited Partnerships & LLC's	164.3	5.1%	172.5	5.0%	181.2	5.0%
Subtotal Franchise Tax and Limited Partnerships & LLCs	772.6	0.2%	780.8	1.1%	789.5	1.1%
Less: Refunds	-11.0	-0.1%	-11.0	0.0%	-11.0	0.0%
Net Franchise Tax and Limited Partnerships & LLCs	761.6	0.2%	769.8	1.1%	778.5	1.1%
Business Entity Fees	87.3	5.0%	91.6	4.9%	96.2	5.0%
Uniform Commercial Code	16.9	2.9%	17.4	3.0%	17.9	2.9%
Corporation Income Tax	165.0	-25.4%	172.1	4.3%	180.7	5.0%
Less: Refunds	-36.8	-30.5%	-38.6	4.9%	-40.6	5.2%
CIT Less Refunds	128.2	-23.8%	133.5	4.1%	140.1	4.9%
Bank Franchise Tax	103.4	-13.6%	110.3	6.7%	116.2	5.3%
Gross Receipts Tax	210.9	4.9%	210.7	-0.1%	218.0	3.5%
Lottery	266.9	-7.0%	256.7	-3.8%	253.8	-1.1%
Abandoned Property	353.6	-17.4%	464.0	31.2%	464.0	0.0%
Hospital Board and Treatment	65.8	-6.7%	64.2	-2.4%	64.5	0.5%
Dividends and Interest	7.0	-21.1%	7.0	0.0%	7.5	7.1%
Realty Transfer Tax	28.5	-35.3%	29.9	4.9%	31.4	5.0%
Estate Tax	20.0	23.7%	21.2	6.0%	16.9	-20.3%
Insurance Taxes	75.3	19.7%	71.5	-5.0%	72.1	0.8%
Public Utility Tax	49.0	-14.3%	49.6	1.2%	51.4	3.6%
Cigarette Taxes	127.4	-1.3%	126.1	-1.0%	124.9	-1.0%
Other Revenues	82.1	-37.5%	86.5	5.4%	84.5	-2.3%
Less: Other Refunds	-47.5	-3.3%	-36.3	-23.6%	-36.3	0.0%
Total[(1)]	$3,379.5	-4.3%	$3,559.6	5.3%	$3,620.1	1.7%

(1) May not equal the sum of its components due to the rounding of actual amount.

The following chart shows both the growth in and source of budgetary General Fund revenues since 2003.

Budgetary General Fund Revenue at June 30
(in millions)



Expenditure Summary - Fiscal 2009- Fiscal 2012E

The following table compares total budgetary General Fund expenditures by major departments for the past three fiscal years ending with fiscal 2011 and estimated expenditures for fiscal 2012. These figures include supplemental appropriations for capital projects. See also "BUDGETARY GENERAL FUND SUMMARIES - Budgetary General Fund Disbursements by Category of Expense."

Budgetary General Fund Expenditures
(in millions)

	Fiscal 2009	Change	Fiscal 2010	Change	Fiscal 2011	Change	Fiscal 2012E[1]	Change
Correction	$256.6	(2.5)%	$238.0	(7.2)%	$245.4	3.1%	$254.7	3.8%
Health and Social Services	832.9	(9.3)	821.4	(1.4)	834.9	1.6	998.0	19.5
Higher Education	252.4	(0.2)	227.3	(9.9)	220.0	(3.2)	213.2	(3.1)
Public Education	1,163.1	2.7	1,116.9	(4.0)	1,091.7	(2.3)	1,109.7	1.7
Safety & Homeland Security	124.2	(1.8)	117.9	(5.1)	126.6	7.4	130.9	3.4
Services to Children, Youth & Their Families	127.1	(6.1)	118.2	(7.0)	120.7	2.1	130.7	8.3
Other Expenditures	539.2	(9.0)	436.8	(19.0)	631.5	44.6	671.3	6.3
Total	$3,295.5	(3.7)%	$3,076.5	(6.6)%	$3,270.8	6.3%	$3,508.6	7.3%

(1) Based on fiscal 2012 budget.

The table below depicts trends in State expenditures by the three major components; i.e., budgetary General Fund base budget for operations, supplemental appropriations for one-time capital projects and debt reduction, and the effect of the carryover of these unspent capital funds on the overall spending levels. The nature of capital projects tends to delay the actual expenditure of capital funds to fiscal years subsequent to the fiscal year in which they were appropriated.

Adjusted Budgetary General Fund Expenditures
(in millions)

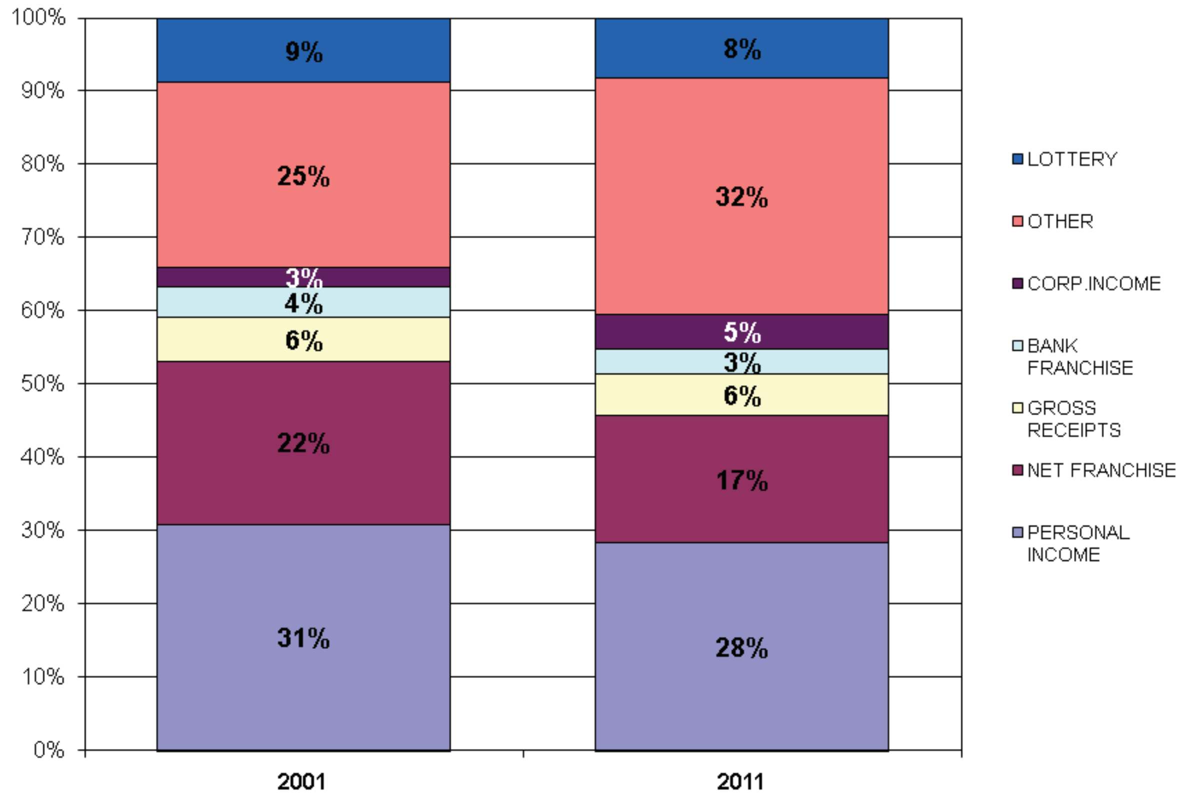
	2009	Change	2010	Change	2011	Change	2012E	Change
Base Budget	$3,066.9	(2.4)%	$3,091.5	8.0%	$3,305.3	6.9%	$3,508.6	6.2%
Supplemental Appropriations	76.2	(6.7)%	35.4	(53.5)%	126.2	256.5%	156.5	24.0%
Prior Year Carryover	152.4	(23.1)%	(50.3)	(133.0)%	(91.7)	82.3%	303.7	431.2%
Total	$3,295.5	(3.7)%	$3,076.6	(6.6)%	$3,270.8	6.3%	$3,968.6[1]	21.3%

(1) Per September 19, 2011 DEFAC revenue and expenditures projections.
Note: Totals may not add due to rounding.

Sources and Uses of State Funds

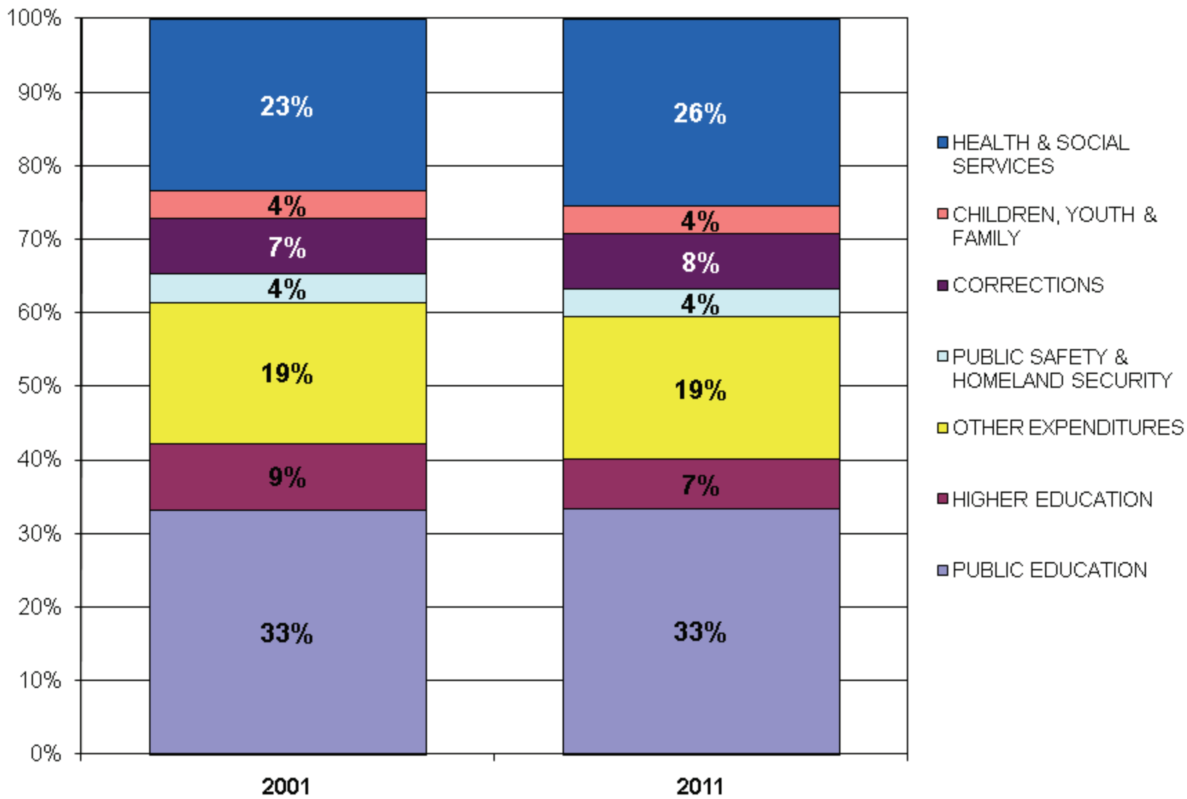
The distribution of budgetary General Fund revenues and appropriations is shown in the following bar charts, which compare fiscal 2010 with ten years earlier.

SOURCES



(1) Other sources include interest, public utility, cigarette, abandoned property, alcoholic beverage, and insurance taxes.

USES

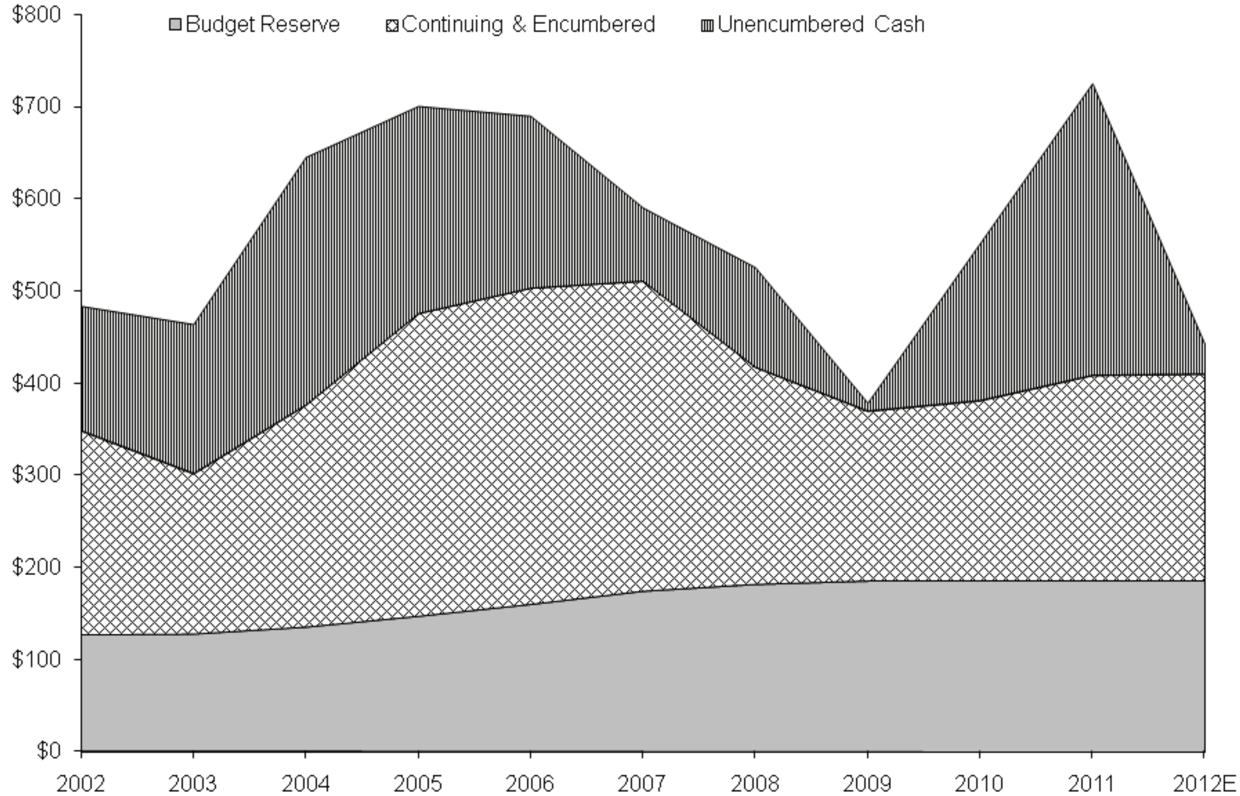


(1) Other uses include administrative services, fire prevention, National Guard, natural resources and environmental control, other elective offices, legislative and executive branches, and agriculture.

CUMULATIVE CASH BALANCES

The following graph reflects growth in the Budget Reserve Account and the changes in continuing and encumbered appropriations and the cumulative cash balances from fiscal 2002 to fiscal 2012E.

Budgetary General Fund
Cumulative Cash Balances at June 30
(in millions)



FISCAL YEAR ENDED JUNE 30, 2010

The State ended fiscal 2010 with a cumulative cash balance of $537.1 million. This balance represented 17.5% of the State's expenditures for the year. The Budget Reserve Account remained fully funded for the fiscal year, totaling $186.4 million. An additional $184.9 million was set aside for continuing and encumbered appropriations resulting in an unencumbered cash balance on June 30, 2010 of $165.8 million.

Revenue

Net budgetary General Fund revenue for fiscal 2010 totaled $3,235.1 million, a 2.8% increase over fiscal 2009.

Personal income taxes, after refunds, were $853.1 million, a decrease of 6.3% from fiscal 2009. The fiscal 2010 total included the impact of a tax increase that took effect midway through the fiscal year on January 1, 2010.

Franchise and Limited Partnership/LLC taxes, after refunds, were $765.1 million, an 8.6% increase over fiscal 2009. The fiscal 2010 estimate included the impact of a franchise tax increase that took effect retroactively on January 1, 2009.

Business entity fees were $74.9 million, a 47.3% increase over fiscal 2009. The fiscal 2010 total included the effect of several fee increases.

Corporate income taxes, after refunds, totaled $87.9 million, a 30.5% decrease from fiscal 2009.

Bank franchise taxes totaled $54.0 million, a 34.0% decrease from fiscal 2009.

Business and occupational gross receipts taxes were $194.6 million, an 18.6% increase over fiscal 2009. Fiscal 2010 included the effect of two gross receipts tax increases, one of which became effective on January 1, 2009 and the other on January 1, 2010.

Lottery revenue totaled $275.5 million, up 11.1% from fiscal 2009. Fiscal 2010 included the first full-year impact of a higher State share of video lottery proceeds as well as the initial year of a new sports lottery.

Abandoned property revenue totaled $493.2 million, a 25.8% increase over fiscal 2009.

Expenditures

Budgetary General Fund expenditures for fiscal 2010 totaled $3,076.5 million, a 6.6% decrease from fiscal 2009. The fiscal 2010 budgetary General Fund operating budget totaled $3,091.5 million, an 8.1% decrease from the fiscal 2009 operating budget. Grants-in-aid appropriations of $35.4 million brought total appropriations to $3,126.9 million. The appropriation package was within the constitutionally-prescribed limit of 98% of estimated revenues.

Balances

The following table outlines the revenue, expenditures and remaining cash balances for fiscal 2010.

Budgetary General Fund Balances - Fiscal 2010
(in millions)

Revenue				$3,235.1
Expenditures				
Budget	$3,091.5			
Grants	35.4			
Supplemental	0.0			
Total appropriations		$3,126.9		
Continued and encumbered (prior years)		183.7		
Total spending authorizations			$3,310.6	
Less: Continued and encumbered (present year)			(184.9)	
Less: Reversions			(49.3)	
Total expenditures				$3,076.5
Operating balance				158.6
Prior year cash balance				378.5
Cumulative cash balance				$537.1
Less: Continued and encumbered (present year)				(184.9)
Less: Budget Reserve Account				(186.4)
Unencumbered cash balance				$ 165.8

FISCAL YEAR ENDED JUNE 30, 2011

The State ended fiscal 2011 with a cumulative cash balance of $797.8 million. This balance represented 24.4% of the State's expenditures for the year. The Budget Reserve Account remained fully funded for the fiscal year, totaling $186.4 million. An additional $303.7 million was set aside for continuing and encumbered appropriations resulting in an unencumbered cash balance on June 30, 2011 of $307.7 million.

Revenue

Net budgetary General Fund revenue for fiscal 2011 totaled $3,531.4 million, a 9.2% increase over fiscal 2010.

Personal income taxes, after refunds, were $997.2 million, a 16.9% increase over fiscal 2010. The fiscal 2011 estimate includes the impact of a full year of a tax increase that took effect on January 1, 2010.

Franchise and Limited Partnership/LLC taxes, after refunds, were $759.7 million, a 0.7% decrease from fiscal 2010. The fiscal 2011 total included the impact of a full year franchise tax increase that took effect on January 1, 2009.

Business entity fees were $83.1 million, an 10.9% increase over fiscal 2010.

Corporate income taxes, after refunds, were $168.3 million, a 91.5% increase over fiscal 2010.

Bank franchise taxes were $119.7 million, a 121.7% increase over fiscal 2010.

Business and occupational gross receipts taxes were $201.1 million, a 3.3% increase over fiscal 2010. Fiscal 2011 included a full year of a tax increase, which took effect on January 1, 2010.

Lottery revenue totaled $287.0 million, a 4.2% increase from fiscal 2010. Fiscal 2011 included the first full-year impact of both the sports lottery and table games.

Abandoned property revenue totaled $427.9 million, a 13.2% decrease from fiscal 2010. Legislation adopted in fiscal 2011 added $24 million to expected General Fund abandoned property collections.

Expenditures

Budgetary General Fund expenditures for fiscal 2011 totaled $3,270.7 million, a 6.3% increase from fiscal 2010. The fiscal 2011 budgetary General Fund operating budget totaled $3,305.3 million, a 6.9% increase from the fiscal 2010 operating budget. Grants-in-aid and supplemental appropriations of $35.2 million and $91.0 million, respectively, brought total appropriations to $3,431.5 million. The appropriation package was within the constitutionally-prescribed limit of 98% of estimated revenues.

Balances

The following table outlines estimated revenue, expenditures and remaining cash balances for fiscal 2011.

Budgetary General Fund Balances - Fiscal 2011
(in millions)

Revenue				$3,531.4
Expenditures				
Budget	$3,305.3			
Grants	35.2			
Supplemental	91.0			
Total appropriations		$3,431.5		
Continued and encumbered (prior years)		184.9		
Total spending authorizations			$3,616.4	
Less: Continued and encumbered (present year)			(303.7)	
Less: Reversions			(41.9)	
Total expenditures				$ 3,270.7
Operating balance				260.7
Prior year cash balance				537.1
Cumulative cash balance				$797.8
Less: Continued and encumbered (present year)				(303.7)
Less: Budget Reserve Account				(186.4)
Unencumbered cash balance				$307.7[(1)]

(1) Totals may not add due to rounding.

In fiscal 2009, the State received $89.9 million for Medicaid funding as a result of the American Recovery and Reinvestment Act of 2009 (the "ARRA"). In fiscal 2010, the State received ARRA funding of $141 million designated for Medicaid, $67.3 million designated for education, both public and higher, and $24.5 million in general stabilization funds for a total of $232.8 million. In fiscal 2011, the State received ARRA funding of $80.5 million designated for Medicaid and $40 million designated for education for a total of $120.5 million. No additional ARRA funding is expected after fiscal 2011.

FISCAL YEAR ENDING JUNE 30, 2012

Based upon the September 19, 2011, DEFAC revenue forecasts, net budgetary General Fund revenue for fiscal 2012 is projected to total $3,379.5 million, a 4.3% decrease over revenue in fiscal 2011. Tax cuts of $25.9 million and adjustments of $131.0 million in Abandoned Property and $33.8 in Other Revenue adopted subsequent to DEFAC's June 16, 2011 meeting are reflected here.

Revenue

Personal income taxes, after refunds, are projected to total $1,043.1 million, a 4.6% increase over fiscal 2011. Fiscal 2011 included the impact of a full year of a tax increase that took effect on January 1, 2010. Effective January 1, 2012, personal income tax revenues will be reduced by an estimated $6.8 million based on a reduction in the highest tax rate from 6.95% to 6.75%.

Franchise and Limited Partnership/LLC taxes, after refunds, are projected to total $761.6 million, a 0.2% increase over fiscal 2011. Fiscal 2011 included the impact of a full year franchise tax increase that took effect on January 1, 2009.

Business entity fees are projected to reach $87.3 million, a 5.0% increase over Fiscal 2011.

Corporate income taxes, after refunds, are estimated at $128.2 million, a 23.8% decrease from Fiscal 2011.

Bank franchise taxes are projected to total $103.4 million, a 13.6% decrease from Fiscal 2011. This estimate includes a legislative change enacted on June 30, 2011 that is expected to reduce bank franchise taxes in fiscal 2012 by $3.4 million.

Business and occupational gross receipts taxes are projected to total $210.9 million, a 4.9% increase over Fiscal 2011. Fiscal 2012 includes a partial year of a tax decrease, which takes effect on January 1, 2012. This recent legislative change reduced gross receipts tax rates and will result in an expected reduction of $6.2 million in Fiscal 2012.

Lottery revenue is projected to total $266.9 million, a 7.0% decrease from Fiscal 2011. Fiscal 2011 included the first full-year impact of both the sports lottery and table games.

Abandoned property revenue is projected to total $353.6 million, a 17.4% decrease from Fiscal 2011. Legislative adjustments made subsequent to DEFAC's June meeting reduced this revenue category by $131.0 million. These adjustments entailed revenue transfers to Special Funds.

Appropriations

The Fiscal 2012 budgetary General Fund operating budget totaled $3,508.6 million, a 6.15% increase over the Fiscal 2011 operating budget. $115.3 million in cash appropriations were included in the capital budget. Grants-in-aid appropriations of $41.2 million bring total Fiscal 2012 appropriations to $3,665.1 million. This appropriation package is within the constitutionally-prescribed limit of 98% of estimated revenues.

The Fiscal 2012 capital budget totals $663.9 million. Of that amount, $444.5 million is allocated for general obligation capital projects, $219.5 million is allocated for the capital program of the Department of Transportation funded through the Transportation Trust Fund. General Fund cash of $115.3 million has been allocated for "pay as you go" capital projects.

Balances

The following table outlines estimated revenue, expenditures and remaining cash balances for fiscal 2012.

Projected Budgetary General Fund Balances - Fiscal 2012
(in millions)

Revenue			$3,379.5[1]
Expenditures			
Budget	$3,508.6		
Grants	41.2		
Supplemental	115.3		
Total appropriations	$3,665.1		
Continued and encumbered (prior years)	303.7		
Total spending authorizations		$3,968.8	
Less: Continued and encumbered (present year)		(224.0)	
Less: Reversions		(10.0)	
Total expenditures			$ 3,734.8
Operating balance			(355.3)
Prior year cash balance			797.8
Cumulative cash balance			$442.5
Less: Continued and encumbered (present year)			(224.0)
Less: Budget Reserve Account			(186.4)
Unencumbered cash balance			$32.1[2]

(1) Revenue estimates per DEFAC's September 19, 2011 forecast.
(2) Totals may not add due to rounding.

TOBACCO SETTLEMENT

A coalition of State Attorneys General negotiated an agreement to settle various states' lawsuits against tobacco manufacturers, in order to recover state funds expended on health care for smokers, consumer fraud and other claims. The Master Settlement Agreement (the "Agreement") entered into by the State and participating tobacco manufacturers in late 1998 has resulted in significant payments to the State. The size of payments to Delaware is subject to a number of possible offsets and adjustments outlined in the Agreement. Such offsets include, but are not limited to, the reduction in sales of products from participating manufacturers.

The State created a special fund called the "Delaware Health Fund" into which proceeds received as a result of the Agreement are deposited. The General Assembly and the Governor may authorize expenditure of these monies to expand access to health care and health insurance, make long-term investments in State-owned health care infrastructure, promote healthy lifestyles including tobacco, alcohol, and drug prevention, and promote preventive health care for Delawareans. The fund requires an annual appropriation by the General Assembly and is administered by the Secretary of Finance. As of May 31, 2011, approximately \$330.5 million has been received by the State from participating manufacturers. At August 31, 2011, the balance in the Delaware Health Fund was \$15.4 million, a portion of which will be appropriated through the fiscal 2012 budget process to various health related programs.

FINANCIAL STRUCTURE

General

The State budgets and controls its financial activities on the cash basis of accounting for its fiscal year (July 1 to June 30). In compliance with State law, the State records its financial transactions in either of two major categories, the budgetary General Fund or budgetary Special Funds. References to these two funds in this document include the terms "budgetary" or "budgetary basis" to differentiate them from the GAAP funds of the same name which encompass different funding categories. The budgetary General Fund provides for the cost of the State's general operations and is credited with all tax and other revenue of the State not dedicated to budgetary Special Funds. All disbursements from the budgetary General Fund must be authorized by appropriations of the General Assembly.

Budgetary Special Funds are designated for specific purposes. The appropriate budgetary Special Fund is credited with the tax or other revenue allocated to such fund and is charged with the related disbursements. Specific uses of the budgetary Special Funds include State parks operations and fees charged by the Public Service Commission and The Division of Professional Regulation. Federal payments and unemployment compensation are examples of non-appropriated budgetary Special Funds. Some budgetary Special Funds, such as the Delaware State Housing Authority and the State Pension Office, contain both appropriated funds for operations and non-appropriated funds for specific programs, such as public housing and pension benefits.

The Basic Financial Statements in APPENDIX B hereof have been prepared to conform to the standards of financial reporting set forth by the Governmental Accounting Standards Board ("GASB") in its various statements and interpretations. GAAP (as defined below) reporting standards allow the accurate assessment of financial condition and enable the State to present its total fiscal operation in conformity with accounting principles generally accepted in the United States of America ("GAAP").

In GAAP reporting, operations of the primary government and component units are recorded under three main fund types - Governmental, Proprietary and Fiduciary, as defined by GASB. The fund types and account groups are described in Note 1 of the accompanying GAAP Basic Financial Statements in APPENDIX B. A reconciliation of budgetary General and Special Funds to GAAP is found in the Required Supplementary Information Section of the financial statements in APPENDIX B.

Capital assets are defined by the State as assets which have a cost of $15,000 or more at the date of acquisition and have an expected useful life of one or more years. All land and buildings are capitalized regardless of cost. Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated fixed assets are recorded at their fair market value at the date of donation.

The State has elected to use the “modified approach” to account for certain infrastructure assets, as provided by GASB Statement No. 34. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Roads and bridges maintained by the Department of Transportation are accounted for using the modified approach.

Budget Process

As noted earlier, all disbursements from the budgetary General Fund and certain budgetary Special Funds must be authorized by appropriation of the General Assembly. In the fall of the fiscal year, each State agency submits to the Budget Office under the Office of Management and Budget (“OMB”) a request for operating and capital funds for the ensuing fiscal year. Public hearings on the requests are subsequently conducted. The Governor's proposed operating and capital budgets for the budgetary General Fund and budgetary Special Funds, including the Transportation Trust Fund, are then drafted and presented by the Governor to the General Assembly in January. The General Assembly's Joint Finance and Bond Bill Committees hold hearings and mark up the Governor's proposed operating and capital budgets, respectively. As amended, the budgets are expected to be passed prior to July 1 and signed by the Governor shortly thereafter.

State agencies currently participate in a uniform budgeting process whereby each agency submits with its budget request a department mission, key objectives, background and accomplishments, and activities and performance measures. This fully integrated budget submission provides much information to the public as well as to State decision-makers.

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

Appropriation Limit

The State Constitution limits annual appropriations by majority vote of both houses of the General Assembly to 98% of estimated budgetary General Fund revenue, plus the unencumbered budgetary General Fund balance from the previous year. An appropriation exceeding this limit may be made in the event of a declared emergency, with the approval of a three-fifths vote of the members of each house of the General Assembly, but no appropriation may be made exceeding 100% of estimated budgetary General Fund revenue plus the unencumbered budgetary General Fund balance from the previous fiscal year. In June 2011, the General Assembly authorized appropriations of $3,665.1 million for fiscal 2012, within the projected 98% appropriation limit.

Budget Reserve Account

The Budget Reserve Account (commonly referred to as the "Rainy Day Fund") is designed to provide a cushion against unanticipated revenue shortfalls. The State Constitution provides that the excess of any unencumbered budgetary General Funds at the end of a fiscal year must be placed in a reserve account (the "Budget Reserve Account") within 45 days following the end of the fiscal year, provided that the amount of funds in the Budget Reserve Account does not exceed 5% of the estimated budgetary General Fund revenue used to determine the appropriation limit for that fiscal year. Transfers are made in August based on June revenue projections, with consideration given to year-end operating results of the previous fiscal year. Transfers of $186.4 million have been made which fully funded the Budget Reserve Account for fiscal 2011. Money from the Budget Reserve Account may be appropriated only with the approval of a three-fifths vote of the members of each house of the General Assembly and only to fund an unanticipated budgetary General Fund deficit or to provide funds required as a result of the enactment of legislation reducing revenue. No funds have been withdrawn from the Budget Reserve Account since its inception in 1980.

Tax Limitations

The State Constitution was amended in May 1980 to limit tax and license fee increases or the imposition of any new taxes or fees. Any tax or license fee increase or the imposition of any new tax or license fee must be passed by a three-fifths vote of each house of the General Assembly, rather than by a simple majority vote, except for tax increases to meet debt service on outstanding obligations of the State for which insufficient revenue is available when such debt service is due. The amendment requires the State to appropriate, prior to each fiscal year of the State, sums sufficient to meet debt service in the following fiscal year, a practice the State has always followed.

Internal Control Structure

The State has established and maintains an internal control structure designed to ensure that the assets of the State are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that evaluation of costs and benefits requires estimates and judgments by State officials. Determination as to the adequacy of the internal control structure is made within the above framework. State officials believe the State's internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions. In the beginning of fiscal 2011, the State fully implemented and upgraded its financial systems to continue to safeguard its assets and properly record its financial transactions.

Disbursements from State funds are controlled by an encumbrance accounting system that is designed to provide information on the actual extent of the State's obligations (as determined by purchase orders issued) and to guard against over-committing available funds. Disbursements are controlled through the encumbrance system in such a way that purchase orders issued for goods and services cause a reduction in available appropriations. As a result, the amount of budgetary General Fund cash disbursements plus unliquidated encumbrances cannot exceed the amount appropriated by the General Assembly for any budget line.

"Available" funds may be set aside through the use of properly issued and approved purchase orders. "Available" funds for the budgetary General Fund means that the funds must be appropriated, and, in general, for budgetary Special Funds means that the cash must be on hand, except for federal grants, the Transportation Trust Fund and bond authorizations. For administrative reasons, certain types of transactions such as salary and fringe benefit expenses, debt service, certain budgetary Special Fund expenses, and purchases under $2,500 do not require a formal encumbrance of funds as a prerequisite to processing expenditure documents.

At fiscal year-end, cash is reserved to pay outstanding encumbrances (orders for goods and services not yet received or for which payment has not been made). Budgetary General Fund encumbrances are carried over as encumbered appropriations and paid out and recorded as disbursements in the succeeding fiscal year. All obligations created by purchase orders (encumbered amounts) are liquidated upon satisfactory receipt of goods and services. Budgetary General Fund appropriations, which have not been disbursed, continued or encumbered at fiscal year end, lapse. Such lapsed appropriations are referred to as reversions in the State's financial reports.

The State restricts commitments for budgetary General Fund expenditures by State agencies. Commitments to incur expenditures in excess of an appropriation (to be funded from unused funds appropriated to other agencies) must be approved by the Director of the OMB and the Controller General.

Although the majority of the State's financial transactions are processed through the accounting system, certain budgetary Special Funds have financial activity, such as investments, outside the system. For example, the Transportation Trust Fund, the Delaware State Housing Authority, the deferred compensation programs and Delaware State University all maintain certain financial activity outside the system. This activity is governed in adherence to legislative regulations as well as guidelines established by their respective boards. In addition, these entities are audited annually and produce published financial reports.

The Auditor of Accounts is required to make audits of all agencies collecting State revenue or expending State funds in excess of $500,000 each year, and, to the extent possible, to make annual audits of the financial transactions of all other State agencies. The Auditor of Accounts also reviews certain records of the Secretary of Finance and State Treasurer on a quarterly basis to reconcile the State's bank accounts to such records.

Tax Collection Procedures

Most of the State's taxes are collected under a self-assessing system. Taxpayers prepare the tax forms and pay the amounts they determine are due. When the State determines that a payment is less than the amount due, assessments may be made which can include applicable penalties and interest as allowed by law.

The State has continually instituted procedures to identify non-filers and increase compliance with its tax statutes. The procedures include comparing federal income tax records with State income tax records, comparing State records for various years, and cross-referencing the license tax files to licensee lists from the State's various regulatory boards.

Through the Attorney General's Office, the State employs legal procedures to effect payment of past due balances. These procedures include filing actions in the Justice of the Peace, Common Pleas and Superior Courts on bad checks received. Procedures have been instituted for the garnishment of wages and bank accounts and the sale of personal property through the County Sheriffs.

By statute, the State's accounts receivable may be removed from current active accounts only if the account is more than six years old and is determined to be uncollectible or if the potential recovery or administrative costs of collection would not warrant further collection efforts. Recently enacted legislation allows the Division of Revenue to write off the accounts of those who are deceased or bankrupt.

Recently enacted legislation requires the Secretary of Finance to prepare, maintain and publish on the Division of Revenue's Internet Website two separate lists of the top 100 business and personal taxpayers owing outstanding tax liabilities in excess of $1,000 in which a judgment has been filed and who are not currently in bankruptcy or have not entered into and complied with the terms of an installment plan.

Risk Management

The State is exposed to various risks and losses related to employee health and accident, worker's compensation, environmental and a portion of property and casualty claims. It is the policy of the State to self insure its exposures when cost effective and commercially insure on the exposures that are specialized.

Cash Management

Investment of State funds is the responsibility of the Cash Management Policy Board (the "Board"). Created by State law, the Board establishes policies for the investment of all money belonging to the State or put on deposit with the State by its political subdivisions, except money in any State pension fund and money held for individuals under the State deferred compensation program. The Board is comprised of nine members, including the Secretary of Finance, the Secretary of State, the State Treasurer, the Controller General (all serving ex officio), and five members from the private sector appointed by the Governor and confirmed by the State Senate. The current members of the Board are:

John V. Flynn, Jr. (Chairman) .	Managing Director, Healthcare Resource Solutions
Thomas J. Cook	Secretary of Finance
Jeffrey W. Bullock	Secretary of State
Warren C. Engle	Senior Vice President, PNC Bank
Margaret A. Iorii	Asst. Vice President, Merrill Lynch
Russell T. Larson	Controller General
David F. Marvin	Partner, Marvin & Palmer Associates, Inc.
Chipman Flowers, Jr.	State Treasurer
Mike Karia	Chief Executive Officer, MK Consulting I Inc.

The investment guidelines, adopted by the Board in January 1982 and most recently revised on May 4, 2010, provide, among other things, that no more than 5% of the portfolio may be invested in obligations of any one issuer other than the U.S. Government or agencies thereof.

The State has instituted a number of measures to augment its dividend and interest earnings. Among these are the implementation of a commercial bank lockbox for collection of corporate franchise taxes, bank franchise taxes and insurance premium taxes. In addition, the State is also receiving tax payments electronically for the following taxes on a voluntary basis: employer withholding taxes, corporate franchise taxes and bank franchise taxes. The State's motor fuel/special fuels tax is collected electronically on a mandatory basis.

BUDGETARY GENERAL FUND SUMMARIES

Principal Receipts by Category

All revenue derived by the State, unless otherwise provided by law, is credited to the budgetary General Fund. The principal receipts not credited to the budgetary General Fund are unemployment insurance taxes, transportation-related taxes for the Transportation Trust Fund, certain taxes on insurance companies and property taxes levied by local school districts. Such taxes are deposited in budgetary Special Funds of the State. The State does not levy *ad valorem* taxes on real or personal property and does not impose a general sales or use tax.

The taxes summarized below produce most of the budgetary General Fund revenue.

Personal Income Tax: Effective January 1, 2012, Delaware's rates on taxable income range from zero on the first $2,000 of net taxable income, to 6.75% on taxable income in excess of $60,000. Taxable income consists of federal adjusted gross income, with certain modifications, less itemized deductions (or a standard deduction in lieu thereof). After the application of the rates to taxable income, a $110 non-refundable personal tax credit is subtracted for each taxpayer and dependent claimed, providing a direct dollar-for-dollar reduction in final tax liability.

Since 1992, non-resident taxes have been computed as if the taxpayer were a State resident, multiplied by the ratio of Delaware income to total income. Tax returns and payments are due April 30.

Employers maintaining an office or transacting business within the State and making payment of any wages or other remuneration subject to withholding under the United States Internal Revenue Code are required to withhold State income tax on such wages or remuneration at prescribed rates. Filing frequency is determined based on the amount of an employer's withholdings between July 1 and June 30, immediately preceding the calendar year: under $3,600 file quarterly; from $3,600 to $20,000 file monthly; and over $20,000 file up to eight times per month.

Under current law, the top marginal tax rate will fall to 5.95% effective for tax years starting on or after January 1, 2014.

Corporation Franchise Tax: An annual franchise tax is levied on business corporations organized under State laws, excepting banks and building and loan associations. The tax levy is based on either the corporation's total number of authorized shares of capital stock or on its gross assets. The basis yielding the lesser tax revenue is applied. Effective January 1, 2009, the maximum tax was increased. Applying the authorized share basis, the tax is levied according to the following rate schedule:

- 5,000 shares or less (minimum tax): $75.00
- 5,001 – 10,000 shares: $150.00
- $75.00 for each additional 10,000 shares or portion thereof
- Maximum annual tax is $180,000.00

Applying the gross assets basis, the tax is levied at a rate of $350 for each $1.0 million or fractional part thereof of the corporation's gross assets per authorized share. The maximum annual franchise tax is $180,000.00 and the minimum tax is $75.00. Tax payments for any corporation whose annual franchise taxes exceed $5,000.00 are required to be made quarterly. Other companies pay once each year, on March 1.

The most recent tax increase is scheduled to sunset after four years, at which time the maximum tax will drop to $165,000.

Corporation Income Tax: This tax is levied at the rate of 8.7% on net taxable income of both foreign and domestic corporations derived from sources within the State. Investment and holding companies, insurance companies and domestic international sales corporations, among others, are exempt. Fifty percent of the estimated tax for the taxpayer's current tax year and the balance due from the prior year is payable on the first day of the fourth month of the taxpayer's tax year, 20% of such estimated tax is payable on the 15th day of the sixth month, 20% on the 15th day of the ninth month and 10% on the 15th day of the twelfth month. Corporations with taxable income of $200,000 or more in any of the last three years must pay 80% of their current year's estimated tax on a current basis.

Business and Occupational Gross Receipts Tax: The State imposes license requirements and related taxes on most occupations and businesses. License fees and taxes consist of a basic annual fee of $75 (in some cases an additional $25 per establishment is levied) plus a tax on gross receipts. Effective for tax periods ending after December 31, 2011, tax rates include 0.6537% for contractors (with a monthly deduction from gross receipts of $100,000); 0.4023% for wholesalers (with a monthly deduction of $100,000); 0.1886% for manufacturers (with a monthly deduction of $1,250,000); 0.2012% for food processors (with a monthly deduction of $100,000); 0.1006% for commercial feed dealers and farm machinery retailers (with a monthly deduction of $80,000); 0.7776% for general retailers (with a monthly deduction of $100,000); 0.6537% for restaurants (with a monthly deduction of $100,000); and 0.4023% of aggregate gross receipts on most occupational licenses (with a monthly deduction of $100,000). A use tax on leases of tangible personal property is levied on the lessee at the rate of 2.0114% of lease rentals and on the lessor at the rate of 0.3017% of rental payments received. Lessors are allowed a quarterly deduction of $300,000. Automobile manufacturers pay a 0.1414% tax (with a monthly deduction of $1,250,000).

Public Utility Tax: Gross receipts from the sale of telephone, telegraph, gas, electricity, and cable television services are subject to tax. Receipts from services sold to residential users are excluded, except for receipts from residential cable television services. Generally, public utilities are subject to a tax rate of 4.25%. Several exemptions/reductions apply. Receipts from sales of electricity to manufacturers, and agribusiness/food processors are taxed at 2.00%. Certain electrochemical processors and receipts from sales of electricity and gas to automobile manufacturers are exempt from the tax. Cable television and direct-to-home satellite services are taxed at 2.125%.

Cigarette Tax: Effective August 1, 2009, the cigarette tax was increased from $1.15 to $1.60 per 20 cigarette pack. Moist snuff is taxed at a rate of 54 cents per ounce. Other tobacco products are taxed at 15% of the wholesale price.

Inheritance and Estate Tax: Effective January 1, 1999, the inheritance tax was eliminated. Since the inheritance tax was eliminated, the State has continued to levy its estate tax. Delaware's estate tax, sometimes referred to as a "pick up" tax, applies only to those estates required to pay the federal estate tax. Changes in federal law effectively phased-out Delaware's estate tax in 2005. Effective July 1, 2009, however, the State chose to "decouple" from federal law effectively reinstating the tax essentially as it existed in 2001.

Under current law, the Delaware estate tax is scheduled to sunset on July 1, 2014.

Realty Transfer Tax: Generally, the State levies a realty transfer tax at a rate of 1.5% of the consideration paid for any real property transferred. (Local governments are permitted to levy an additional 1.5%.) A 1% tax is levied on the value of construction in excess of $10,000 where the underlying property was acquired by the owner less than 12 months prior to the commencement of construction.

Alcoholic Beverage Tax: The State imposes an excise tax on the distribution of alcoholic beverages. Beer is taxed at the rate of $4.85 per barrel; wine at 97 cents per gallon; liquor containing 25% or less alcohol by volume at $2.50 per gallon; and liquor containing more than 25% at $3.75 per gallon.

Insurance Tax: The State levies a tax of 1.75%, plus an additional 0.25% for the benefit of fire and police, on gross premiums, less dividends and returned premiums on cancelled policies, for most types of insurance. An annual privilege tax is levied on domestic insurers based upon annual gross receipts and subject to credits for payroll compensation for employee services performed in the State.

Bank Franchise Tax: The State levies a tax on banks at 8.7% on the first $20 million of taxable income, 6.7% on such income between $20 and $25 million, 4.7% on such income between $25 million and $30 million, 2.7% on such income between $30 million and $650 million, and 1.7% on taxable income in excess of $650 million.

Effective for tax years beginning after December 31, 2006, banks have the option of using an "Alternative Franchise Tax". The Alternative Franchise Tax has two parts:

1. A traditional income tax employing three-factor apportionment with a double-weighted receipts factor. The tax's regressive rates range from 7.0% on taxable income not in excess of $50 million to 0.5% on taxable income in excess of $1.3 billion.

2. A "Location Benefits Tax" based on assets. The location benefit tax liability shall be $1.6 million, plus 0.012% of the value of the assets not in excess of $5,000,000,000; 0.008% of the value of the assets in excess of $5,000,000,000 but not in excess of $20,000,000,000; 0.004% of the value of the assets in excess of $20,000,000,000 but not in excess of $90,000,000,000.

Additional Sources of Revenue

Lottery

Delaware's lottery is comprised of two separate entities. The traditional lottery consists of daily drawings, lotto, instant tickets, and the multi-state Powerball. Racino operations consist of a video lottery, a sports lottery and table games. The video lottery is a State-operated network of linked video lottery machines restricted to three locations authorized by State law. Delaware shares the regional video lottery market with suburban Philadelphia and Maryland, both of which have additional venues slated to open in the near future. In addition to existing casinos in surrounding states, a casino is scheduled to begin operations in Maryland at the Arundel Mills mall during the summer of 2012 and become fully operational in the autumn of 2012. In Pennsylvania, Valley Forge Casino, which is slated to open in the spring of 2012, will be connected to the Valley Forge Convention Center and feature 50 table games and 600 slot machines.

In May 2009, the State was granted the ability to conduct a sports lottery limited to parlay-style betting on National Football League ("NFL") games, which began with the 2009 NFL season.

In January 2010, Delaware passed legislation permitting its racinos to operate table games, such as blackjack, craps and roulette. Table games were operational early in fiscal 2011 and have enhanced the State's position in an increasingly competitive gaming market, increased employment and added revenue to the State's coffers. For fiscal 2011, table games and related fees generated $33.6 million in revenue.

DEFAC monitors these developments and updates the State's revenue forecasts as they have unfolded. At least 30.0% of the net revenue generated from the traditional lottery is contributed to the budgetary General Fund. The State retains 43.5% of video lottery profits, 29.4% of the net proceeds from table games and 50% of the proceeds from sports lottery.

Abandoned Property

Abandoned property represents any debt or obligation, including securities, which have gone unclaimed or undelivered for three or more years. Such unclaimed property is reported to the state of the lost owner's last known address. If the owner's address is unknown or is in a foreign country, the unclaimed property is reported to the state of incorporation of the holder of the unclaimed property. In addition, for those lost owners with a last known address that is in a state which does not have an applicable statute for the type of property being reported, the unclaimed property is reported to the state of incorporation of the holder.

Budgetary General Fund Disbursements by Category of Expense

The following table summarizes the budgetary General Fund disbursements of the State for fiscal years ended June 30, 2007 through 2011. See "STATE FINANCIAL OPERATIONS – "Expenditure Summary – Fiscal 2009–Fiscal 2012E" for a detailed explanation of the expenditure figures.

Budgetary General Fund Disbursements
(in millions)

	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Salaries	$1,167.2	$1,222.9	$1,225.5	$1,154.7	$1,200.1
Debt Service	131.2	151.1	156.4	174.3	169.5
Contractual Services	289.5	296.7	286.8	435.7	434.5
Fringe Benefits, except Pensions	323.5	332.7	332.9	330.9	365.4
Pensions	201.5	218.6	211.1	196.7	222.2
Welfare and Assistance Grants	535.7	591.4	504.7	428.6	466.2
Other Grants	365.1	259.1	265.8	276.6	327.3
Other	376.2	349.2	312.3	79.0	85.5
Total Disbursements	$3,389.9	$3,421.7	$3,295.5	$3,076.5	$3,270.7

Budgetary General Fund Disbursements by Purpose

The State assumes substantial financial responsibility for a number of programs often funded by local units of government in other states, including public and higher education, social service programs and the correctional system. In addition, the State builds and maintains all roads and highways within the State except certain local streets within a municipality's corporate boundaries and certain private streets. See "INDEBTEDNESS OF AUTHORITIES, UNIVERSITY OF DELAWARE AND POLITICAL SUBDIVISIONS - Authorities - Delaware Transportation Authority" for additional information. The major State programs are described in more detail below.

Public Education

Delaware is one of only four states in the country which has not undergone a constitutional challenge to its public education funding. The State finances its public school operations from a combination of State, federal and local funds. In fiscal 2009, the State provided 64%, the federal government 5% and localities 31% of the cost for current operations and debt service. For fiscal 2008, the U.S. Department of Education, National Center for Educational Statistics, Institute for Education Sciences reported that Delaware was exceeded by eight other states and the District of Columbia in terms of the percentage of public school revenues financed by the State. Public education base salary scales are set by State law, but the base salary may be supplemented by local funds. The local supplements vary in each school district in the State, depending on each district's contractual obligations with its employees and the district's ability and willingness to tax its constituents. For the 2010-2011 school year, the average State-local funded classroom teacher's salary was $57,437, of which $40,160 was paid from State funds and the balance paid from federal or local funds. The State share of public education costs is allocated to the school districts, subject to a number of formulae based primarily on enrollment. The State funds between 60% and 80% of school construction costs, based on an index of an individual district's ability to generate local share funding. The State also funds fringe benefits for school personnel in approximate proportion to the budgetary General Fund contribution to salaries, with the exception of health insurance which is 100% State funded for the basic plan. School districts reimburse the State for fringe benefit costs for personnel hired and paid under federally-funded programs and for the proportion of salary paid from local funds.

Budgetary General Fund expenditures for public education in fiscal 2011 totaled $1,091.7 million. Appropriations of $1,109.7 million have been made for fiscal 2012.

The following table sets forth public school enrollment (elementary and secondary), in September of the years indicated.

Public School Enrollment[(1)]

	Enrollment	Change
2001	114,693	0.9%
2002	115,566	0.8
2003	117,055	1.3
2004	118,413	1.2
2005	120,482	1.7
2006	121,856	1.7
2007	123,615	1.4
2008	124,903	1.0
2009	126,271	1.1
2010	127,944	1.3

(1) Excludes children of military personnel living on Dover Air Force Base who attend Base schools and whose education is federally-funded.

Higher Education

The State's higher education system consists of eight institutions, which enrolled 55,241 students in the 2010-2011 academic school year based upon Fall 2010 student headcount (43,991 on a full-time equivalent ("FTE") basis). The three State-supported institutions are Delaware Technical and Community College which enrolled 15,474 students (10,104 FTE); Delaware State University, a land grant college located in the City of Dover which enrolled approximately 3,757 students (3,512 FTE); and the University of Delaware, a land grant college located in the City of Newark, which enrolled 21,177 students (19,613 FTE). The five privately supported institutions of higher education in the State enrolled an additional 14,833 students in 2010-2011 (10,762 FTE).

Budgetary General Fund expenditures for higher education in fiscal 2011 were $212.1 million. The State provides approximately 14% of the operating budget of the University of Delaware, 38% of the budget of Delaware Technical and Community College, and 38% of the budget of Delaware State University. Appropriations of $212.9 million have been made for fiscal 2012, including $113.3 million for the University of Delaware (this includes $1.7 million in funding for Delaware Geological Survey), $67.4 million for Delaware Technical and Community College and $32.2 million for Delaware State University.

Social Services

The principal social service programs administered by the State are: (1) Temporary Assistance for Needy Families ("TANF"); (2) General Assistance to low-income single individuals and children living with non-relatives who do not qualify for Supplemental Security Income ("SSI") or TANF payments ("General Assistance Program"); (3) service programs for qualified individuals including child care, employment, training services, work transportation and food stamps through the federal Supplemental Nutritional Assistance Program ("SNAP"); and (4) direct medical assistance to qualifying individuals ("Medicaid").

Since January 1974, the SSI Program has been administered and funded by the federal government. Beginning with fiscal 1975, the State elected to supplement federal SSI payments for individuals who received the State equivalent of SSI payments prior to January 1974.

Delaware's Medicaid program traditionally has been funded at the minimum Federal financial participation ("FFP") rate of 50%. Each state's FFP is determined annually by a statutory formula designed to account for income variation across states. Delaware's rate has varied from a high of 64.38% (due to a provision of the American Recovery and Reinvestment Act of 2009 ("ARRA")) to a low of 50% (the lowest rate) during the past five years. The current FFP for Delaware (beginning October 1, 2011) is 54.17%.

Delaware's TANF program is funded by a federal capped block grant and State budgetary General Funds. The State is required under federal law to maintain a prescribed level of historic State expenditures for benefits and services to individuals eligible for TANF. The State submits a quarterly budget of total quarterly anticipated expenditures for the Medicaid program to the U.S. Department of Health and Human Services. Upon approval of the budget, the U.S. Department of Health and Human Services issues a letter of credit against which the State may draw to meet its quarterly obligations. Adjustments based on actual expenditures are made in the ensuing quarter. General Assistance ("GA") Program grants are entirely funded by the State. This program has experienced consistent growth since 2003, and benefits were reduced from an average of $123 to $95 in July 2010.

The portion of the expenditures for the foregoing programs paid by the federal government is accounted for by the State through the non-appropriated budgetary Special Funds. The portion paid by the State is accounted for through the budgetary General Fund.

Since 2008, welfare caseloads in Delaware have increased by approximately 26%. The average wage of those who have moved from welfare to full time work is $8.99 per hour. The State provides health care, childcare assistance and assistance with transportation to work for participants in the State's welfare reform program and provides transitional health care and subsidized childcare to income eligible individuals who have left the welfare rolls. An average of 16,766 people per month received cash assistance (from the GA Program and/or TANF) in fiscal 2010.

Since fiscal 2008, welfare caseloads and income maintenance expenditures have increased, driven by a dramatic increase in applications for SNAP and medical assistance. The following table indicates the trends of selected State social services expenditures for fiscal 2005 through fiscal 2011.

Social Services Expenditures
(dollars in millions)

	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
TANF							
Number of Recipients/month ...	14,062	13,876	11,382	10,307	11,312	13,027	14,537
Total Expenditures/year	$19.0	$18.7	$16.2	$15.3	$16.7	$21.8	$22.4
State Share...............................	$3.4	$3.5	$2.7	$11.1	$16.5	$16.3	$13.9
GENERAL ASSISTANCE							
Number of Recipients/month ...	2,481	2,620	2,818	3,008	3,352	3,739	3,964
Total Expenditures/year	$3.5	$3.8	$3.9	$4.2	$4.7	$5.2	$4.4
State Share...............................	$3.5	$3.8	$3.9	$4.2	$4.7	$5.2	$4.4
SSI							
Number of State Subsidized Recipients/month...................	805	838	804	820	845	830	815
State Share...............................	$1.2	$1.1	$1.1	$1.1	$1.2	$1.1	$1.0
FOSTER CARE (DSCYF)							
Number of Children/month	651	748	843	857	740	640	627
Total Expenditures/year	$11.8	$15.1	$19.2	$20.4	$18.2	$16.5	$16.9
State Share...............................	$10.2	$13.1	$16.8	$17.6	$15.9	$13.5	$13.6
DAY CARE							
Number of Children/month	13,839	14,266	15,039	14,009	13,496	13,668	14,459
Total Expenditures/year	$37.5	$46.6	$53.6	$49.0	$44.6	$38.5	$53.2
State Share...............................	$24.9	$28.7	$38.0	$26.0	$10.5	$10.9	$10.9
MEDICAID							
Number of Eligibles/month......	138,884	142,548	143,386	148,827	160,018	173,771	193,633
Total Expenditures/year	$826.4	$861.6	$990.0	$1,052.0	$1,201.6	$1,315.5	$1,424.0
State Share...............................	$397.2	$428.0	$495.0	$519.7	$499.4	$505.3	$550.9
COMMUNITY HEALTH							
State Expenditures/year............	$25.1	$26.5	$35.6	$39.8	$41.0	$33.5	$33.8

Children's Services

The Department of Services for Children, Youth and Their Families provides integrated service delivery for children and their families in its efforts to promote family stability through a child-centered, family-focused continuum of care. The Department served 22,442 clients in fiscal 2011, some of these clients were shared by each of the three divisions. The Family Services division spent $43.9 million in fiscal 2009, $40.5 million in fiscal 2010, $40.2 million in fiscal 2011 and has budgeted $43.8 million in fiscal 2012. The Division of Youth Rehabilitative Services ("YRS") handles delinquent youth in both pre- and post-adjudication through an array of alternative placements and State-owned secure facilities. The YRS division spent $40.4 million in fiscal 2009, $36.6 million in fiscal 2010, $36.4 million for fiscal 2011 and has budgeted $40.1 million for fiscal 2012. The Division of Prevention and Behavioral Health Services ("DPBHS") provides mental health services for children and youth. The DPBHS spent $26.2 million in fiscal 2009, $25.5 million in fiscal 2010, $28.3 million in fiscal 2011 and has budgeted $29.2 million for fiscal 2012.

Corrections

The Department of Corrections ("DOC") is the only government operated correction agency in the State. Delaware operates under a unified corrections system. Delaware has no regional, county or municipal correction or jail system and no separate probation system. Offenders immediately become the responsibility of the State, including: pre-trial and sentencing, misdemeanor and felony, jail and prison and all community based sanctions. Sentencing in the State has evolved with the passage of Sentencing Accountability ("SENTAC") legislation whereby all offenders are sentenced to one of five levels ranging from Level 1 (administrative supervision) to Level V (incarceration). This structure allows the State flexibility to match offenders with the most appropriate sentence. Total budgetary General Fund expenditures for DOC in fiscal 2011 were $245.4 million. The budget for fiscal 2012 is $254.7 million. As of June 30, 2011, the incarcerated population in the custody of the Department is approximately 6,624, of which about 4,040 are prisoners. The jail population of approximately 2,584 is divided between offenders sentenced to less than 1 year of incarceration (1,245) and offenders held pending trial (1,339). Over 16,200 individuals are under community supervision.

BUDGETARY SPECIAL FUNDS SUMMARIES

Each budgetary Special Fund is created by statute or administrative action for a specific purpose. The appropriate Fund is credited with the specific revenue or receipts allocated to such Fund. Disbursements from budgetary Special Funds require specific appropriation by the General Assembly.

In general, money in budgetary Special Funds is not available for disbursement or encumbrance until funds are deposited therein with the result that disbursements plus outstanding encumbrances cannot exceed the available funds (except for federal funds and the Transportation Trust Fund). In the case of bond funds, total disbursements plus encumbrances cannot exceed authorizations. At fiscal year end, the available fund balance plus outstanding encumbrances are carried over into the succeeding fiscal year.

Local School Property Taxes and Assessed Valuation

These taxes are levied by local school districts upon the assessed value of real estate in the district, as determined for county taxation purposes, for the local share of school operating costs and debt service on capital improvements. All tax receipts of a district are credited to the appropriate budgetary Special Fund and operating expenses are disbursed from such Fund upon the presentation of warrants or drafts to the State Treasurer by the school board of the district. The State's share of operating and debt service costs are appropriated and disbursed from the budgetary General Fund.

The following table outlines the assessed and estimated full valuation of all taxable real property in the State as of July 1, 2010.

Real Property Valuations
(in millions)

County	Assessed Valuation[(1)]	Estimated Full Valuation
New Castle..........................	$ 18,404.6[(2)]	$72,792.9
Kent....................................	3,486.6[(3)]	22,174.3
Sussex	2,825.9[(4)]	40,308.7
Total	$24,717.1	$135,275.9

(1) Net of all legal exemptions.
(2) Based on 100% of 1983 appraised value, as of the date of the most recent assessment which occurred in 1985.
(3) Based on 60% of appraised value, as of the date of the most recent assessment which occurred in 1987.
(4) Based on 50% of appraised value, as of the date of the most recent assessment which occurred in 1974.

Source: Delaware Department of Education.

Unemployment Compensation

Money deposited in the Unemployment Compensation Fund consists of employers' contributions and has at certain times in the past included advances from the federal government necessary to meet the excess of unemployment compensation benefits paid over the employers' contributions. As of June 1, 2011, the Unemployment Compensation Fund reflected a cumulative advance of $62,523,367.88.

Federal Grants, Benefits and Reimbursements

All grants and reimbursements of money received from the federal government by the State are credited to budgetary Special Funds. The money is disbursed to the appropriate agency to be used for the purpose stated in the grant application without any further authority from the General Assembly. The Delaware State Clearinghouse Committee is the committee representing the legislative and executive branches of government. It is charged with reviewing all State agency applications for federal funds and no agency may expend federal funds without approval of this committee.

The following chart indicates the distribution of federal funds expended by the State by Department in the fiscal years indicated below.

Ratio of Federal Funds Expended by Department

	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Health & Social Services	58.6%	61.6%	59.6%	61.0%	57.2%	60.1%
Transportation	10.2%	9.0%	12.3%	13.9%	13.0%	10.9%
Public Education	12.4%	12.0%	11.1%	10.3%	13.1%	13.2%
Housing Authority	3.6%	4.1%	3.9%	3.2%	3.9%	1.0%
Labor	3.2%	3.1%	2.8%	2.6%	2.3%	2.4%
Higher Education	2.5%	2.5%	2.6%	2.5%	3.1%	4.3%
Natural Resources	2.6%	2.9%	2.6%	2.3%	2.3%	3.0%
Other	6.9%	4.8%	5.1%	4.2%	5.1%	5.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Pension Fund Receipts

State pension contributions are appropriated by the General Assembly in the annual budget to cover the liability on budgetary General Fund salaries and are disbursed each month from the budgetary General Fund. Each monthly disbursement is recorded as a receipt of the appropriate budgetary Special Fund and is disbursed from such budgetary Special Fund to meet pension benefits and operating costs. The balance is disbursed from the budgetary Special Fund and invested as part of the State pension plan. See "STATE PENSION PLAN" for additional information. Employee pension contributions are also recorded as budgetary Special Fund receipts and are disbursed together with the State's share of pension costs. Pension costs paid by the federal government for employees paid under federal programs are also recorded as budgetary Special Fund receipts and disbursements.

Social Security Fund Receipts

All Social Security contributions by State departments and agencies and political subdivisions are recorded as a receipt to the Social Security Fund and are remitted on a semi-monthly basis. Contributions are submitted to the U.S. Department of the Treasury semi-monthly, at which time a disbursement is recorded.

Bond and Note Sales

All proceeds received from the sale of bonds or bond anticipation notes are recorded as a receipt in a special account designated as the State Treasurer's Bond Account. The withdrawal of proceeds is recorded as a budgetary Special Fund disbursement. The principal and interest on the State's general obligation bonds are paid as a budgetary General Fund disbursement.

DEFERRED COMPENSATION PROGRAM

State employees may elect to participate in a deferred compensation plan. The plan is an eligible plan under Section 457(b) of the Internal Revenue Code (the "Code").

In accordance with federal law, the annual limit on a participant's pre-tax contributions remains at $16,500 in 2010. An additional, catch up contribution is available for those ages 50 and older who may contribute an additional $5,500 in 2010.

The State also provides a $10 per-pay employer match to contributions by deferred compensation program participants, which began on January 1, 2001. The plan is approved under Section 401(a) of the Code. However, the state match was suspended by the General Assembly for fiscal years 2009, 2010 and 2011 and will remain suspended for fiscal year 2012.

Assets purchased through the State's plan include a managed income portfolio, money market funds and a variety of mutual funds. The total market value of plan assets as of July 31, 2010 was $330.1 million.

STATE PENSION PLAN

The State of Delaware Employees' Pension Plan (the "Plan"), established by the General Assembly, covers approximately 35,572 active employees and approximately 22,176 retired employees. All State employees (except State police and State judges) and all local school district employees who qualify as full-time and regular part-time employees participate in the Plan. The other plans funded by the state include a now closed State Police Pension Plan (for officers hired prior to July 1, 1980) which covers 1 active officer and 546 retirees, the new State Police Pension Plan which covers the 662 officers hired after July 1, 1980 and 130 retirees, and the State Judiciary Pension Plan which covers 54 active employees and 43 retirees. The Plan and the other plans collectively are known as the Delaware Public Employees' Retirement System (the "Fund").

The Fund is managed by a Board of Pension Trustees (the "Board") composed of five members from the private sector appointed by the Governor, and the Secretary of Finance and the Director of OMB serving as ex-officio members. The current members of the Board are:

Philip S. Reese (Chairman)	Former Vice President and Treasurer, Conectiv
Thomas J. Cook	Secretary of Finance
Helen R. Foster, J.D.	President, CTW Consulting Associates
Suzanne B. Grant	Former Vice President, Salomon Smith Barney, Consulting Group
Thomas S. Shaw	Former Executive Vice President and Chief Operating Officer, PHI
Nancy Shevock	Former Director, Delaware Transit Corp.
Ann S. Visalli	Director, Office of Management & Budget

The custodian of the Fund's assets is Northern Trust Company, Chicago, Illinois. The fund's assets are managed by professional investment management firms. The total return on the fund in fiscal 2011 was 24.3% compared to 30.7% for the Standard & Poor's 500.

The Plan provides retirement, disability and survivor benefits. In general, recipients are entitled to receive a service pension at various times during their years of credited service, i.e.: (1) age 62 with 5 years of credited service; (2) age 60 with 15 years of credited service; (3) a reduced service pension at age 55 with 15 years of credited service; (4) a reduced service pension at any age with 25 years of credited service; or (5) at any age with 30 years of credited service. An employee is "fully vested" in benefits after 5 years of service. Employees hired after January 1, 2012 will become vested after 10 years of service and will be eligible for a benefit at age 65.

Benefit payments are computed using the average monthly compensation for the 36 months of highest monthly compensation. The average is then multiplied by 1.85% for each year of credited service after January 1, 1997 to determine the actual monthly benefit. Retirees with credited service before December 31, 1996 get a multiplier of 2.00 for service prior to January 1, 1997.

The Plan is funded on an actuarially sound basis, as determined by the Board, on the basis of actuarial analyses undertaken by Cheiron, Inc. annually. The most recent valuation (as of June 30, 2011), completed in September 2011, determined the Plan to have a funded ratio of 94% (based on the actuarial value of the assets). As of January 1, 1998, all State employees contribute 3% of annual compensation above $6,000. Employees hired after January 1, 2012 will contribute 5% of annual compensation above $6,000. The State makes annual contributions to the Plan in amounts sufficient to meet both the normal cost of the Plan and to amortize the accrued unfunded liability of the Plan. The normal cost of the Plan is the amount of contributions required each year, with respect to each employee, to accumulate the reserves needed to meet the cost of earned benefits over the employee's working lifetime. The unfunded accrued liability of the Plan is the amount of contributions required to meet unpaid past normal costs.

Prior to July, 1970, the State appropriated annually the amounts required to meet pension benefits payable in the year of appropriation. During the five year period from July 1, 1970 to July 1, 1975, the State increased its annual contributions to the Plan and replaced that financing practice with a statutory policy of fully funding the Plan on an actuarial reserve basis. Originally, the State's annual contribution to the Plan had been equal to the sum of the normal costs of each year and the annual payment required to amortize the unfunded accrued liability over 40 years from July 1, 1975. Following this policy, the Fund reached fully funded levels earlier than the projected 40 years, after which time the State's annual contribution to the Plan was changed to equal the sum of the normal cost of each year and the annual payment required to amortize the unfunded accrued liability over a rolling 20 year period. Each year the Board certifies the required State contribution rate as a percentage of covered payroll, based on the results of the actuarial valuations of the Plan.

The unfunded accrued liability on an actuarial basis for the last five fiscal years is outlined in the table below. The Plan has an unfunded accrued liability of $456.1 million as of June 30, 2011.

Unfunded Accrued Liability
(in millions)

June 30, 2006	($97.7)
June 30, 2007	($229.9)
June 30, 2008	($202.1)
June 30, 2009	$83.0
June 30, 2010	$287.4
June 30, 2011	$456.1

The new State Police Pension Plan (for all persons hired after June 30, 1980) and the State Judiciary Pension Plan also are funded on an actuarial reserve basis as determined by the Board, on the basis of annual actuarial analyses undertaken by Cheiron, Inc. The new State Police Pension Plan has an unfunded accrued liability of $16.3 million and a funded ratio of 94.3% (based on the actuarial value of the assets) as of June 30, 2011. The State Judiciary Pension Plan showed an unfunded accrued liability on June 30, 2011 of $7.3 million and a funded ratio of 88.4% (based on the actuarial value of the assets). Benefits paid through the original State Police Pension Plan (for officers hired before July 1, 1980) are funded from current appropriations. As of June 30, 2011, this plan had an unfunded accrued liability of $283.6 million and a funded ratio of less than 1% (based on the actuarial value of the assets).

Payment of each annual contribution is subject to appropriation by the General Assembly. In each year since fiscal 1971, the General Assembly has appropriated the contribution amounts recommended by the Board. The State contribution to the State Employees' Plan in fiscal 2011 was $128.0 million.

The following table sets forth certain information concerning the Plan for the fiscal years set forth below.

State Employees' Pension Plan
(in millions)

	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Income					
Employee Contributions	$ 42.8	$ 45.7	$ 45.9	$ 44.9	$ 46.4
State Contributions[1] (budgetary General Fund and budgetary Special Funds)...........	142.1	148.5	135.4	127.6	141.6
Investment Income.......................	942.7	(110.5)	(1,048.3)	756.6	1,391.2
Total Income	$1,127.6	$83.7	$(867.0)	$929.1	$1,579.2
Disbursements					
Pension Benefits Paid	$327.8	$348.1	$369.2	$399.2	$418.5
Refunds	3.2	3.0	3.1	3.1	3.0
Other Disbursements.....................	9.1	10.3	11.1	10.2	9.9
Total Disbursements	$340.1	$361.4	$383.4	$412.5	$431.4
Excess of Income over Disbursements............................	$787.5	($277.7)	($1,250.4)	$516.6	$1,147.8
Total Plan Assets..........................	$6,920.6	$6,642.9	$5,396.5	$5,909.1	$7,056.9

(1) Includes contributions to a Post-Retirement Increase Fund.

The growth in investment income in certain years as a percentage of total Plan income has permitted changes in the actuarial assumptions and the reduction of employee contributions and has provided the ability to fund increases to pensioners. State pensioners have received 15 pension increases averaging a total of 45.53% since July 1984, based on date of retirement.

Other Post Employment Benefits

The State provides post-employment health care to its employees and, in fiscal 2008, began accounting for these benefits according to Government Accounting Standards Board ("GASB") Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("GASB 45"). The State's actuarially accrued liability, based on a study conducted by Cheiron of McLean Virginia using actual data as of July 1, 2011, has been determined to be about $6.3 billion using a discount rate of 5.0%. The State is currently in the process of evaluating a decrease in the discount rate, which is expected to increase the liability.

The State began pre-funding the obligation in 2002 and 2003 with lump sum payments and contributions based on a percentage of payroll. In fiscal 2007, the amount contributed as a percentage of payroll was approximately $5 million and increased to approximately $10 million in fiscal 2008 and 2009. In both fiscal 2010 and 2011, the State contributed $10 million from abandoned property revenue and, in 2011, an additional $9.7 million was contributed by the State primarily from Medicare Part D subsidies received. The fiscal 2012 contribution is established as a percent of payroll and is expected to be $15 million.

The State has established an irrevocable trust and has accumulated $130 million in assets, at market value, at August 31, 2011, and a funding ratio of 2.3% (based on the actuarial value of the assets). At a 5% discount rate, the State's fiscal 2012 annual required contribution ("ARC") is $496.9 million, which is expected to be only partially met with cash contributions and paid benefits estimated to be in the amount of $187.1 million.

On May 2, 2011, the Governor signed House Bill 81, which made significant modifications to employee's health care insurance and pension plan programs. The legislation establishes a fixed cost share in the State's health insurance programs for both active employees and retirees and increases the time to vest for retiree health care benefits reducing the overall liability by an estimated $49.3 million in fiscal 2012.

EMPLOYEE RELATIONS

The State currently has 31,187 full-time equivalent ("FTE") positions budgeted for fiscal year 2012, an increase of 160 FTEs from fiscal 2011. This includes 13,627 FTEs in the public schools, 737 FTEs in institutions of higher learning (excluding employees of the University of Delaware, which is not considered part of the State's financing reporting entity) and 16,823 FTE positions in all other departments.

Since July 1966, virtually all State employees have had the right to organize for the purpose of collective bargaining. Classification of bargaining units is determined by the Public Employee Relations Board ("PERB"). Collective bargaining is conducted by OMB on behalf of departments and agencies. With respect to non-merit system employees, such bargaining may include all terms and conditions of employment, including wages, hours and benefits. With respect to the merit system employees, individual bargaining units may not bargain wages, most benefits, classification plans or hiring practices. Effective on August 2, 2007, Senate Bill 36 permits merit system employees to negotiate compensation, defined as payment of salaries and cash allowances, through the collective bargaining process. Position classification, health care and other benefit programs, workers compensation, disability programs and pension programs are not negotiable. These agreements are subject to approval by the Governor and binding to the extent sufficient appropriations are made by the General Assembly. At present, approximately 8,000 of the State's merit system employees are organized and covered by collective bargaining agreements.

Employees of institutions of higher education, certified professional employees of the State public school system (teachers) and certain public school support personnel have the right to organize for the purpose of collective bargaining. Bargaining units representing such employees negotiate with their respective school districts regarding all matters relating to salaries, employee benefits and certain working conditions. Virtually all of these school employees are covered by collective bargaining agreements.

State employees in Delaware do not have the legal right to strike. Few work stoppages have occurred. Currently only two-thirds of employees eligible for union representation are covered by collective bargaining agreements. All payment contracts reached under such agreements are subject to appropriation by the General Assembly, except for the locally funded portion of school district employees' salaries and benefits.

In 1982, a State law was enacted establishing the PERB to oversee the conduct of labor negotiations between public school teachers and their boards of education. There are provisions for mediation and binding arbitration of collective bargaining disputes. Strikes, slow-downs and walkouts are prohibited; but, if they occur, school boards are required to seek injunctive relief. In 1986, legislation was enacted which extended the PERB's jurisdiction to police officers and firefighters. The PERB's jurisdiction was further expanded in 1994 to include all public employees in the State. In the same year, a State law was enacted establishing the Merit Employee Relations Board to address grievances and related issues of merit system employees.

GOVERNANCE

The chief executive officer of the State is the Governor, who is elected for a term of four years. The State Constitution limits any Governor to two terms, whether or not consecutive. The Governor appoints all members of the State judiciary, the cabinet, and the boards and councils. The Governor reports to the General Assembly at the start of each annual session in January on the "State of the State," recommends changes in legislation, and follows this report with an annual budget message and financial accounting of the State.

In addition to the Executive Office of the Governor (which includes the Offices of Management and Budget, Economic Development, and Technology and Information), there are thirteen cabinet departments, as reflected in the table which follows. They include the following: the Department of State, which administers the Division of Corporations and the Division of Cultural and Historical Affairs; the Department of Finance, which performs financing, accounting, bond finance, revenue collection, fiscal policy functions and administers the State lottery; the Department of Health and Social Services; the Department of Services for Children, Youth and Their Families; the Department of Natural Resources and Environmental Control; the Department of Labor; the Department of Transportation, which oversees the Division of Motor Vehicles; the Department of Safety and Homeland Security, which oversees the state police; the Department of Correction; the Department of Agriculture; the Department of Education; Delaware State Housing Authority; and the Delaware National Guard. Delaware is unusual in that the State government (as opposed to county or municipal governments) funds and administers substantially all correctional, public health, welfare, and transportation services for its residents.

Other elected officers include the Lieutenant Governor who presides over the Senate and the Board of Pardons; the State Treasurer, who is one of four Issuing Officers, signs all state checks and oversees the management of the State's bank accounts; the Auditor of Accounts who audits all State agencies' financial transactions; the Insurance Commissioner; and the Attorney General who is the chief legal officer of the State. All of the elected officers serve terms of four years.

The State's General Assembly is bicameral and consists of a 21-member Senate and a 41-member House of Representatives. The entire House stands for re-election every two years, while Senators are elected to four year staggered terms. Regular sessions of the General Assembly convene in January and adjourn by June 30th. Between regular sessions, the Governor or the presiding officers of either house may call special sessions. Proposed legislation is usually assigned to a standing committee for review. It may then receive consideration on the floor of both houses.

The judicial branch of the government includes a Supreme Court, which acts primarily as an appeals court, and the Court of Chancery, an equity court which has jurisdiction over corporate matters, trusts, estates, and other matters involving equitable jurisdiction. The Superior Court has jurisdiction over criminal and civil cases, except equity cases. The Family Court administers justice in cases involving domestic relations or dependent juveniles. The Court of Common Pleas is a court of limited jurisdiction over civil and criminal matters which the Superior Court would otherwise handle. The Justice of the Peace Courts handle criminal matters and civil cases where the amount in controversy is less than $5,000.

The following is a list of certain elected officials, cabinet positions and other appointed officials.

Statewide Elected Officials

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

Cabinet Positions and Other Appointed Officials

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

LITIGATION

The State is a defendant in various suits involving contract/construction claims, tax refunds claims, allegations of wrongful discharge and/or other employment-related claims, use of excessive force, civil rights violations, and automobile accident claims. Although the State believes it has valid defenses to these actions, the State has identified a potential aggregate exposure which could exceed $4.5 million as of June 30, 2011. This is only an estimate and may change when the State issues its official financial statements for the upcoming Fiscal Year ending June 30, 2011.

THE BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each series and interest rate of the Bonds, each in the aggregate principal amount of such maturity and interest rate, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions and defaults. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The

Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State and the Underwriters take no responsibility for the accuracy thereof.

APPROVAL OF LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Saul Ewing LLP, Wilmington, Delaware, Bond Counsel, whose approving legal opinion, substantially in the form set forth in APPENDIX D, will be available at the time of the delivery of the Bonds. Bond Counsel has not verified the accuracy, completeness or fairness of the statements contained in the Official Statement nor will it express an opinion as to the accuracy, completeness, or fairness of the statements contained in the Official Statement.

TAX MATTERS

Tax Exemption-Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the "Code") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2011 Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2011 Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the State subsequent to the issuance and delivery of the 2011 Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The State has made covenants to comply with such requirements.

In the opinion of Bond Counsel, interest (including accrued original issue discount) on the 2011 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion of Bond Counsel is subject to the condition that the State comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2011 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the 2011 Bonds to be so includable in gross income retroactive to the date of issuance of the 2011 Bonds. The State has covenanted to comply with all such requirements. Interest on the 2011 Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes; however, under the Code, to the extent that interest on the 2011 Bonds is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the corporate alternative minimum tax. Bond Counsel expresses no opinion regarding other federal tax consequences relating to the 2011 Bonds or the receipt of interest thereon. See discussion of "Alternative Minimum Tax", "Branch Profits Tax", "S Corporations with Passive Investment Income", "Social Security and Railroad Retirement Benefits", "Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations", "Property or Casualty Insurance Company" and "Accounting Treatment of Original Issue Discount and Amortizable Bond Premium" below.

Alternative Minimum Tax

The Code includes, for purposes of the corporate alternative minimum tax, a preference item consisting of, generally, seventy-five percent of the excess of a corporation's "adjusted current earnings" over its "alternative minimum taxable income" (computed without regard to this particular preference item and the alternative tax net operating loss deduction). Thus, to the extent that tax-exempt interest (including interest on the 2011 Bonds) is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the alternative minimum tax.

Branch Profits Tax

Under the Code, foreign corporations engaged in a trade or business in the United States will be subject to a "branch profits tax" equal to thirty percent (30%) of the corporation's "dividend equivalent amount" for the taxable year. The term "dividend equivalent amount" includes interest on tax-exempt obligations.

S Corporations with Passive Investment Income

Section 1375 of the Code imposes a tax on the income of certain small business corporations for which an S Corporation election is in effect, and that have "passive investment income". For purposes of Section 1375 of the Code, the term "passive investment income" includes interest on the 2011 Bonds. This tax applies to an S Corporation for a taxable year if the S Corporation has Subchapter C earnings and profits at the close of the taxable year and has gross receipts, more than twenty-five percent (25%) of which are "passive investment income". Thus, interest on the 2011 Bonds may be subject to federal income taxation under Section 1375 of the Code if the requirements of that provision are met.

Social Security and Railroad Retirement Benefits

Under Section 86 of the Code, certain Social Security and Railroad Retirement benefits (the "benefits") may be includable in gross income. The Code provides that interest on tax-exempt obligations (including interest on the 2011 Bonds) is included in the calculation of "modified adjusted gross income" in determining whether a portion of the benefits received are to be includable in gross income of individuals.

Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations

The Code, subject to limited exceptions not applicable to the 2011 Bonds, denies the interest deduction for indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the 2011 Bonds. With respect to banks, thrift institutions and other financial institutions, the denial to such institutions is one hundred percent (100%) for interest paid on funds allocable to the 2011 Bonds and any other tax-exempt obligations acquired after August 7, 1986.

Property or Casualty Insurance Company

The Code also provides that a property or casualty insurance company may also incur a reduction, by a specified portion of its tax-exempt interest income, of its deduction for losses incurred.

Accounting Treatment of Original Issue Discount and Amortizable Bond Premium

The 2011 Bonds maturing on July 1, 2026 are herein referred to as the "Discount Bonds." In the opinion of Bond Counsel, the difference between the initial public offering price of the Discount Bonds set forth on the cover page and the stated redemption price at maturity of each such 2011 Bonds constitutes "original issue discount," all or a portion of which will, on the disposition or payment of such Bonds, be treated as tax-exempt interest for federal income tax purposes. Original issue discount will be apportioned to an owner of the Discount Bonds under a "constant interest method," which utilizes a periodic compounding of accrued interest. If an owner of a Discount Bond who purchases it in the original offering at the initial public offering price owns that Discount Bond to maturity, that Bondholder will not realize taxable gain for federal income tax purposes upon payment of the Discount Bond at maturity. An owner of a Discount Bond who purchases it in the original offering at the initial public offering price and who later disposes of the Discount Bond prior to maturity will be deemed to have accrued tax-exempt income in a manner described above; amounts realized in excess of the sum of the original offering price of such Discount Bond and the amount of accrued original issue discount will be taxable gain.

Purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on the Discount Bonds. Prospective purchasers of the Discount Bonds should consult their tax advisors regarding the Delaware tax treatment of original issue discount.

All of the 2011 Bonds other than those maturing on July 1, 2021 and bearing interest at the rate of 2.50% and July 1, 2026 and bearing interest at the rate of 3.00% are hereinafter referred to as the “Premium Bonds”. An amount equal to the excess of the initial public offering price of a Premium Bond set forth on the inside cover page over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the purchaser’s basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed.

Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

Delaware State Tax Opinion

In the opinion of Bond Counsel under existing statutes interest on the 2011 Bonds is exempt from personal and corporate income tax imposed by the State.

OPINIONS AND CERTIFICATES AVAILABLE ON DELIVERY OF THE BONDS

Upon delivery of the Bonds, the State will make available the following opinions and certificates dated the date of delivery of the Bonds: (1) the opinion of Saul Ewing LLP, Bond Counsel, Wilmington, Delaware, substantially in the form set forth in APPENDIX D, to the effect that the Bonds are legal and valid general obligations of the State to which the State has pledged its full faith and credit; (2) the opinion of the Attorney General or a Deputy Attorney General to the effect that no litigation is pending or known to be threatened to restrain or enjoin the issuance of the Bonds, or in any manner questioning the validity of any proceedings authorizing the issuance of the Bonds, or the levy or collection of any material portion of taxes or other revenues of the State, or contesting the completeness, accuracy or fairness of the Official Statement; and that neither the corporate existence of the State nor the titles of the officials of the State signatories hereto to their respective offices is being contested; (3) a certificate of the Issuing Officers certifying as genuine the signatures of the Issuing Officers signing the Bonds; (4) a certificate of the State Treasurer acknowledging receipt of payment for the Bonds; (5) a certificate executed by the State Treasurer relating to federal tax matters under the Internal Revenue Code of 1986, and regulations promulgated thereunder; and (6) a certificate of the Issuing Officers stating: (a) that the Official Statement, as of the date of the Official Statement, did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (b) as of the date of delivery of and payment for the Bonds there has been no material adverse change in the condition, financial or otherwise of the State, from the date of the sale of the Bonds to the date of delivery of the Bonds and from that set forth in the Official Statement.

INDEPENDENT AUDITORS

The State's audited June 30, 2010, Basic Financial Statements included as APPENDIX B to this Official Statement have been examined by KPMG LLP, independent auditors, whose report thereon appears therein. KPMG LLP, the State's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP has not performed any procedures relating to this Official Statement.

FINANCIAL ADVISOR

Public Financial Management, Inc. has been appointed financial advisor to the State and is acting in that capacity in connection with the sale of the Bonds.

RATINGS

Fitch Ratings, Moody's Investors Service and Standard & Poor's rate the general obligation bonds of the State. The current rating of all outstanding general obligation bonds of the State assigned by Fitch Ratings is AAA, the rating assigned by Moody's Investors Service is Aaa and the rating assigned by Standard & Poor's is AAA. Fitch Ratings, Moody's Investors Service and Standard & Poor's have assigned the Bonds the ratings which appear on the cover hereof.

Such ratings reflect only the respective views of such organizations. An explanation of the significance of such ratings may be obtained from the respective organizations. There is no assurance that such ratings will continue for any period of time or that they will not be revised or withdrawn. A downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds. No rating assures the market value of the Bonds.

UNDERWRITING

The Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of a group of underwriters (the "Underwriters"). The Underwriters have agreed to purchase said 2011 Bonds at a purchase price of $ 312,224,362.11 (which is equal to the aggregate principal amount of $275,425,000 plus net original issue premium of $37,346,942.85 less underwriters' discount of

$547,580.74). The Underwriters' obligation to make such purchase is subject to certain terms and conditions set forth in the related purchase contract, the approval of certain legal matters by Bond Counsel and certain other conditions.

Morgan Stanley and Citigroup Inc., the respective parent companies of Morgan Stanley & Co. LLC and Citigroup Global Markets Inc., each an underwriter of the Bonds, have entered into a retail brokerage joint venture. As part of the joint venture, each of Morgan Stanley & Co. LLC and Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Morgan Stanley & Co. LLC and Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the State, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the State.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the mathematical computations of (i) the adequacy of the maturing principal of and interest earned on the escrow securities together with other available funds held in the escrow account, to provide for the payment of the Refunded Bonds; and (ii) the "yield" on the escrow securities and on the 2011 Bonds, will be examined by Causey, Demgen & Moore, Inc., a firm of independent certified public accountants.

The computations will be based upon information and assumptions supplied by the financial advisor on behalf of the State. Causey, Demgen & Moore, Inc. has restricted its procedures to examining the arithmetical accuracy of the computations and has not evaluated or audited the assumptions or information used in the computations.

CONTINUING DISCLOSURE UNDERTAKING

General. The State has covenanted for the benefit of the Holders of the Bonds in a Continuing Disclosure Agreement to be dated November 15, 2011 (the "Disclosure Agreement") to (a) provide notices of the occurrence of certain enumerated events; and (b) provide certain financial information and operating data relating to the State not later than the first day of the eleventh calendar month immediately following the end of the State's fiscal year (the "Annual Report"). The Annual Report and the notices of significant events, both summarized below, will be filed by the State with the Electronic Municipal Market Access System ("EMMA") maintained by the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of significant events is summarized below. These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12, as amended (the "Rule").

Annual Reports. The State's Annual Report filed with EMMA shall contain or incorporate by reference the information with respect to the relevant fiscal year as set forth in Exhibit "A" to the form of Continuing Disclosure Agreement attached hereto as Appendix C."

Notices of Significant Events. Upon the occurrence of any of the following notice events, the State shall in a timely manner not in excess of ten (10) business days after the *occurrence* of any of the following events, file with EMMA notice of such occurrence: (1) principal and interest payment delinquencies; (2) non payment-related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax status of the Bonds; (7) modifications to rights of Holder, if material; (8) bond calls (other than mandatory sinking fund redemptions), if material, and tender offers; (9) defeasances of Bonds; (10) release, substitution, or sale of property securing repayment of any Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the State; (13) the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; or (15) failure to provide annual financial information as required.

Accounting Standards. The financial statements described above shall be audited in accordance with generally accepted accounting principles applicable in the preparation of financial statements of the State as such principles are from time to time promulgated by the Financial Accounting Standards Board, the Governmental Accounting Standards Board, or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body ("GAAP"), and shall also comply with applicable federal and state auditing statutes, regulations, standards and/or guidelines. The State may from time to time modify its accounting principles to the extent necessary or desirable to comply with changes in either GAAP or applicable federal and state statutes, regulations, standards and/or guidelines. Audited financial statements of the State not submitted as part of the Annual Report shall be provided to EMMA if and when available to the State, and in any event not more than thirty (30) days after receipt thereof from the State's auditors. In the event that audited financial statements are not submitted as part of the Annual Report, the State shall provide in lieu thereof unaudited financial statements meeting the description set forth above.

Termination of Reporting Obligation. The State's obligations under the Disclosure Agreement shall terminate upon (a) the legal defeasance, prior redemption or payment in full of all of the Bonds or (b) the assumption by a successor Obligated Person of all of the obligations of the prior Obligated Person both under the Disclosure Agreement and under the Bonds.

Amendments. Notwithstanding any other provision of the Disclosure Agreement, the State may modify or amend the Disclosure Agreement. Under the current SEC interpretation of the Rule, the following preconditions must be satisfied: (a) the amendment is being made in connection with a change of circumstances that arises from a change in legal requirements, change in law, change in the identity, nature or status of the State, or change in the type of business conducted by the State; (b) the Disclosure Agreement, as amended, would have complied with the requirements of the Rule as of the date of issuance of the relevant Bonds, after taking into account any amendment or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment does not materially adversely effect the interests of Holder as determined either by a party unaffiliated with the State (such as the Paying Agent or nationally recognized bond counsel) or by an approving vote of a majority of Holders.

To the extent required by the Rule, the State shall disclose in the next Annual Report the amendment and its impact on the information being provided.

Defaults. In the event of a failure of the State to comply with any provision of the Disclosure Agreement, the Paying Agent, any Participating Underwriter or any Holder may take such actions as may be necessary and appropriate, including seeking a writ of mandamus or specific performance by court order to cause the State to comply with its obligations under the Disclosure Agreement. A default under the Disclosure Agreement shall not be deemed an Event of Default under the Resolution or the Bonds, and the sole remedy under the Disclosure Agreement in the event of any failure of the State to comply with the Disclosure Agreement shall be an action to compel performance, provided, however, that nothing in the Disclosure Agreement shall limit any Holder's rights under applicable federal securities law.

The State has complied with all of its obligations under continuing disclosure agreements to which it is a party in each of the past five years.

The execution and distribution of the Official Statement in connection with the sale of the Bonds has been duly authorized by the State.

THE STATE OF DELAWARE

JACK A. MARKELL,
Governor

THOMAS J. COOK,
Secretary of Finance

JEFFREY W. BULLOCK,
Secretary of State

CHIPMAN FLOWERS, JR.,
State Treasurer

APPENDIX A

SUMMARY OF CASH BASIS FINANCIAL STATEMENTS
For Fiscal Years 2007 Through 2011

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THE STATE OF DELAWARE
BUDGETARY GENERAL FUND
RECEIPTS, DISBURSEMENTS AND CASH BALANCES
(in thousands)

	Fiscal Years Ended June 30				
	2007(1)	**2008(1)**	**2009(1)**	**2010(1)**	**2011(1)**
Receipts					
Tax Revenue					
Personal Income	$1,186,579	$1,198,756	$1,105,248	$1,061,486	$1,175,933
Franchise	540,447	566,308	574,213	633,108	614,486
Corporation Income	177,061	227,791	162,134	125,575	221,181
Gross Receipts	157,312	162,117	164,079	194,594	201,104
Public Utility	46,156	48,106	55,857	56,694	57,174
Cigarette	88,289	125,338	125,681	132,278	129,105
Pari-Mutual	147	143	121	116	110
Inheritance and Estate	366	334	78	293	16,165
Realty Transfer	90,934	75,967	44,586	46,875	44,054
Alcoholic Beverage	14,801	14,736	15,519	16,446	16,883
Insurance Taxes	88,254	80,828	77,271	51,838	62,881
Bank Franchise	175,161	129,704	81,783	54,005	119,739
All Other	466,420	493,910	539,152	648,803	595,046
Total Taxes	3,031,927	3,124,038	2,945,722	3,022,111	3,253,861
Revenue Refunds	244,676	291,777	298,220	296,348	291,815
Net Taxes	2,787,251	2,832,261	2,647,502	2,725,763	2,962,046
Other Revenue					
Fees	109,386	107,690	90,494	114,091	124,567
Interest Earnings	25,266	32,948	8,892	10,900	8,867
Sales(2)	320,476	323,847	325,053	350,483	357,561
Grants, Donations & Special Income	0	0	0	0	91
Licenses	15,902	11,666	15,832	11,775	17,447
Other Revenue	9,030	6,188	3,332	8,916	4,186
Non-revenue and Transfers	22,901	42,141	56,922	13,214	56,652
Total Other Revenue	502,961	524,480	500,525	509,379	569,371
Total Receipts	**$3,290,212**	**$3,356,741**	**$3,148,027**	**$3,235,142**	**$3,531,417**
Disbursements					
Legislative	$ 13,174	$ 14,015	$ 12,886	$ 11,768	$ 12,047
Judicial	89,391	92,279	88,921	86,357	90,445
Executive	275,008	161,064	150,286	89,887	124,161
Technology and Information	37,647	36,926	37,066	32,258	36,292
Other Elective Offices	56,542	79,380	54,367	54,173	190,261
Legal	41,614	44,759	43,770	41,289	44,051
Dept. of State	25,592	31,890	38,060	27,396	26,653
Dept. of Finance	45,628	33,382	26,597	24,332	21,092
Dept. of Administrative Services	-	-	-	-	-
Dept. of Health & Social Services	852,546	918,685	832,935	821,414	834,901
Dept. of Children, Youth & Their Families	131,660	135,344	127,140	118,206	120,678
Dept. of Correction	252,143	263,196	256,627	237,987	245,402
Dept. of Natural Resources & Env. Control	70,495	66,750	56,900	44,137	42,585
Dept. of Safety & Homeland Security	120,875	126,543	124,196	117,906	126,594
Dept. of Transportation	1,981	3	-	-	14,000
Dept. of Labor	7,330	8,110	7,360	6,178	6,522
Other	25,793	23,652	22,923	18,951	23,370
Total Departments	2,047,419	2,035,978	1,880,034	1,732,239	1,959,054
Higher Education	253,820	253,029	252,403	227,323	220,023
Public Education	1,088,657	1,132,639	1,163,102	1,116,947	1,091,673
Total Education	1,342,477	1,385,668	1,415,505	1,344,270	1,311,696
Total Disbursements	**$3,389,896**	**$3,421,646**	**$3,295,539**	**$3,076,509**	**$3,270,750**
Receipts Over (Under) Disbursements	(99,684)	(64,905)	(147,512)	158,633	260,667
Cash Balance-Beginning of Period	690,572	590,888	525,983	378,471	537,104
General Fund Advances to Other Funds	-	-	-	-	-
Cash Balance	**$ 590,888**	**$ 525,983**	**$ 378,471**	**$ 537,104**	**$ 797,771**

(1) Unaudited. The State has audited GAAP financial statements for the fiscal years ending June 30, 2007 through June 30, 2010.
(2) Consists primarily of payments for board and treatment at State institutions and lottery receipts.
NOTE: Numbers are rounded, and thus, the sum of the detail may not equal the total.
Source: Department of Finance.

THE STATE OF DELAWARE
BUDGETARY SPECIAL FUND
RECEIPTS, DISBURSEMENTS AND CASH BALANCES
(in thousands)

	Fiscal Years Ended June 30				
	2007[1]	2008[1]	2009[1]	2010[1]	2011[1]
Receipts					
Taxes					
Insurance	$ 27,241	$ 30,494	$ 26,209	$ 24,321	$ 31,223
Local School Property	386,832	416,881	427,014	435,961	402,552
All Other	363,852	372,447	425,131	356,336	341,242
Total Taxes	777,925	819,822	878,354	816,618	775,017
Other Revenue					
Federal Grants and Reimbursements	1,186,399	1,291,847	1,521,071	1,884,666	1,478,960
Pension Fund Receipts	170,100	181,024	176,382	180,576	209,888
Interest Earnings	52,737	51,361	25,328	16,661	11,178
All Other	881,799	965,447	981,174	983,269	857,267
Total Other Revenue	2,291,035	2,489,679	2,703,955	3,065,172	2,557,293
Non-Revenue and Transfer					
Sale of Bonds	392,030	210,666	252,202	211,693	269,862
Receipts from Pension Fund	564,015	535,836	558,052	575,419	497,978
All Other	797,030	857,656	860,229	873,255	329,243
Total Non-Revenue and Transfer	1,753,075	1,604,158	1,670,483	1,660,367	1,097,083
Total Receipts	4,822,035	4,913,659	5,252,792	5,542,157	4,429,393
Total Disbursements	4,557,734	4,923,979	5,164,419	5,643,645	4,347,718
Receipts Over (Under) Disbursements	264,301	(10,320)	88,373	(101,488)	81,675
Operating Cash Balance-Beginning of Period	1,036,762	1,298,653	1,291,554	1,379,132	1,277,667
Operating Cash Balance-End of Period	**$1,301,063**	**$1,288,333**	**$1,379.927**	**$1,277,644**	**$1,359,342**
Other Cash					
Payables[2]	(2,411)	3,221	(795)	23	39,421
Cash Balance	**$1,298,653**	**$1,291,554**	**$1,379,132**	**$1,277,667**	**$1,398,763**

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(1) Unaudited. The State has audited GAAP financial statements for the fiscal years ending June 30, 2007 through June 30, 2010.
(2) Payroll withholdings are no longer considered a State budgetary Special Fund. They are a General Ledger liability entry starting in fiscal 1987.

NOTE: Numbers are rounded and thus the sum of the detail may not equal the total.

Source: Department of Finance.

THE STATE OF DELAWARE
COMBINED BUDGETARY GENERAL AND SPECIAL FUNDS
RECEIPTS, DISBURSEMENTS AND CASH BALANCES
(in thousands)

	Fiscal Years Ended June 30				
	2007[1]	2008[1]	2009[1]	2010[1]	2011[1]
Receipts					
Net Taxes	$ 3,565,176	$ 3,637,083	$ 3,525,849	$ 3,546,383	$ 3,737,064
Interest Earnings	78,003	84,309	34,220	27,561	20,053
Grants, Donations and Special Income	1,143,028	1,241,077	1,451,838	1,800,487	1,433,101
Licenses	20,517	16,485	23,523	18,268	29,987
Fees	246,886	260,996	233,779	274,355	537,145
Sales	401,066	413,913	417,857	448,708	449,671
Other Revenue	1,030,570	1,121,125	1,144,708	1,166,632	563,521
Total Revenue	6,485,246	6,774,988	6,831,774	7,282,394	6,806,542
Non-Revenue and Transfers	1,627,002	1,495,415	1,569,041	1,494,905	1,154,269
Total Receipts	8,112,248	8,270,403	8,400,815	8,777,299	7,960,811
Total Disbursements	7,947,629	8,345,624	8,459,958	8,720,154	7,618,468
Receipts Over (Under) Disbursements	164,619	(75,221)	(59,143)	57,145	342,343
Cash Balance-Beginning of Period	1,727,333	1,889,541	1,817,541	1,757,603	1,814,771
General Fund Advances to Other Funds	-	-	-	-	-
Operating Cash Balance-End of Period	**$1,891,952**	**$1,814,320**	**$1,758,398**	**$1,814,748**	**$2,157,114**
Other Cash Payables[2]	(2,411)	3,221	(795)	23	39,421
Cash Balance	**$1,727,333**	**$1,889,541**	**$1,757,603**	**$1,814,771**	**$2,196,535**

(1) Unaudited. The State has audited GAAP financial statements for the fiscal years ending June 30, 2007 through June 30, 2010.
(2) Payroll withholdings are no longer considered a State budgetary Special Fund. They are a General Ledger liability entry starting in fiscal 1987.
NOTE: Numbers are rounded and thus the sum of the detail may not equal the total.

Source: Department of Finance.

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APPENDIX B

BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2010

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FINANCIAL SECTION

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Delaware (the State), as of and for the year ended June 30, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. The financial statements of these entities were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Delaware as of June 30, 2010, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 (b) to the financial statements, the State adopted Governmental Accounting Standards Board Statement (GASB) No. 51, *Accounting and Financial Reporting for Intangible Assets* during fiscal year 2010.

KPMG

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

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

KPMG LLP

December 29, 2010

Management's Discussion and Analysis

The following is a discussion and analysis of the State of Delaware's (the State's) financial activities as of and for the fiscal year ended June 30, 2010. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages i-vi of this report, and the State's financial statements, which follow this section.

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

Financial Highlights

- The assets of the State exceeded its liabilities at the close of the most recent fiscal year by $5,202.5 million (net assets). Component units reported net assets of $775.1 million, an increase of $6.2 million from the previous year.

- As a result of its operations, the primary government's total net assets decreased by $2.2 million (less than 0.1%) in fiscal year 2010 when compared to the previous year's ending net assets. Net assets of governmental activities increased by $37.8 million (1.7%) from the previous year, while net assets of the business-type activities decreased $39.9 million (1.3%) from the previous year.

- The State's governmental funds reported combined ending fund balances of $1,422.7 million, an increase of $111.6 million (8.5%) in comparison with the prior year.

- At the end of the current fiscal year, the unreserved fund balance for the general fund was $843.6 million, which was 22.5% of total general fund expenditures. Some of the unreserved fund balance is not available for new spending as such funds have been committed based on State statutes that can be amended by legislation.

- The State's total general obligation debt increased $28.1 million (1.9%) during fiscal year 2010 to $1,497.4 million. Of the State's outstanding debt, $516.0 million (34.5%) has been issued on behalf of local school districts, which is supported by the property tax revenues of those districts.

Overview of the Financial Statements

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

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

The statement of net assets presents information on all of the State's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

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

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

The government-wide financial statements include not only the State (known as the primary government), but also legally separate entities for which the State is financially accountable. These entities include the Delaware State Housing Authority, the Diamond State Port Corporation, the Riverfront Development Corporation, the Delaware State University, the Delaware Technical and Community College Educational Foundation and 21 charter schools. Financial information for these component units is reported separately from the financial information presented for the primary government. The government-wide financial statements can be found on pages 21-23 of this report.

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

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

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

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

The basic governmental funds financial statements can be found on pages 24 - 27 of this report.

The State budgets and controls its financial activities on the cash basis of accounting. In compliance with State law, the State records its financial transactions in either of two major categories – the General Fund or the Special Fund. References to these funds in this report include the terms "budgetary" or "budgetary basis" to differentiate them from the GAAP funds of the same name which encompass different funding categories. The State adopts an annual appropriated budget for its budgetary general fund. A budgetary comparison statement has been provided for the budgetary general fund to demonstrate compliance with the budget. The schedule can be found on page 124 of this report.

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

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

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

Fiduciary funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State's own programs. The pension, other post-employment benefit, and investment trust funds are the primary fiduciary funds for the State. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36 - 119 of this report.

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

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

Statewide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's assets exceeded its liabilities by $5,202.5 million at the close of the most recent fiscal year.

The largest portion of the State's net assets (88.5%) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment) less any related outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net assets, comprising 6.2% of total net assets, represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The remaining portion, unrestricted net assets (5.3%), may be used at the State's discretion; however, some of these funds have been appropriated based on State statutes.

Condensed Financial Information - Primary Government
As of June 30, 2010
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other non-current assets	$ 2,406,051	$ 2,400,728	$ 532,782	$ 580,087	$ 2,938,833	$ 2,980,815
Capital assets	3,416,605	3,157,814	3,899,468	3,824,481	7,316,073	6,982,295
Total assets	5,822,656	5,558,542	4,432,250	4,404,568	10,254,906	9,963,110
Long-term liabilities outstanding	2,823,441	2,376,206	1,239,200	1,170,735	4,062,641	3,546,941
Other liabilities	743,208	964,110	246,516	247,356	989,724	1,211,466
Total liabilities	3,566,649	3,340,316	1,485,716	1,418,091	5,052,365	4,758,407
Net assets:						
Invested in capital assets, net of related debt	1,799,599	1,665,199	2,803,634	2,727,661	4,603,233	4,392,860
Restricted	186,430	186,430	137,831	202,220	324,261	388,650
Unrestricted	269,978	366,597	5,069	56,596	275,047	423,193
Total net assets	$ 2,256,007	$ 2,218,226	$ 2,946,534	$ 2,986,477	$ 5,202,541	$ 5,204,703

The capital assets of the governmental activities increased $258.8 million (8.2%) since June 30, 2009. Primary increases are a result of significant renovations to, and expansions of, existing school buildings across all counties to accommodate the rise in student population

The State's securities lending activities were discontinued on December 4, 2009. Therefore at June 30, 2010, investments held for securities lending transactions and the corresponding collateral held for securities lending transactions were $0.0 million. As a result, both current assets and other liabilities decreased by $211.2 million from fiscal year 2009.

The increase in governmental activities long-term liabilities outstanding of $447.2 million (18.8%) is primarily due to GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). At June 30, 2010, the long-term obligation for OPEB was $986.9 million, an increase of $324.4 million (49.0%) from fiscal year 2009. The OPEB obligation will increase each year as the State continues to defer full funding of its annual required contribution. Additional information for the OPEB obligation can be found in Note 14 of the financial statements. In addition, the general obligation long term debt increased by $95.5 million (6.9%). The State's debt as a percentage of the State's personal income was 7.4% in fiscal year 2009 and 7.5% in fiscal year 2010. The State's relatively high debt burden reflects its centralized role in financing facilities, such as schools and prisons, which in other states receive capital through local entities. Bond sales during fiscal year 2010 included two refundings, including advance refundings, which resulted in an increase in prepaid assets of $34.6 million.

The decrease in business-type current assets was primarily from the decrease of $60.8 million in current assets in the Unemployment Trust Fund. The decrease was caused by an increase of benefits paid. The decrease was offset by an increase in DelDOT's current assets due to unspent bond proceeds from the issuance of Grant Anticipation Revenue Vehicle Bonds (GARVEE) during the fiscal year, which resulted in larger investment balances in DelDOT. Long-term liabilities outstanding were also increased as a result of increased revenue bonds payable and post-employment benefits payable. This information can be found on page 2 of the DelDOT's financial statements as of and for the year ended June 30, 2010.

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

Changes in Net Assets - Primary Government
For Year End June 30, 2010
(Expressed in Thousands)

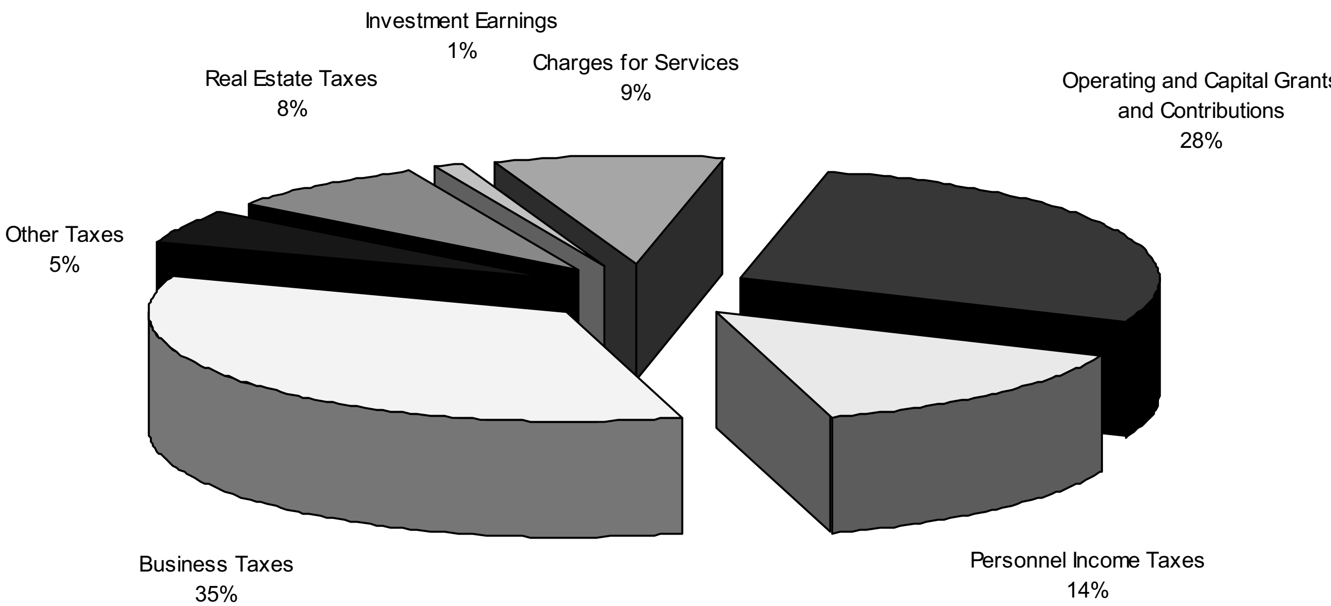
	Governmental Activities 2010	Governmental Activities 2009	Business-type Activities 2010	Business-type Activities 2009	Total Primary Government 2010	Total Primary Government 2009
Revenues:						
Program revenues:						
Charges for services	$ 453,202	$ 344,153	$ 1,236,049	$ 1,206,962	$ 1,689,251	$ 1,551,115
Operating grants and contributions	1,460,903	1,199,961	196,889	-	1,657,792	1,199,961
Capital grants and contributions	30,861	9,936	238,276	193,219	269,137	203,155
General revenues:						
Taxes:						
Personal income taxes	760,617	914,460	-	-	760,617	914,460
Business taxes	1,820,023	1,655,938	-	-	1,820,023	1,655,938
Real estate taxes	434,718	428,878	-	-	434,718	428,878
Other taxes	250,630	238,786	-	-	250,630	238,786
Investment income (loss)	20,185	41,140	(15,336)	11,686	4,849	52,826
Gain (loss) on sale of assets	-	-	(415)	235	(415)	235
Miscellaneous	15,546	29,197	(1,000)	(1,000)	14,546	28,197
Total revenues	5,246,685	4,862,449	1,654,463	1,411,102	6,901,148	6,273,551
Expenses:						
General Government	436,025	551,390	-	-	436,025	551,390
Health and Children's Services	2,059,215	1,980,118	-	-	2,059,215	1,980,118
Judicial and Public Safety	624,565	641,296	-	-	624,565	641,296
Natural Resources and Environmental Control	148,776	154,871	-	-	148,776	154,871
Labor	74,163	77,911	-	-	74,163	77,911
Education	2,146,258	2,102,297	-	-	2,146,258	2,102,297
Interest Expense	55,782	57,570	-	-	55,782	57,570
Lottery	-	-	353,449	388,260	353,449	388,260
Transportation	-	-	626,012	602,296	626,012	602,296
Unemployment	-	-	379,065	203,817	379,065	203,817
Total expenses	5,544,784	5,565,453	1,358,526	1,194,373	6,903,310	6,759,826
Increase (decrease) in net assets before transfers	(298,099)	(703,004)	295,937	216,729	(2,162)	(486,275)
Transfers	335,880	335,468	(335,880)	(335,468)	-	-
Increase (decrease) in net assets	37,781	(367,536)	(39,943)	(118,739)	(2,162)	(486,275)
Net assets - beginning of year	2,218,226	2,585,762	2,986,477	3,105,216	5,204,703	5,690,978
Net assets - end of year	$ 2,256,007	$ 2,218,226	$ 2,946,534	$ 2,986,477	$ 5,202,541	$ 5,204,703

Governmental activities Since fiscal year 2009, the net assets for governmental activities increased by $37.8 million, while the net assets for business-type activities decreased by $39.9 million. A comparison of the cost of services by function for the State's governmental activities is shown in the following chart, along with the revenues used to cover the net expenses of the governmental activities. Key elements of the decrease in the State's governmental activities net assets are as follows:

Total general revenues decreased overall by $6.7 million (0.2%) relating to decreases in net personal income taxes of $153.8 million and investment earnings of $21.0 million. The decrease in personal income taxes is primarily due to reduction in taxes receivable resulting from a modification of the write-off period from ten years to six. Real estate taxes increased by $5.8 million and business and other taxes increased by $175.9 million. During the fiscal year 2010, the State enacted a taxpayer amnesty program to allow taxpayers (both business and personal) to file taxes for prior years with no penalties. This resulted in an increase in business taxes collected.

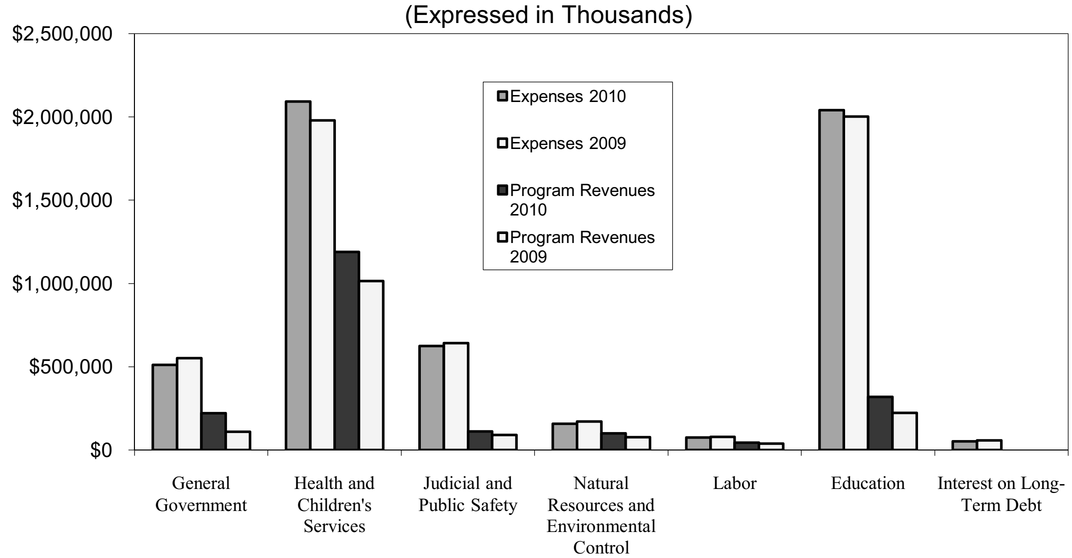
Program revenues increased by $390.9 million (25.2%) from the prior year partially due to an increase in operating grants of $260.9 million. Of this amount, $124.5 million relates to increased federal revenues at Health and Children's Services as a result of increased spending for Medicaid (the State's largest public assistance program) and $89.9 million relates to increased federal revenue at Education. Also, charges for services increased by $109.0 million. Of this increase, $45.0 million was in general government and $7.3 million was in judicial and public safety due to increases in charges relating to licenses, fines, fees and permits.

Revenues by Source – Governmental Activities



Expenses for governmental activities decreased during fiscal year 2010 by $20.7 million (0.4%). This decrease is primarily due to the decrease in general government of $115.4 million due to decrease in spending from mandated spending reductions. Offsetting this decrease is due to Health and Children's Services increased spending of $79.1 million due to increase in the population served and health care costs. Educational expenses increased by $44.0 million due to the continued increase in student population resulting in additional education personnel costs and operation costs.

Expenses and Program Revenues- Governmental Activities



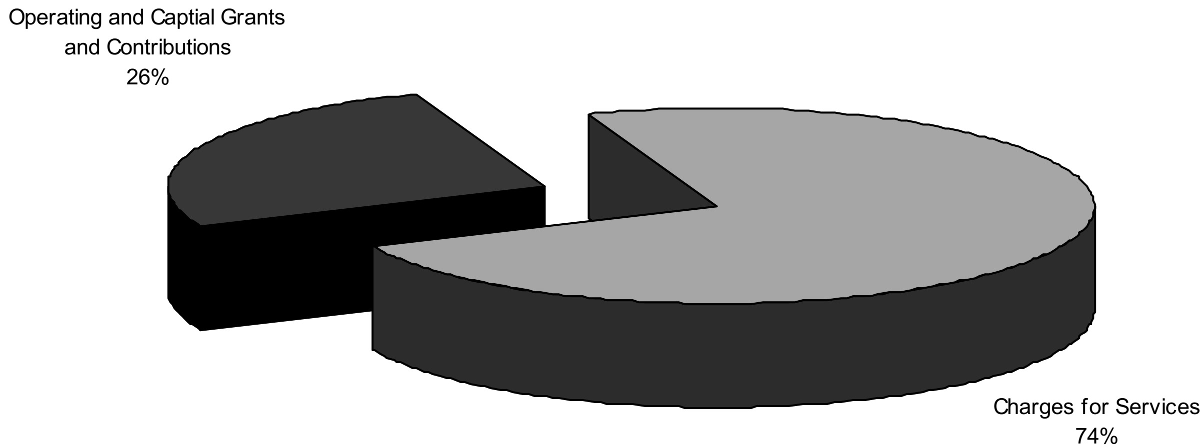
Business-type activities The net assets for business-type activities decreased by $39.9 million since fiscal year 2009. This decrease is comprised of a $20.2 million increase in net assets for DelDOT, a $60.7 million decrease in the Unemployment Insurance Trust Fund, and a less than $0.6 million increase of Lottery's net assets.

There was a decrease in net assets of the Delaware Unemployment Insurance Trust Fund of $60.7 million. There was an increase in operation revenues and operating expenses of $239.8 million and $175.2 million, respectively. This was due to the federal government funding the benefits for the Trust Fund.

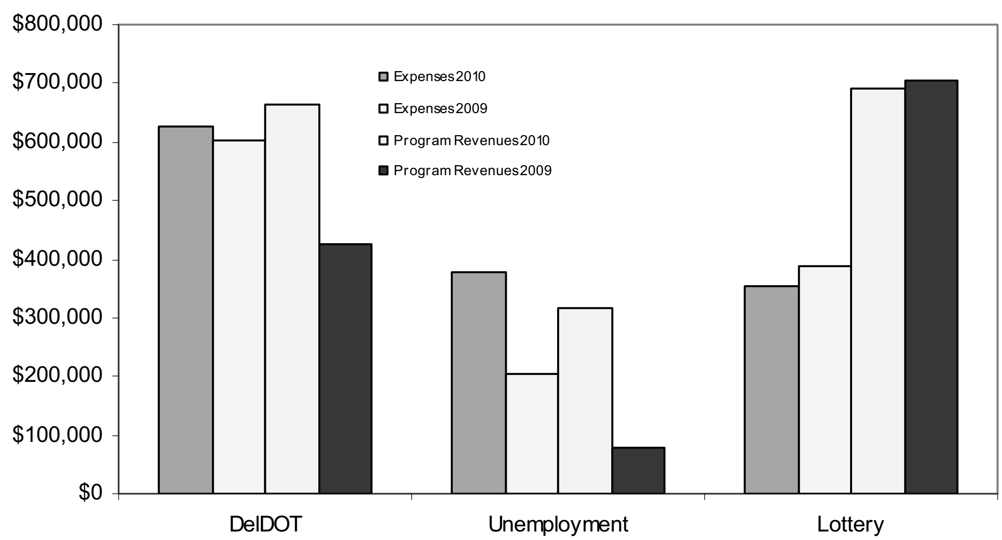
DelDOT's net assets at June 30, 2010 were $20.2 million higher than at June 30, 2009. DelDOT's total operating revenues increased by $0.9 million (0.2%) while operating expenses increased by $20.4 million (3.6%). The October 1, 2009 toll and fee increases were the main contributors of the operating revenue increase. The largest contributing factor for the increase in operating expenses was the increase in vehicle operations expenses, primarily from higher fuel costs.

The Lottery's net assets changed by less than $0.6 million. By law, the Lottery's net assets cannot exceed $1.0 million. Revenue for the Lottery decreased by $14.6 million (2.1%) over last year due to a $0.3 million decrease in traditional games revenue and a $14.3 million decrease in video lottery revenues. The Lottery transferred $334.6 million in gaming revenues to the State, an increase from fiscal year 2009 of $19.8 million. The total costs of games and prizes decreased by $37.5 million (9.8%) over the previous year.

Revenues by Source – Business-type Activities



Expenses and Program Revenues – Business-type Activities



Financial Analysis of the State's Funds

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

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

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of $1,422.7 million, an increase of $111.6 million over the prior year. Of the aggregate fund balances, $1,057.8 million, approximately 74.3% constitute unreserved fund balances.

Approximately $364.9 million of the fund balance is reserved and is not available for new spending for the following reasons: 1) to liquidate contracts and purchase orders of the prior period ($131.1 million), 2) set aside for long-term portion of loans and notes receivable ($39.4 million) 3) set aside for the budgetary reserve account ($186.4 million), and 4) for inventories and other assets ($8.0 million).

General fund The general fund accounts for the operation and administration of the State. Total general fund balance increased by $140.2 million for the fiscal year.

Total general fund revenues increased by $76.4 million (2.3%) due to several factors. The business taxes increased by $164.1 million partly due to the effects of a full year of tax increases that took effect in January 2009 and partly due to collections from the tax amnesty program that was implemented during fiscal year 2010. This increase was offset by a reduction in personal income tax revenue of $170.7 million primarily due to a reduction in the write-off period for receivables from 10 years to six, as well as a continuing level of higher unemployment. Due to the effect of adverse market conditions on investments and lower interest rates, interest and other investment income decreased by $17.7 million.

Total general fund expenditures decreased by $191.7 million (4.9%). This was primarily due to decreases in Health and Children's Services of $55.8 million, General Government of $101.0 million, Education of $57.8 million and Natural Resources and Environmental Control of $13.8 million. The decrease in expenditures for General Government, Education and Natural Resources and Environmental Control were attributable to the increase on the federal funding as a result of the stimulus package.

At the end of the current fiscal year, unreserved fund balance of the general fund was $843.6 million, while total fund balance reached $1,196.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 22.5% of total general fund expenditures, while total fund balance represents 32.0% of total fund expenditures or 117 days of operations.

Federal funds Federal funds represent pass through grants used for designated purposes. These funds report federal grant revenues and the related expenditures to support the State's grant programs. Total federal fund revenues and expenditures increased by $231.8 million and $269.8 million, respectively. The primary increase in federal revenues was due to the American Recovery and Reinvestment Act (ARRA). The largest portion of this increase in expenditures is in Health and Children's services, which accounted for $118.3 million (12.9%), resulting from increased costs in the Medical Assistance and the Temporary Assistance for Needy Families programs. Also, spending on energy programs by the Department of Natural Resources and Environmental Control increased expenditures by $12.4 million. Education has increased by $117.4 million due to the operating needs of the schools for personnel and supply costs.

Local School funds These funds are used to account for activities relating to the State's local school districts, which are funded by locally raised real estate taxes and other revenues. The fund balance increased by $81.0 million to $308.4 million. Spending decreased because of operating costs being covered by federal funds.

Capital Project funds Capital Project funds are used to account for the construction and acquisition of capital assets of the primary government. Capital outlay expenditures totaled $241.1 million in fiscal year 2010, a decrease of $29.8 million. State legislation authorizes certain capital project expenditures prior to the issuance of bonds in an aggregate amount not to exceed 3% of general fund revenue.

Proprietary funds The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for the Lottery, Unemployment Insurance Trust Fund and the DelDOT fund, all of which are considered to be major funds of the State.

Total proprietary funds net assets decreased in fiscal year 2010 by $39.9 million as a result of operations. Page 12 discusses the changes in net assets of the business-type activities.

General Fund Budgetary Highlights

The budgetary general fund is the chief operating fund of the State. At the end of the fiscal year, total fund balance increased by $158.6 million (41.4%). Revenues were $85.2 million (2.5%) higher than the previous fiscal year. This was primarily due to increases in abandoned property collections of $101.1 million (25.8%), corporate franchise tax of $58.9 million (10.3%), gross receipts tax of $30.5 million (18.6%), and lottery earnings of $27.5 million (11.1%). Offsetting these revenue increases were decreases in the personal income tax of $43.7 million (4.0%), bank franchise tax of $27.8 million (34.0%) and insurance premiums tax of $25.5 million (32.9%). While the State's revenue performance reflected continued weakness in the U.S. economy, collections were bolstered by rate increases in the personal income, corporate franchise and gross receipts taxes; a tax amnesty program; and the expansion of the State's lottery offerings.

Expenditures were $219.1 million (6.6%) less than the previous fiscal year. Salaries and wages decreased by $70.8 million (5.8%) due to an employee pay cut of 2.5% and reduction of staff due to attrition. Grants-in-Aid decreased by $70.4 million (26.5%) while Medicaid increased by $9.3 million (2.2%). In addition, contractual services decreased by $31.3 million (10.9%), personal services and travel decreased by $24.0 million (11.8%) and capital outlays decreased by $21.4 million (51.6%) reflecting various cost cutting measures. Debt service payments increased by $17.8 million (11.4%).

The original budget authorizes current fiscal year operating and administrative expenditures. Included in the final budget are the original budget, prior year encumbrances, multi-year project budgetary carry-forwards from the prior fiscal years, and all modifications to the original budget. The most significant components are the original budget and carry-forwards of prior fiscal year. The unused appropriations from a prior year will carry forward to the final budget for authorized capital projects and grants until the funds are spent.

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

- $76.6 million in the Executive Department for funds budgeted, but not spent on an ongoing significant capital improvement project to upgrade the State's emergency response system and other minor capital projects;
- $58.3 million in the Department of Education for funds budgeted, but not spent on educational projects such as the statewide testing program to assist the State with compliance of the No Child Left Behind Act;
- $10.3 million in Natural Resources and Environmental Control for expenditures authorized in the final budget but not spent on energy incentives and incentives for improving the environment such as storm water retention ponds, environmental clean up, and water conservation; and,
- $31.6 million in the Department of Health and Social Services, as well as $11.3 million in the Department of Children, Youth and Their Families for programs that have been rendered but not yet billed such as Delaware Healthy Children Program costs.

Funded projects, which are not completed by year-end, may carry over unspent funds into fiscal year 2011. Unspent funds are reflected in the final budget which may cause variances from original budget.

Capital Assets and Debt Administration

Capital assets The State's investment in capital assets for its governmental and business-type activities, as of June 30, 2010, amounted to $7,316.1 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles and equipment, easements, roads, highways, and bridges. The total increase in capital assets for governmental activities was $258.8 million (8.2%) and the increase for business-type activities was $75.0 million (2.0%).

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

- Completion of new schools and renovations of existing schools of $225.5 million. In addition, construction-in-progress for governmental activities was $399.8 million as of June 30, 2010. Approximately 84.2% of this total is related to the building of new schools and improvements to existing schools across all counties, with the majority of spending occurring in New Castle County.
- The increase in business-type activities is due to increased spending at DelDOT for the US 301 toll road project.

As allowed by GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the State has adopted an alternative process for recording expense related to selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include 4,447 center line miles of roads and 1,566 bridges that the State is responsible to maintain.

DelDOT performs condition assessments of eligible infrastructure assets at least every three years. Currently, road condition assessments are conducted every two years. Historically, road condition assessments were conducted every year. Recent changes to the road condition vendor contract have resulted in the inability to provide infrastructure ratings for fiscal year 2010. The Department's assessment plan will ensure that all infrastructure assets are assessed and evaluated within the three-year period.

Of the State's 1,556 bridges that were rated in fiscal year 2009, 73.5% received a good or better BCR rating, 19.0% were rated fair, and 7.5% received a substandard rating. Of the 7,330,395 square feet of bridge deck that was rated, 92.8% or 6,800,531 square feet received an OPC condition rating of good or better, 6.9% received a fair rating, and 0.3% received a substandard deck rating. In 2008, 4,447 center line miles were rated; 90.1% received a fair or better OPC rating and 9.9% received a poor rating.

The fiscal year 2010 estimate to maintain and preserve DelDOT's infrastructure was $102.2 million, but the actual expenditures were $336.2 million, which is $234.0 million over the estimate. The estimated expenditures represent annual bond bill authorizations and the actual expenditures represent the current year spending, which includes cumulative authorizations.

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

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

State of Delaware Capital Assets as of June 30, 2010
Net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 427,496	$ 456,328	$ 276,761	$ 249,775	$ 704,257	$ 706,103
Land improvements	79,332	72,325	-	-	79,332	72,325
Buildings	2,215,317	2,034,439	65,749	65,868	2,281,066	2,100,307
Easements	256,653	166,715	-	-	256,653	166,715
Equipment and vehicles	37,963	40,069	124,279	123,470	162,242	163,539
Infrastructure	-	-	3,432,677	3,385,364	3,432,677	3,385,364
Construction-in-progress	399,844	387,938	-	-	399,844	387,938
Total	$ 3,416,605	$ 3,157,814	$ 3,899,466	$ 3,824,477	$ 7,316,071	$ 6,982,291

Long-term debt The State uses general obligation debt to finance capital projects. At the end of the current fiscal year, the State had total general obligation bond debt outstanding of $1,497.4 million backed by the full faith and credit of the State. Its relatively large debt burden reflects its centralized role in financing school construction projects that are typically funded by local governments or school districts in other states. As of June 30, 2010, $516.0 million, or 34.5%, of the State's outstanding debt was issued on behalf of local school districts. Local school districts transferred $58.1 million of property tax revenue to the State to cover related debt service during fiscal year 2010**.**

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

- A 5% test restricts new debt authorization to 5% of budgetary general fund revenue as projected by DEFAC in June for the next fiscal year. Should actual revenue collections increase during the year, no additional authorizations are made. For fiscal year 2010, debt issuance was limited to $159.5 million.
- A 15% test restricts debt issuance if the annual payments on all outstanding debt exceed 15% of estimated budgetary general fund and Transportation Trust Fund Revenue for the next fiscal year. Currently, these annual payments represent between approximately 8% and 9% of estimated general fund and Transportation Trust Fund revenues.
- Finally, a cash balance test restricts debt issuance if the debt service payment in any year exceeds the estimated cumulative cash balance for the following fiscal year. For fiscal year 2010, the projected cash balance exceeded debt service.

Due to the State's statutory debt limits and its fiscal management, three principal rating agencies, Moody's Investor's Service, Fitch Ratings and Standard & Poor's, reaffirmed their triple-A ratings on the State's general obligation bonds during fiscal year 2010. In October 2009, the State issued $493.0 million fixed rate general obligation bonds including tax-exempt and taxable

Build America Bonds. In May 2010, the State issued $152.2 million of tax-exempt, fixed rate general obligation bonds. Both transactions included issuance to refund higher cost debt.

Debt issued by the Delaware Transportation Authority (the Authority) does not constitute a debt of the State or a pledge of its general taxing power or of its full faith and credit. Rather, the outstanding revenue bonds are obligations of the Authority payable solely from and secured by a pledge and assignment of certain tolls and revenues such as motor fuel tax revenues, motor vehicle document fees and motor vehicle registrations. The Authority has revenue bonds outstanding of $1,069.9 million to support its ongoing capital transportation program and $113.5 million in Grant Anticipation Vehicle Bonds (GARVEEs), to finance a portion of the costs of completing the final design and right-of-way acquisition for a new U.S. 301.

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

Other Post-Employment Benefits

The State provides post-employment health care to its employees and accounts for these benefits according to GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The State's actuarially accrued liability, based on a study conducted by Cheiron of McLean, Virginia, used actual data as of July 1, 2010 and has been determined to be about $5.9 billion using a discount rate of 5.0%. The State began pre-funding the obligation in 2002 with lump sum payments and contributions based on a percentage of payroll. For fiscal year 2010, the State has contributed $10 million in abandoned property revenue in excess of $374.0 million transferring those funds in late April. The State has established an irrevocable trust and has accumulated $104.4 million in net assets at June 30, 2010, which represents a funding ratio of less than 2%. The State's fiscal year 2010 annual required contribution (ARC) was $480.0 million, of which 36% was met through cash contributions and paid benefits. Its fiscal year 2011 ARC is expected to be $488.1 million of which 37.6% is expected to be met with cash contributions and paid benefits. The State expects to manage this obligation over time with continued contributions, savings initiatives and a review of benefits.

Economic Factors and Next Year's Budgets and Rates

DEFAC met on June 17, 2010, to prepare the final revenue and expenditure estimates upon which the fiscal year 2011 operating and capital budgets would be based. The Department of Finance estimated at that time that employment in the State had decreased by 3.3% during fiscal year 2010. In June 2010, the Department of Finance projected a modest rebound in fiscal year 2011 employment as the State, like the nation, gradually recovers from the worst recession since World War II.

The fiscal year 2011 operating and capital budgets meet budgetary spending limitations imposed by law. The fiscal year 2011 operating budget is $3,305.3 million, 6.9% less than fiscal year 2010. The fiscal year 2011 budget included $91.0 million in supplemental appropriations (historically in the form of cash allocated to the capital budget). The fiscal year 2010 budget had no supplemental appropriations.

The primary objective of the State's Investment Policy is the safety of principal by minimizing credit risk and interest rate risk. While investment income has been less than expected the principal amount of the investment portfolio has not been compromised in the recent downturn.

Financial Management

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

- expenditure budgeting of 98% of available general fund revenue
- general fund revenue forecasts that are frequent, objective and often conservative
- three-part debt affordability test that limits debt authorization to 5% of general fund revenue and debt service to 15% of tax supported revenue
- consistent satisfaction of the State's budget reserve requirement – the State's rainy day fund has never fallen below its mandated 5% of general fund revenue
- full funding of its pension plan

These ratings were reaffirmed in October 2010.

Requests for Information

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

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

STATE OF DELAWARE
STATEMENT OF NET ASSETS
JUNE 30, 2010
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
ASSETS				
Current assets:				
Cash and cash equivalents	$ 323,353	$ 67,088	$ 390,441	$ 42,089
Cash and cash equivalents - restricted	-	2,540	2,540	25,910
Cash with fiscal agent	559	-	559	-
Investments	437,102	87,592	524,694	208,482
Investments - restricted	-	235,757	235,757	920
Accounts and other receivables, net	243,827	64,342	308,169	49,686
Loans and notes receivable, net	14,223	-	14,223	16,888
Internal balances	6,510	(6,510)	-	-
Other post-employment benefits asset	-	-	-	2
Inventories	7,989	16,006	23,995	694
Prepaid items	34,554	282	34,836	4,808
Other current assets	-	312	312	452
Total current assets	1,068,117	467,409	1,535,526	349,931
Noncurrent assets:				
Investments	1,076,848	10,158	1,087,006	106,986
Investments - restricted	-	50,865	50,865	18,461
Accounts and other receivables, net	37,503	-	37,503	7,432
Loans and notes receivable, net	219,365	-	219,365	927,128
Capital assets:				
Non-depreciable	1,083,993	3,709,438	4,793,431	166,747
Depreciable capital assets, net	2,332,612	190,030	2,522,642	427,283
Deferred bond issuance costs	4,218	-	4,218	11,407
Other restricted assets	-	-	-	15,035
Other noncurrent assets	-	4,350	4,350	2,923
Total noncurrent assets	4,754,539	3,964,841	8,719,380	1,683,402
Total assets	5,822,656	4,432,250	10,254,906	2,033,333
LIABILITIES				
Current liabilities:				
Accounts payable	451,647	49,376	501,023	9,168
Accrued liabilities	34,895	76,558	111,453	20,977
Interest payable	21,610	25,800	47,410	-
Unearned revenues	17,857	2,983	20,840	2,522
Compensated absences	13,158	4,336	17,494	25
Claims and judgments	32,338	-	32,338	-
Escheat liabilities	15,000	-	15,000	-
Escrow deposits	-	2,499	2,499	2
Notes payable	77	-	77	4,012
Current portion of pollution remediation obligations	5,492	2,022	7,514	-
Current portion of liabilities payable from restricted assets	-	3,242	3,242	-
Current portion of general obligation long-term debt, net of unamortized premium	149,724	663	150,387	-
Current portion of revenue bonds, net of unamortized premium	-	79,037	79,037	169,282
Other current liabilities	1,410	-	1,410	9,403
Total current liabilities	743,208	246,516	989,724	215,391
Noncurrent liabilities:				
Pension obligation	115,569	-	115,569	-
Other post-employment benefits payable	906,085	80,785	986,870	-
Compensated absences	149,287	9,824	159,111	7,310
Claims and judgments	97,569	3,178	100,747	-
Escheat liabilities	60,000	-	60,000	-
Escrow deposits	-	-	-	29,323
Notes payable	135	-	135	62,993
Pollution remediation obligations	17,915	773	18,688	-
Liabilities payable from restricted assets	-	3,359	3,359	-
General obligation long-term debt, net of unamortized premium	1,474,081	788	1,474,869	-
Revenue bonds, net of unamortized premium		1,140,493	1,140,493	921,911
Other long-term obligations	2,800	-	2,800	21,329
Total noncurrent liabilities	2,823,441	1,239,200	4,062,641	1,042,866
Total liabilities	3,566,649	1,485,716	5,052,365	1,258,257
NET ASSETS				
Invested in capital assets, net of related debt	1,796,438	2,803,634	4,600,072	393,831
Restricted for:				
Debt service	-	161,999	161,999	-
Highways and streets	-	-	-	-
Budgetary reserve	186,430	-	186,430	-
Unemployment benefits	-	(24,168)	(24,168)	-
Federal and state regulations	-	-	-	245,150
Bond covenants	-	-	-	37,431
Capital projects	-	-	-	36,976
Other purposes	-	-	-	11,007
Unrestricted	273,139	5,069	278,208	50,681
Total net assets	$ 2,256,007	$ 2,946,534	$ 5,202,541	$ 775,076

STATE OF DELAWARE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

		Program Revenues		
Function	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental activities:				
General government	$ 436,025	$ 149,299	$ 16,465	$ -
Health and children's services	2,059,215	121,855	1,052,068	-
Judicial and public safety	624,565	60,024	50,672	-
Natural resources and environmental control	148,776	58,925	41,451	30,861
Labor	74,163	-	44,617	-
Education	2,146,258	63,099	255,630	-
Interest	55,782	-	-	-
Total governmental activities	5,544,784	453,202	1,460,903	30,861
Business-type activities:				
Lottery	353,449	689,652	-	-
DelDOT	626,012	426,924	-	238,276
Unemployment	379,065	119,473	196,889	-
Total business-type activities	1,358,526	1,236,049	196,889	238,276
Total primary government	6,903,310	1,689,251	1,657,792	269,137
Component units:				
Delaware State Housing Authority	139,708	61,430	83,621	1,370
Diamond State Port Corporation	30,762	28,203	-	2,614
Riverfront Development Corporation	15,431	1,866	362	3,140
Delaware State University	106,039	42,192	28,940	2,293
Delaware Technical & Community College Educational Foundation	758	637	852	-
Delaware Charter Schools	95,908	13,462	9,933	20
Total component units	388,606	147,790	123,708	9,437

General revenues:
Taxes:
Personal income
Business
Real estate
Other
Unrestricted payments from primary government
Investment income (loss)
Gain (loss) on disposal of assets
Miscellaneous
Transfers in (out)
Total general revenues and transfers

Change in net assets

Net assets - beginning of year
Net assets - end of year

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (270,261)		$ (270,261)	
(885,292)		(885,292)	
(513,869)		(513,869)	
(17,539)		(17,539)	
(29,546)		(29,546)	
(1,827,529)		(1,827,529)	
(55,782)		(55,782)	
(3,599,818)		(3,599,818)	
	$ 336,203	336,203	
	39,188	39,188	
	(62,703)	(62,703)	
	312,688	312,688	
			$ 6,713
			55
			(10,063)
			(32,614)
			731
			(72,493)
			(107,671)
760,617	-	760,617	-
1,820,023	-	1,820,023	-
434,718	-	434,718	-
250,630	-	250,630	-
-	-	-	105,819
20,185	(15,336)	4,849	7,998
-	(415)	(415)	-
15,546	(1,000)	14,546	75
335,880	(335,880)	-	-
3,637,599	(352,631)	3,284,968	113,892
37,781	(39,943)	(2,162)	6,221
2,218,226	2,986,477	5,204,703	768,855
$ 2,256,007	$ 2,946,534	$ 5,202,541	$ 775,076

See Accompanying Notes to Financial Statements

STATE OF DELAWARE
COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010
(Expressed in Thousands)

	General	Federal	Local School District	Capital Projects	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 314,009	$ 666	$ 8,678	$ -	$ 323,353
Investments	1,196,335	-	317,615	-	1,513,950
Accounts receivable, net	69,495	10,305	577	-	80,377
Taxes receivable, net	71,450	-	29,102	-	100,552
Intergovernmental receivables, net	2,641	97,760	-	-	100,401
Loans and notes receivable	167,478	66,110	-	-	233,588
Due from other funds	57,866	-	-	-	57,866
Inventories	7,983	-	-	6	7,989
Total assets	1,887,257	174,841	355,972	6	2,418,076
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	351,108	67,885	17,161	15,493	451,647
Accrued liabilities	34,895	-	-	-	34,895
Claims and judgments	1,410	-	-	-	1,410
Escheat liability	75,000	-	-	-	75,000
Due to other funds	-	30,546	2,665	18,145	51,356
Deferred revenues	228,477	124,815	27,779	-	381,071
Total liabilities	690,890	223,246	47,605	33,638	995,379
Fund balances (deficit)					
Reserved for:					
Encumbrances	118,947	-	12,227	-	131,174
Reserve for long-term portion of loans and notes receivable	39,372	-	-	-	39,372
Inventories	7,983	-	-	6	7,989
Budgetary reserve	186,430	-	-	-	186,430
Unreserved (deficit)	843,635	(48,405)	296,140	(33,638)	1,057,732
Total fund balances	1,196,367	(48,405)	308,367	(33,632)	1,422,697
Total liabilities and fund balances	$ 1,887,257	$ 174,841	$ 355,972	$ 6	$ 2,418,076

STATE OF DELAWARE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010
(Expressed in Thousands)

Total Fund Balances - Governmental Funds		$ 1,422,697
Amounts reported for governmental activities in the statement of net assets are different because:		
Net capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 427,496	
Land improvements	79,332	
Buildings	2,215,317	
Easements	256,653	
Equipment and vehicles	37,963	
Construction in progress	399,844	
		3,416,605
Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		363,214
Some liabilities net of related assets are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Interest payable	$ (21,610)	
Claims and judgments (current and long-term)	(129,907)	
Compensated absences (current and long-term)	(162,445)	
Other post employment benefits	(906,085)	
Pollution remediation obligations (current and long-term)	(23,407)	
Pension obligation	(115,569)	
General obligation long-term debt and related accounts	(1,584,474)	
Notes payable (current and long-term)	(212)	
Other long-term obligations	(2,800)	
		(2,946,509)
Net assets of governmental activities		$ 2,256,007

STATE OF DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

	General	Federal	Local School District	Capital Projects	Total Governmental Funds
Revenues					
Personal taxes	$ 743,774	$ -	$ -	$ -	$ 743,774
Business taxes	1,820,023	-	-	-	1,820,023
Other tax revenue	250,630	-	434,718	-	685,348
Licenses, fees, permits and fines	390,386	338	1,664	-	392,388
Rentals and sales	24,511	1	14,103	-	38,615
Federal government	36,352	1,405,710	660	-	1,442,722
Interest and other investment income	15,346	127	4,712	-	20,185
Other	176,778	-	37,939	1,234	215,951
Total revenues	3,457,800	1,406,176	493,796	1,234	5,359,006
Expenditures					
Current:					
General government	458,449	13,066	-	-	471,515
Health and children's services	1,025,328	1,033,831	-	-	2,059,159
Judicial and public safety	522,505	56,272	-	-	578,777
Natural resources and environmental control	114,353	41,915	-	-	156,268
Labor	33,407	40,515	-	-	73,922
Education	1,241,254	280,720	364,379		1,886,353
Unrestricted payments to component unit - Education	92,156	-	13,663	-	105,819
Capital outlay	-	-	-	241,050	241,050
Debt service:					
Principal	155,789	-	-	-	155,789
Interest and other charges	66,222	-	-	-	66,222
Advance Refunding Escrow	35,189	-	-	-	35,189
Costs of issuance of debt	-	-	-	3,797	3,797
Total expenditures	3,744,652	1,466,319	378,042	244,847	5,833,860
Excess (deficiency) of of revenues over expenditures	(286,852)	(60,143)	115,754	(243,613)	(474,854)
Other Sources (Uses) of Financial Resources					
Transfers in	914,041	-	56,174	-	970,215
Transfers out	(26,422)	(21,220)	(90,924)	(495,769)	(634,335)
Issuance of general obligation bonds	-	-	-	645,130	645,130
Premiums on bond sales	-	-	-	66,054	66,054
Payment to Bond Refunding Agent	(460,580)	-	-	-	(460,580)
Total other sources (uses) of financial resources	427,039	(21,220)	(34,750)	215,415	586,484
Net change in fund balances	140,187	(81,363)	81,004	(28,198)	111,630
Fund balances - beginning	1,056,180	32,958	227,363	(5,434)	1,311,067
Fund balances - ending	$ 1,196,367	$ (48,405)	$ 308,367	$ (33,632)	$ 1,422,697

See Accompanying Notes to Financial Statements

STATE OF DELAWARE
RECONCILIATION OF THE NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENT FUNDS TO CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

Net Changes in Fund Balances		$ 111,630
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlays	329,825	
Depreciation expense	(71,035)	
		258,790
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		42,813
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Components of the debt related adjustments consist of:		
Debt service principal repayments	$ 155,789	
Advanced refunding payments	35,189	
New debt issued (face value)	(184,550)	
Premium received	(66,054)	
Issuance costs	3,797	
Amortization of premium/issuance costs	5,631	
		(50,198)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, the changes in these liabilities are not reported as expenditures in the governmental funds:		
Accrued interest expense		4,207
Claims and judgments		(9,547)
Compensated absences		(15,850)
Other post employment benefits		(297,591)
Pollution remediation obligation		(6,905)
Pension obligation		(2,917)
Notes payable		2,794
Other liabilities		555
Change in Net Assets of Governmental Activities		$ 37,781

See Accompanying Notes to Financial Statements

STATE OF DELAWARE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010
(Expressed in Thousands)

	Unemployment	Lottery	DelDOT	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 10,224	$ 16,038	$ 40,826	$ 67,088
Cash and cash equivalents - restricted	-	-	2,540	2,540
Investments	-	-	87,592	87,592
Investments - restricted	-	950	234,807	235,757
Accounts receivable, net	7,493	6,215	11,287	24,995
Taxes receivable, net	20,837	-	-	20,837
Intergovernmental receivables, net	2,795	-	15,227	18,022
Current portion of interest receivable	-	-	488	488
Inventories	-	-	16,006	16,006
Escrow insurance deposits	-	-	312	312
Prepaid items	-	-	282	282
Total current assets	41,349	23,203	409,367	473,919
Noncurrent assets:				
Investments	-	-	10,158	10,158
Investments - restricted	-	1,067	49,798	50,865
Other assets	-	2,292	-	2,292
Prepaid pension	-	-	2,058	2,058
Capital assets, non-depreciable	-	-	3,709,438	3,709,438
Capital assets, depreciable, net	-	2	190,028	190,030
Total noncurrent assets	-	3,361	3,961,480	3,964,841
Total assets	41,349	26,564	4,370,847	4,438,760
LIABILITIES				
Current liabilities:				
Accounts payable	-	10,062	35,643	45,705
Accrued liabilities	61,846	-	10,166	72,012
Interest payable	-	-	25,800	25,800
Deferred revenue	-	-	2,983	2,983
Compensated absences	-	-	4,336	4,336
Prizes liability	-	4,546	-	4,546
Escrow deposits	-	-	2,499	2,499
Pollution remediation obligations	-	-	2,022	2,022
Current portion of liabilities payable from restricted assets	-	-	3,242	3,242
Current portion of general obligation long-term debt	-	-	663	663
Current portion of revenue bonds, net of unamortized premium	-	-	79,037	79,037
Tax refunds payable	3,671	-	-	3,671
Due to other funds	-	6,510	-	6,510
Total current liabilities	65,517	21,118	166,391	253,026
Noncurrent liabilities:				
Other post-employment benefits payable	-	1,087	79,698	80,785
Compensated absences	-	-	9,824	9,824
Claims and judgments	-	-	3,178	3,178
Pollution remediation obligations	-	-	773	773
Liabilities payable from restricted assets	-	3,359	-	3,359
General obligation long-term debt	-	-	788	788
Revenue bonds, net of unamortized premium	-	-	1,140,493	1,140,493
Total noncurrent liabilities	-	4,446	1,234,754	1,239,200
Total liabilities	65,517	25,564	1,401,145	1,492,226
Net assets:				
Invested in capital assets, net of related debt	-	2	2,803,632	2,803,634
Restricted for:				
Debt service	-	-	161,999	161,999
Unemployment benefits	(24,168)	-	-	(24,168)
Unrestricted	-	998	4,071	5,069
Total net assets	$ (24,168)	$ 1,000	$ 2,969,702	$ 2,946,534

STATE OF DELAWARE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

	Unemployment	Lottery	DelDOT	Total
Operating revenues:				
Unemployment taxes-state funded	$ 92,029	$ -	$ -	$ 92,029
Unemployment taxes-federal funded	196,889	-	-	196,889
Gaming revenue	-	689,652	-	689,652
Pledged revenues:				
Turnpike revenue	-	-	119,399	119,399
Motor vehicle and related revenue	-	-	241,433	241,433
Turnpike revenue	-	-	45,502	45,502
Passenger fares	-	-	13,474	13,474
Miscellaneous	27,444	-	7,116	34,560
Total operating revenues	316,362	689,652	426,924	1,432,938
Operating expenses:				
Unemployment benefits-state funded	167,660	-	-	167,660
Unemployment benefits-federal funded	211,405			211,405
Cost of sales	-	271,325	-	271,325
Prizes	-	72,537	-	72,537
Transportation	-	-	552,410	552,410
Depreciation	-	2	23,052	23,054
General and administrative	-	9,585	6,629	16,214
Total operating expenses	379,065	353,449	582,091	1,314,605
Operating income (loss)	(62,703)	336,203	(155,167)	118,333
Nonoperating revenues (expenses):				
Investment income	1,978	-	2,983	4,961
Interest expense	-	-	(43,921)	(43,921)
Loss on Note Receivable	-	-	(20,297)	(20,297)
Contributions to Thoroughbred Program	-	(1,000)	-	(1,000)
Loss on disposal of assets	-	-	(415)	(415)
Total nonoperating revenues (expenses)	1,978	(1,000)	(61,650)	(60,672)
Income (loss) before transfers and capital contributions	(60,725)	335,203	(216,817)	57,661
Capital contributions	-	-	238,276	238,276
Transfers in	-	-	3,112	3,112
Transfers out	-	(334,609)	(4,383)	(338,992)
Increase (decrease) in net assets	(60,725)	594	20,188	(39,943)
Net assets - beginning of year	36,557	406	2,949,514	2,986,477
Net assets - end of year	$ (24,168)	$ 1,000	$ 2,969,702	$ 2,946,534

See Accompanying Notes to Financial Statements

STATE OF DELAWARE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

	Unemployment	Lottery	DelDOT	Total
Cash flows from operating activities:				
Receipts from employers	$ 92,760	$ -	$ -	$ 92,760
Receipts from federal government	208,102	-	-	208,102
Payments for insurance claims	(395,961)	-	(5,086)	(401,047)
Receipts from customers and users	-	694,061	427,369	1,121,430
Other operating receipts	27,444	-	1,862	29,306
Payments to suppliers for goods and services	-	(46,454)	(413,427)	(459,881)
Payments to employees for services	-	(1,870)	(120,497)	(122,367)
Payments for prizes	-	(73,967)	-	(73,967)
Payment for commissions	-	(226,101)	-	(226,101)
Net cash provided (used) by operating activities	(67,655)	345,669	(109,779)	168,235
Cash flows from noncapital financing activities:				
Transfers in	-	-	3,112	3,112
Transfers out	-	(335,609)	(4,383)	(339,992)
Net cash used by noncapital financing activities	-	(335,609)	(1,271)	(336,880)
Cash flows from capital and related financing activities:				
Capital grants	-	-	248,404	248,404
Purchases of capital assets	-	-	(99,277)	(99,277)
Principal paid on capital debt	-	-	(75,036)	(75,036)
Interest paid on capital debt	-	-	(50,972)	(50,972)
Proceeds from sale of land and equipment	-	-	821	821
Proceeds from issuance of debt	-	-	113,490	113,490
Premium from bond sale	-	-	11,529	11,529
Net cash used by capital and related financing activities	-	-	148,959	148,959
Cash flows from investing activities:				
Interest and investment revenues	1,978	-	2,700	4,678
Repayment on loan receivable	-	-	1,295	1,295
Escrow deposits received	-	-	674	674
Purchase of investments	-	-	3,573,708	3,573,708
Proceeds from sales and maturities of investments	-	1,269	(3,622,351)	(3,621,082)
Net cash provided by investing activities	1,978	1,269	(43,974)	(40,727)
Net increase (decrease) in cash and cash equivalents	(65,677)	11,329	(6,065)	(60,413)
Cash and cash equivalents - beginning of year	75,901	4,709	49,431	130,041
Cash and cash equivalents - end of year	10,224	16,038	43,366	69,628
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(62,703)	336,203	(155,167)	118,333
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	-	2	23,052	23,054
Decrease (increase) in assets:				
Receivables, net	(1,188)	4,409	2,307	5,528
Inventories	-	-	(1,196)	(1,196)
Prepaid items	-	-	(416)	(416)
Increase (decrease) in liabilities:				
Accounts and other payables	941	6,484	(2,947)	4,478
Accrued liabilities	(15,918)	2	(71)	(15,987)
Accrued expenses	-	(1,431)	(1,590)	(3,021)
Accrued payroll and related expenses	-	-	(72)	(72)
Post-employment benefits	-	-	26,321	26,321
Due to/from federal government	11,213	-	-	11,213
Net cash provided (used) by operating activities	(67,655)	345,669	(109,779)	168,235

See Accompanying Notes to Financial Statements

STATE OF DELAWARE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010
(Expressed in Thousands)

	Pension Trust	OPEB Trust	Investment Trust	Agency
Assets:				
Cash and cash equivalents	$ 283,015	$ 12,482	$ 4,520	$ 23,486
Receivables:				
Accrued interest	17,929	-	88	-
Investment sales pending	65,365	-	322	-
Employer contributions	11,942	9,207	-	-
Member contributions	3,981	43	-	-
Other receivables	-	-	-	38,372
Investments, at fair value:				
Domestic fixed income	519,224	42,154	13,132	-
Domestic equities	950,884	33,589	13,098	-
Pooled equity and fixed income	1,890,325	-	9,276	-
Alternative investments	1,622,262	-	7,961	-
Short term investments	-	-	-	22,811
Foreign fixed income	135,687	-	665	-
Foreign equities	899,331	17,463	8,797	-
Total assets	6,399,945	114,938	57,859	84,669
Liabilities:				
Accounts payable	-	-	-	84,669
Investment purchase payable	52,900	10,570	260	-
Benefits/claims payable	1,404	-	-	-
Accrued investment expense	3,783	4	20	-
Accrued administrative expenses	304	-	-	-
Total liabilities	58,391	10,574	280	84,669
Net assets:				
Assets held in trust for pension benefits and pool participants	$ 6,341,554	$ 104,364	$ 57,579	$ -

STATE OF DELAWARE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

	Pension Trust	OPEB Trust	Investment Trust
Additions:			
Contributions:			
Employer contributions	$ 167,607	$ 171,498	$ -
Transfer from post-retirement increase fund	26,457	-	-
Transfer of assets from outside the system	2,901	-	43
Member contributions	53,129	5,640	-
Other	38	-	-
Total contributions	250,132	177,138	43
Investments:			
Investment earnings	99,937	2,370	1,240
Net increase in fair value of investments	727,023	6,301	5,785
Total investment earnings	826,960	8,671	7,025
Less investment manager/advisor/custody fees	(18,383)	(46)	(102)
Less investment administrative expenses	(563)	-	-
Net investment earnings	808,014	8,625	6,923
Total additions	1,058,146	185,763	6,966
Deductions:			
Transfer of assets from post-retirement increase fund	26,457	-	-
Transfer of assets from outside the system	10,331	-	1,156
Pension/claim payments	433,277	164,543	-
Refunds of contributions to members	3,486	-	-
Group life payments	4,930	-	-
Administrative expenses	5,724	103	-
Total deductions	484,205	164,646	1,156
Change in net assets	573,941	21,117	5,810
Net assets - beginning of year	5,767,613	83,247	51,769
Net assets - end of year	$ 6,341,554	$ 104,364	$ 57,579

STATE OF DELAWARE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2010
(Expressed in Thousands)

	Delaware State Housing Authority	Diamond State Port Corporation	Riverfront Development Corporation	Delaware State University	DTCC * Educational Foundation	Delaware Charter Schools	All Component Units Total
ASSETS							
Current assets:							
Cash and cash equivalents	$ 183	$ 1,070	$ 100	$ 13,230	$ 329	$ 27,177	$ 42,089
Cash and cash equivalents - restricted	-	14,889	170	10,705	-	146	25,910
Investments	198,468	-	-	-	9,951	63	208,482
Investments - restricted	-	-	-	920	-	-	920
Accounts and other receivables, net	32,483	2,175	211	14,689	-	128	49,686
Loans and notes receivable, net	15,857	-	1,031	-	-	-	16,888
Other post-employment benefits (OPEB) asset	2	-	-	-	-	-	2
Inventories	-	694	-	-	-	-	694
Prepaid items	3,390	566	50	-	-	38	4,044
Deferred bond issuance costs	764	-	-	-	-	-	764
Other restricted assets	-	-	-	-	95	-	95
Other current assets	-	-	-	337	-	20	357
Total current assets	251,147	19,394	1,562	39,881	10,375	27,572	349,931
Noncurrent assets:							
Long-term investments	106,930	-	-	-	56	-	106,986
Long-term investments - restricted	-	-	-	18,461	-	-	18,461
Accounts and other receivables, net	7,432	-	-	-	-	-	7,432
Loans and notes receivable, net	926,564	-	465	99	-	-	927,128
Capital assets - non-depreciable	4,567	36,385	103,619	16,976	-	5,200	166,747
Capital assets - depreciable, net	15,639	127,809	25,023	194,041	-	64,771	427,283
Deferred bond issuance costs	8,590	-	-	1,700	-	1,117	11,407
Other restricted assets	-	-	-	7,504	7,531	-	15,035
Other noncurrent assets	-	-	2,091	220	-	612	2,923
Total noncurrent assets	1,069,722	164,194	131,198	239,001	7,587	71,700	1,683,402
Total assets	1,320,869	183,588	132,760	278,882	17,962	99,272	2,033,333
LIABILITIES							
Current liabilities:							
Accounts payable	1,054	211	748	6,315	29	811	9,168
Accrued liabilities	88	2,835	69	10,206	-	7,779	20,977
Deferred revenue	-	11	66	2,444	-	1	2,522
Compensated absences	25	-	-	-	-	-	25
Escrow deposits	-	-	2	-	-	-	2
Notes payable	975	1,507	650	-	-	880	4,012
Current portion of revenue bonds	168,457	-	360	-	-	465	169,282
Current portion of other long-term debt	-	-	4,945	1,845	-	1,979	8,769
Other current liabilities	301	-	-	146	2	185	634
Total current liabilities	170,900	4,564	6,840	20,956	31	12,100	215,391
Noncurrent liabilities:							
Compensated absences	951	-	-	5,399	-	960	7,310
Escrow deposits	29,323	-	-	-	-	-	29,323
Notes payable	128	30,885	-	-	-	31,980	62,993
Revenue bonds	795,814	-	3,265	104,187	-	18,645	921,911
Long-term debt	-	-	9,090	785	-	9,098	18,973
Other noncurrent liabilities	953	-	-	950	66	387	2,356
Total noncurrent liabilities	827,169	30,885	12,355	111,321	66	61,070	1,042,866
Total liabilities	998,069	35,449	19,195	132,277	97	73,170	1,258,257
NET ASSETS							
Invested in capital assets, net of related debt	20,206	131,803	110,982	120,221	-	10,619	393,831
Restricted for:							
Federal and state regulations	234,448	-	-	425	10,277	-	245,150
Bond covenants	36,643	-	-	788	-	-	37,431
Capital projects	3,465	14,889	-	4,915	-	13,707	36,976
Other purposes	-	-	-	10,884	-	123	11,007
Unrestricted	28,038	1,447	2,583	9,372	7,588	1,653	50,681
Total net assets	$ 322,800	$ 148,139	$ 113,565	$ 146,605	$ 17,865	$ 26,102	$ 775,076

* Fiscal year-end December 31, 2009

STATE OF DELAWARE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component units:				
Delaware State Housing Authority	$ 139,708	$ 61,430	$ 83,621	$ 1,370
Diamond State Port Corporation	30,762	28,203	-	2,614
Riverfront Development Corporation	15,431	1,866	362	3,140
Delaware State University	106,039	42,192	28,940	2,293
Delaware Technical and Community College (DTCC) Educational Foundation	758	637	852	-
Delaware Charter Schools	95,908	13,462	9,933	20
Total component units	$ 388,606	$ 147,790	$ 123,708	$ 9,437

General revenues:

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

Total general revenues

Change in net assets

Net assets - beginning of year (as restated)

Net assets - end of year

* Fiscal year ended December 31, 2009

Net (Expense) Revenue and Changes in Net Assets						
Delaware State Housing Authority	Diamond State Port Corporation	Riverfront Development Corporation	Delaware State University	DTCC * Educational Foundation	Delaware Charter Schools	Totals
$ 6,713						$ 6,713
	$ 55					55
		$ (10,063)				(10,063)
			$ (32,614)			(32,614)
				$ 731		731
					$ (72,493)	(72,493)
						(107,671)
-	-	-	33,579	-	72,240	105,819
6,101	(1,128)	111	794	1,827	293	7,998
-	-	-	-	-	-	-
-	116	-	(657)	-	616	75
6,101	(1,012)	111	33,716	1,827	73,149	113,892
12,814	(957)	(9,952)	1,102	2,558	656	6,221
309,986	149,096	123,517	145,503	15,307	25,446	768,855
$ 322,800	$ 148,139	$ 113,565	$ 146,605	$ 17,865	$ 26,102	$ 775,076

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

The accompanying financial statements present the State's primary government and include all funds, elected officials, departments and organizations, bureaus, boards, commissions, and authorities that comprise the State's legal entity. The State's 19 local school districts are fiscally dependent and not legally separate from the State. As per the interpretation of Article X, Section 2 of the State's Constitution, the local school districts are included in the reporting entity of the primary government. The DelDOT enterprise fund, which includes the Transportation Trust Fund and the Delaware Transit Corporation, is also included in the reporting entity of the primary government. Fiduciary funds, although legally separate entities, are in substance part of the State's operations. The State's reporting entity is also comprised of its component units, entities for which the State is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that such are legally separate from the State.

Financial accountability is defined in GASB Statement No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units.* The State is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. The State may also be financially accountable if an organization is fiscally dependent on the State, regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

Blended Component Units

The Delaware Public Employees' Retirement System (DPERS) is a public employee retirement system, which covers substantially all State employees. The DPERS is a legally separate entity; however, as it provides services and benefits almost exclusively to the primary government, the DPERS is considered a blended component unit and is shown in the financial statements as part of the primary government as a pension trust fund. The financial report of DPERS for the year ended June 30, 2010 may be obtained in writing to the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

The Delaware OPEB Fund Trust (OPEB Trust) is a trust, which provides retirement medical coverage to pensioners and their eligible dependents in the State's Employees', Judiciary, New State Police, and Closed State Police Pension Plans. The OPEB Trust is a legally separate entity; however, it provides services and benefits almost exclusively to the primary government. The OPEB Trust is considered a blended component unit and is shown in the financial statements as part of the primary government as an OPEB trust fund.

Discretely Presented Component Units

The following component units are entities that are legally separate from the State, but are financially accountable to the State for reporting purposes or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The component unit's column of the basic financial statements includes the financial data of these entities. Except for the Delaware Technical and Community College Educational Foundation, which has a fiscal year-end of December 31, 2009, each discretely presented component unit has a June 30, 2010 fiscal year-end.

Delaware State Housing Authority

The Delaware State Housing Authority (DSHA) is a public corporation whose Director is appointed by and reports directly to the Governor of the State. The DSHA administers the role of providing affordable housing as a key aspect of State policy. The DSHA's relationship with the State is such that exclusion of the DSHA from the State's basic financial statements would cause the statements to be misleading or incomplete. The DSHA is authorized, among other things, to (1) make mortgage, construction and other loans to not-for-profit and limited for-profit housing sponsors; (2) make loans to mortgage lenders, requiring the proceeds thereof to be used for making newly qualified residential mortgage loans; (3) purchase qualified mortgage loans from mortgage lenders; and (4) apply for and receive assistance and subsidies under programs from the federal government and others.

Diamond State Port Corporation

The Diamond State Port Corporation (DSPC) was organized as a body corporate and politic constituting a public instrumentality of the State. The DSPC is empowered to operate, improve and maintain the Port of Wilmington and related facilities. The Governor appoints 8 of the 15 members of the board of directors, with the advice and consent of the Senate. The DSPC's relationship with the State is such that exclusion of the DSPC from the State's basic financial statements would cause the statements to be misleading or incomplete.

Riverfront Development Corporation

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

Delaware State University

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

Delaware Technical and Community College Educational Foundation

The Delaware Technical and Community College Educational Foundation (the Foundation) is a fiduciary-type component unit of Delaware Technical and Community College (DTCC), which is part of the primary government. The Foundation was established on November 13, 1968 by a trust agreement. On April 20, 1999, the Foundation revised the trust document incorporating all previous amendments to the previous trust document. The trust agreement stipulates that the activities of the Foundation be limited to such educational purposes that come under Section 501(c) (3) of the Internal Revenue Code. Activities include, but are not limited to, making contributions, gifts or grants, or otherwise rendering financial aid and assistance by direct payments to DTCC and providing financial assistance to qualified students. The Foundation has a fiscal year-end of December 31, 2009.

Delaware Charter Schools

The State's 21 Charter Schools are public schools funded primarily through State appropriations. Additional funding is derived from federal grants passed through from the primary government, private donations and funds received from local school districts on a tax portion per child basis. Charter schools are each managed by a board of directors, which operate independently, under a charter granted by the State Department of Education with the approval of the State Board of Education. Charters are granted for an initial period of three years and renewable every five years thereafter. Financial information for Delaware Charter Schools is presented in the aggregate as they are individually immaterial.

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

Related Organizations

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

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

Jointly Governed Organization

The Delaware River and Bay Authority (DRBA), a body politic, was created with the intention of advancing the economic growth and development of those areas in the State of Delaware and the State of New Jersey, which border the Delaware River and Delaware Bay. DRBA is governed by 12 commissioners: six appointed by the State of Delaware and six appointed by the State of New Jersey. DRBA is autonomous from a day-to-day operations perspective and neither State is obligated for the DRBA's debt. DRBA is not included in these financial statements as the State of Delaware has no ongoing financial interest.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is separately presented from certain legally separate component units for which the State is financially accountable.

The statement of net assets measures not just current assets and liabilities, but also long-term assets and liabilities such as capital assets (including infrastructure assets) and general long-term debt. The difference between the State's assets and its liabilities is its net assets. Net assets are displayed in three components – invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. There are no net assets that are restricted by enabling legislation at June 30, 2010. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the State's enterprise operations and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Intrafund transactions between the primary government and component units are reported as operating or capital grants as appropriate for restricted amounts. Unrestricted amounts are reported as general revenue.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, grants, fees, sales, rents, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the State. Revenue related to expenditure driven grants is recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental Funds

The State reports the following major governmental funds:

General Fund – The general fund is the State's primary operating fund. It accounts for all financial resources obtained and used for those services traditionally provided by a state government, which are not required to be accounted for in other funds. These services include, among others, education, and health and social services.

Federal Fund – The federal fund accounts for all activities relating to the State's federal grant programs.

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

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

Proprietary Funds

Proprietary funds are used to account for those activities which are financed and operated in a manner similar to private business enterprises. The costs of providing services to the general public on a continuing basis are financed by or recovered primarily through user charges.

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

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

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

The State reports the following major proprietary funds:

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

Unemployment Fund – The unemployment fund accounts for the activities relating to the State's Unemployment Insurance Trust Fund.

Lottery Fund – The lottery fund accounts for the activities relating to the Lottery program.

Fiduciary Funds

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

The State reports the following fiduciary funds:

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

Pension Trust Funds – The Delaware Public Employees' Retirement System (DPERS) is a public employee retirement system, which covers substantially all State employees. The DPERS is a legally separate entity; however, as it provides services and benefits almost exclusively to the primary government, the DPERS is considered a fiduciary fund and is shown in the financial statements as part of the primary government as a pension trust fund. Pension trust funds account for transactions, assets, liabilities and net assets available for plan benefits (Note 15). For pension trust funds, employee contributions are recognized as revenue in the period in which the employee services are performed. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The financial report of DPERS for the year ended June 30, 2010, may be obtained by writing to the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904-2402.

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

OPEB Trust Fund – The OPEB Trust is a trust administered by DPERS. In addition to providing pension benefits, the State is statutorily required to provide health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the State's employees may become eligible for these benefits if they reach normal retirement age while working for the State. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the State and the retired employee. The State recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the year paid.

New Accounting Pronouncements

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* - an amendment to GASB Statements No. 34 and 42. This Statement establishes a specific authoritative accounting and financial reporting requirements for intangible assets, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. Requirements of this Statement were implemented by the State for the fiscal year ended June 30, 2010. As a result of statement implementation, easements increased by $75.2 million and computer software in progress increased by $22.6 million.

In June 2009, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* - an amendment to GASB TB2003-1 and GASB Statements No. 7, 23, 25, 31, 40, and 43. This Statement establishes a framework for accounting and financial reporting related to derivative instruments, requiring the fair value of derivatives to be recognized in the financial statements. The primary government held no such investments on June 30, 2010. The DPERS derivative instruments have historically been, and continue to be, recognized in the financial statements at fair value. The fair value of the derivative instruments held by DPERS is immaterial, and as such the disclosure provisions of the statement were not applied. There was no material impact of the implementation of GASB 53 on the financial statements as of and for the year ended June 30, 2010.

Impact of Future Accounting Pronouncements

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

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

Deposits and Investments

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

Investment securities are stated at quoted market prices, except that investment securities with a remaining maturity at time of purchase of one year or less are stated at cost or amortized cost. Investment securities with remaining maturities of greater than one year are identified as long-term investments.

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

Receivables and Payables

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

Inventories and Prepaid Items

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

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, and then unrestricted resources as they are needed. In the government-wide financial statements, restricted net assets represent balances that are subject to external restrictions or were created by enabling legislation.

The State has the following restricted assets:

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

The component units have the following restricted assets:

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (which are normally immovable and of value only to the State, such as roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, the proprietary funds and component units.

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

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

The State possesses certain capital assets that have not been capitalized and depreciated, because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These assets include works of art and historical treasures, such as statues, monuments, historical documents, paintings, forts, miscellaneous State capitol-related artifacts and furnishings. These assets are held for public exhibition, education or research in furtherance of public service rather than financial gain; they are protected, kept unencumbered, cared for and preserved; and they are subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

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

The State has elected to use the modified approach to account for certain infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the State, 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. Roads and bridges maintained by the Department of Transportation are accounted for using the modified approach.

Compensated Absences

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

Long-Term Obligations

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Equity

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

The State Constitution provides that certain excess unencumbered budgetary general funds at the end of a fiscal year must be placed in a reserve account (the Budgetary Reserve Account). This account, designed to provide a cushion against unanticipated deficits, may not exceed 5% of the estimated general fund revenue for the ensuing fiscal year. Total funding of the budgetary reserve account was $186.4 million at June 30, 2010. In the government-wide financial statements, restricted net assets represent balances that are subject to external restrictions or were created by enabling legislation. Per the Delaware Constitution, the General Assembly, by three-fifths vote of the members elected to each House, may appropriate from the budgetary reserve account. Should the State attempt to use this reserve for other purposes, such could be challenged by citizens.

(d) Grants

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables when entitlement occurs. All other federal reimbursement type grants are recorded as accounts receivable when the related expenditures or expenses are recognized. Related revenue is recorded subject to availability. Amounts not collected within 60 days of fiscal year-end are recorded as deferred revenue. In addition to monetary transactions, federal grants also include non-monetary transactions related to the supplemental nutrition assistance program.

(e) Litigation Revenue

In 1997, several states began litigation against defendant tobacco product manufacturers to recover certain amounts the states expended to provide health care to the users of tobacco products. In 1998, a settlement was reached which provided that the states cease litigation against the manufacturers. As part of the Master Settlement Agreement, certain manufacturers agreed to remit periodic payments to the states until 2025. The State's share of the estimated $200 billion settlement amounted to $774.5 million. Amounts to be remitted are calculated based on a variety of specific settlement provisions. Future tobacco product sales are one key factor used in determining periodic payment amounts. A receivable of $13.4 million has been recorded pursuant to the settlement. The Master Settlement agreement receipts of $28.0 million are recorded in the general fund as part of other revenue and as miscellaneous general revenue on the government-wide statement of activities. Expenditures of monies received under the Master Settlement Agreement are authorized by legislation and are dedicated to health care and related programs.

NOTE 2 CASH, INVESTMENTS AND RESTRICTED ASSETS

Cash Management Policy and Investment Guidelines

The State Treasurer maintains the majority of the deposits and investments of the primary government and uses professional money managers to invest the State's deposits according to guidelines set in the *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* (the Policy) by the State's Cash Management Policy Board (the Board).

The Board, created by State law, establishes policies for, and the terms, conditions, and other matters relating to, the investment of all money belonging to the State except money in DPERS and the OPEB Trust and money held under the State deferred compensation program. By law, all deposits and investments belonging to the State are under the control of the State Treasurer except for those that, by specific authority, are under the control of other agencies or component units, as determined by the Board in various pooled investment funds (State Investment Pool). The deposit and investment policies of those entities may differ from those of the State Treasurer. Typically, these agencies follow the deposit and investment policies of the State Treasurer in an effort to minimize deposit and investment risks.

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

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

- Cash Accounts. Cash accounts divide the State's available cash into three parts:

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

- Special Purpose Accounts. There are two primary types of special purpose accounts:

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

The Policy specifies the types of investments the 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 Policy provides, among other things, that no more than 10% of the entire portfolio may be invested in obligations of any one issuer other than the U.S. Government. The following investments are permissible for all funds under the review of the Board, subject to percentage limitations of the account.

- U.S. government securities
- Government agency securities
- Certificates of deposit, time deposits, and bankers acceptances

- Corporate debt instruments
- Repurchase agreements
- Reverse repurchase agreements
- Money market funds
- Canadian treasury bills
- Canadian agency securities
- Mortgage-backed and asset-backed securities
- Municipal obligations

Additional permissible investments for special purpose accounts only:

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

The primary government's accounts are categorized as "authority accounts". At June 30, 2010, investments of the primary government are primarily in commercial paper, corporate obligations, government agency bonds and notes, and municipal obligations. All of these meet the objectives defined by the Policy.

The State's Cash Management Policy Board *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* is available on the Internet at http://treasurer.delaware.gov/information/cash_investment.shtml.

Risks

The following deposits and investments disclosure of the primary government excludes the OPEB Trust and DPERS, which are described on pages 59 - 64.

Custodial Credit Risk

Deposits

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

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

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

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

At June 30, 2010, the carrying amount of the primary government’s deposits was $393.2 million and the bank balance was $526.3 million. Of the $526.3 million bank balance, $95.1 million was fully insured; $10.2 million represents unemployment insurance taxes collected from Delaware employers that are held in escrow by the U.S. Treasury; and the remaining $421.0 million was subject to custodial credit risk because they were uninsured and uncollateralized. Included in the primary government’s deposits are agency funds. The carrying amount of the agency fund’s deposits was $23.5 million and the bank balance was $28.2 million. Of the $28.2 million bank balance, $23.9 million was fully insured and the remaining $4.0 million was subject to custodial credit risk because the deposits were not covered by depository insurance or the deposits were uncollateralized, collateralized with securities held by the pledging financial institutions, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the government’s name. State law permits the Treasurer to deposit in a financial institution in the State in which the Treasurer has custody if the deposit is interest bearing; the financial institution provides collateral that has a market value that exceeds the amount by which a deposit exceeds the deposit insurance, and a custodian holds the collateral.

<u>Investments</u>

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty’s trust department or agent but not in the government’s name.

At June 30, 2010, the primary government’s investments were $1,921.1 million. Of the primary government’s investments, $395.4 million was fully insured and collateralized. Included in the primary government’s investments of $1,921.1 million are agency funds. The amount of the agency funds’ investments was $22.8 million.

The following table provides information on $1,525.7 million of the primary government's investments that are exposed to custodial credit risk; $0.8 million of this amount represents the agency funds' investments:

Investment Type	**Fair Value** (Expressed in Thousands)	
Corporate obligations	$	401,810
Municipal obligations		48,066
U.S. government obligations		827,492
Other obligations		112,036
Commercial paper		67,120
Certificates of deposit		69,201
Total	$	1,525,725

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Also, the terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. The State manages interest rates using the segmented time distribution and effective duration methods. The State approves and contracts with different investment managers of fixed income securities in order to manage the exposure to interest rate risk with each different manager focusing on different goals of yield periods or duration of maturities of their particular portion of the investment pool. The Policy provides either maturity or duration limitations for the various investment pools. The interest rate risk inherent in the portfolio is monitored by measuring the weighted average maturity and/or duration.

Effective duration measures the expected change in value of a fixed income security for a given change in interest rate. This method takes into account the likely timing and amounts of variable cash flows for bonds with call options and prepayment provisions.

The following table presents the fair value and effective duration of the primary government and agency fund investments by investment type at June 30, 2010:

Investment Type	**Fair Value** (Expressed in Thousands)		**Effective Duration (in years)**
Corporate obligations	$	402,215	1.37
Municipal obligations		48,066	2.09
U.S. government obligations		1,030,087	1.03
Other obligations		123,216	2.48
Commercial paper		247,732	0.12
Certificates of deposit		69,816	0.47
	$	1,921,132	

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

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

As of June 30, 2010, the primary government and agency funds had the following debt investments and maturities:

Investment Maturity
(Expressed in Thousands)

		Investment Maturities			
	Fair Value	**Less Than 1**	**1 to 5**	**6 to 10**	**More than 10**
Long Term Investments					
Corporate obligations					
Corporate bonds	$ 359,719	$ 177,183	$ 180,825	$ 1,427	$ 284
Asset-backed securities	42,496	58	42,438	-	-
Municipal obligations	48,066	20,615	19,980	4,767	2,704
U.S. government obligations					
U.S. Treasury bonds, notes	252,186	144,928	99,401	7,857	-
U.S. Agency bonds, notes	476,496	152,762	306,126	-	17,608
Other obligations					
Private placements	109,623	15,123	94,500	-	-
Pooled investments	13,593	13,593	-	-	-
Short Term Investments					
Commercial paper	247,732	247,732	-	-	-
Certificate of deposit	69,816	65,414	4,402	-	-
U.S. government obligations					
U.S. Treasury bonds, notes	88,828	88,828	-	-	-
U.S. Agency bonds, notes	212,577	212,577	-	-	-
Total Investments	**$ 1,921,132**	**$ 1,138,813**	**$ 747,672**	**$ 14,051**	**$ 20,596**

Credit Risk

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

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

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

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

The following table presents the State's investments which were rated by S & P as of June 30, 2010. The ratings are presented using S & P's rating scale:

Credit Risk - Quality Ratings
(Expressed in Thousands)

Investment Type	TSY	AGY	AAA	AA	A	A-1	NR
Long Term Investments							
Corporate obligations							
Corporate bonds	$ -	$ -	$ 69,235	$ 227,481	$ 37,274	-	$ 25,729
Asset-backed securities	-	-	35,394	-	-	-	7,102
Municipal obligations	-	-	23,950	11,131	334	-	12,651
U.S. government obligations							
U.S. Treasury bonds, notes	252,186	-	-	-	-	-	-
U.S. Agency bonds, notes	-	417,249	3,655	31,222	-	-	24,370
Other obligations							
Canadian	-	-	-	-	-	-	-
Private placements	-	-	72,607	27,576	6,885	-	2,555
Miscellaneous Bonds	-	-	-	-	-	-	-
Pooled investments	-	-	-	-	-	-	13,593
Short Term Investments							
Commercial paper	-	-	-	3,999	-	196,841	46,891
Certificate of deposit	-	-	-	18,430	17,317	-	34,070
U.S. government obligations							
U.S. Treasury bonds, notes	88,828	-	-	-	-	-	-
U.S. Agency bonds, notes	-	212,577	-	-	-	-	-
Total Investments	**$ 341,014**	**$ 629,826**	**$ 204,841**	**$ 319,839**	**$ 61,810**	**$ 196,841**	**$ 166,961**

TSY = Treasury

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

NR = Non-Rated Pooled accounts

Concentration of Credit Risk

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

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

A. U.S. Government - no restrictions.

B. Government agency - 50% total; 20% in any one agency.

C. Certificates of deposits, time deposits and bankers acceptances - 50% total; 5% in any one issuer.

    1. Domestic - No additional restrictions.
    2. Non-domestic - 25%
    3. Delaware domiciled – Not more than the lesser of $10 million or 25% of an issuer's total equity capital may be invested in any one issuer. (Investments due to mature in one business day may be excluded from the computation of this percentage.)

D. Corporate debt - 50% total; 25% in any one industry; 5% in any one issuer, 5% of any issuer's total outstanding securities.

    1. Domestic - No additional restrictions.
    2. Non-Domestic - 25%; 5% in any one issuer.

E. Repurchase agreements - 50% total.

F. Reverse repurchase agreements - 25% total.

G. Money market funds - 25% total; 10% in any one fund except for the Cash Account, which may invest 100% of the Account in the Delaware Local Government Investment Pool (DELGIP) Fund. The Investment Guidelines for the DELGIP Fund are defined in Appendix B of the Policy.

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

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

J. Mortgage-backed and asset-backed securities – 10% total (when combined with asset-backed securities and trust certificates if applicable).

K. Municipal obligations - 5% in any one issuer.

L. Guaranteed investment contracts - Permitted where it is prudent to match a specific investment instrument with a known specific future liability, subject to credit quality guidelines for commercial paper and corporate bonds and debentures and with adequate exit provisions in the event of the future downgrade of the issuer.

M. Asset-backed securities and trust certificates – 10% total (when combined with mortgage-backed and asset-backed securities if applicable).

At June 30, 2010, the State's investments have met the requirement of all the State's laws and policies, when applicable. There were no obligations that represented 5% or more of the primary government's investments, except for U.S. government securities, pooled and mutual funds.

Foreign Currency Risk

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

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

Commitments

At June 30, 2010, the State did not enter into any commitment agreements with any investment managers for future funding of various asset classes.

Securities Lending

The Office of the State Treasurer, with the approval of the Cash Management Policy Board (the Board) entered into a contract with its custodian during Fiscal Year 2006 to participate in its securities lending program. In February 2009, the Board voted to withdraw from the securities lending program, primarily because of concern for current market conditions and counterparty risk. On December 4, 2009, the last loaned security was returned to the custody accounts, and no program collateral was held. The Board has no intention to return to the program.

OPEB Fund Trust (OPEB Trust)

Investment Policy

The State Board of Pension Trustees is responsible for the management and investment of the funds in the OPEB Trust. The Board authorized its Investment Committee to select the investment managers of the OPEB trust following the established investment guidelines for the

DPERS until a separate investment policy is adopted for the OPEB Trust. DPERS follows the prudent person standard, which requires fiduciaries to discharge their duties solely in the interests of participants and their beneficiaries with such care, skill, prudence, and diligence as a person acting in like circumstances would exercise in the conduct of an enterprise with similar character and with similar aims. The OPEB Trust investment objectives and policies currently include indexed exposure to approximate the DPERS's policy benchmark. The Investment Committee regularly reviews the OPEB investment performance, and considers investment vehicles which strike a balance between risk and return while being mindful of the government's time horizon for the OPEB investments.

Delaware Public Employees' Retirement System (DPERS)

Investment Policy

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

- Allocate a minimum of 20% of assets to fixed income investments such as bonds, cash equivalents, and certain real estate investments;
- Maintain a widely diversified portfolio, to minimize the risk of overexposure in any one market segment or investment style;
- Monitor the performance of all investment managers using specific benchmarks;
- Control exposure in illiquid asset classes;
- Review, re-examine, and reconfirm the operation of results of the investment process regularly;
- Identify new long-term opportunities for risk reduction and improved investment returns; and
- Review actuarial assumptions to ensure consistency with capital market expectations.

For the fiscal year ended June 30, 2010, management of the DPERS has operated in accordance with these policies, in all material respects.

Securities Lending

DPERS entered into a contract with its custodian to allow participation in its securities lending program. The objective of securities lending is to earn income and through a conservatively-operated and well-controlled program. DPERS elected not to participate in the program during fiscal years 2010 and 2009, but may elect to participate at some time in the future.

Investments

The following is a listing of fixed income investments and cash equivalents and related maturity schedule which shows the System's exposure to interest rate risk as of June 30, 2010. It is the DPERS' policy to classify corporate convertible bonds as equity securities because those securities generally convert to preferred equity interests upon maturity. Corporate convertible bonds in the amount of $578.8 million have been included in the chart below because they have maturity dates and are exposed to interest rate risk.

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

Investment Type/Sector	Fair Value	Less than 1	1 - 6	6 - 10	10 +
Asset backed securities	$ 1,281	$ -	$ -	$ 55	$ 1,226
Bank loans	-	-	-	-	-
Cash equivalents	190,892	190,892	-	-	-
Commercial mortgage-backed	1,712	-	-	-	1,712
Corporate bonds	571,058	8,698	220,996	180,516	160,848
Corporate convertible bonds	578,789	12,288	407,338	61,138	98,025
Government agencies	22,691	-	4,098	18,593	-
Government bonds	47,039	-	27,016	8,593	11,430
Municipal/provincial bonds	14,319	8,663	-	1,431	4,225
Non-government backed C.M.O.s	-	-	-	-	-
Pooled investments	978,158	-	-	972,976	5,182
Total	$ 2,405,939	$ 220,541	$ 659,448	$ 1,243,302	$ 282,648

Interest Rate Risk

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

Credit Risk

The DPERS general investment policy is to apply the prudent-person rule to all risks incurred by the fund: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The DPERS has no investment policy that would further limit its investment choices related to credit risk. As of June 30, 2010, the DPERS fixed income investments and cash equivalents had the following credit risk characteristics as indicated in the following schedule (expressed in thousands):

Moody's Ratings or Comparable	Percent of Total Fund	Market Value
AAA to A	21.0%	$ 1,336,605
BBB to B	9.4%	596,068
CCC to C	1.9%	121,384
Less than C	0.0%	2,993
Not Rated	5.5%	348,889
Total:	37.8%	$ 2,405,939

*Assets held in pooled investments – specific investment

Custodial Credit Risk

Of the DPERS $284.4 million bank balance, there are two accounts which are uninsured and uncollateralized. Pooled deposits of $0.6 million are held by the State Treasurer's Office. The balance of $280.5 million represents deposits in short-term investments held by The Northern Trust Co., the custodial bank, as of June 30, 2010.

Investment Concentration Risk

As of June 30, 2010, DPERS held no concentration of investments in an individual issuer in excess of 5% of the fair value of the System's net assets.

Management Fees

DPERS paid $18.5 million in management fees to the venture capital limited partnerships and transition managers for the fiscal year ended June 30, 2010. These fees are netted against investment income. Management fees charged at the underlying fund level for the investments held by the First State Independence Fund I, LLC ranged from 1% to 2% of net assets, plus a performance fee of 20% on positive investment earnings, which were netted against earnings.

Investment Commitments

DPERS has commitments to invest up to an additional $669.3 million in venture capital limited partnerships in varying amounts as of June 30, 2010, to be drawn down, as called upon at any time during the term of each partnership, which is usually a ten-year period. Generally, these commitments are self-funding, in that the capital calls are met using cash flows generated by the existing venture capital/limited partnerships as managers in this asset class realize the proceeds of their investments.

Foreign Investments

Foreign investments include equity securities, bonds, cash, and cash equivalents. The following is a listing of the DPERS foreign assets as of June 30, 2010. The listing includes $6.5 million of investments of domestic issuers which have been classified as domestic, but are denominated in a foreign currency.

Investment Types
(Expressed in Thousands)

Currency	Fair Value in U.S. Dollars	Equities	Fixed Income	Cash and Cash Equivalents
Australian dollar	$ 39,086	$ 29,251	$ 9,694	$ 141
Brazilian real	22,321	13,781	8,540	-
British pound sterling	64,105	62,451	1,545	109
Canadian dollar	67,624	23,390	43,986	248
Danish krone	10,092	10,092	-	-
Euro	156,297	152,110	1,827	2,360
Hong Kong dollar	39,916	39,647	-	269
Indonesian rupiah	10,830	3,341	7,466	23
Japanese yen	49,893	49,829	-	64
Mexican peso	10,339	1,687	8,652	-
New Zealand dollar	13,706	-	13,706	-
Norwegian krone	13,780	8,222	5,558	-
Singapore dollar	16,771	13,042	3,729	-
South Korean won	1,647	1,647	-	-
Swedish krona	6,998	6,998	-	-
Swiss franc	17,948	17,948	-	-
Thai baht	30,989	30,940	-	49
United Arab Emirates dirham	932	932	-	-
Total foreign currencies	$ 573,274	$ 465,308	$ 104,703	$ 3,263
Foreign issued investments denominated in U.S. dollars	476,593	438,425	38,168	-
Pooled international investments denominated in U.S. dollars	243,746	243,746	-	-
Total	$ 1,293,613	$ 1,147,479	$ 142,871	$ 3,263

Derivatives

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

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

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

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

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

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

Risk and Uncertainty

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

The actuarial accrued plan liabilities are measured based on assumptions pertaining to the interest rates, inflation rates and employee demographic behavior in future years. While these assumptions have been chosen after review of past history of the covered participants, it is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

COMPONENT UNITS

Diamond State Port Corporation (DSPC)

At June 30, 2010, the carrying value and the bank balances of the DSPC's deposits were $16.0 million and $16.3 million, respectively. Of the bank balances, $250,000 is insured by the Federal Deposit Insurance Corporation (FDIC) and $16.0 million is subject to custodial credit risk because the deposits are uninsured and uncollateralized. However, the deposits are held at financial institutions that satisfied the State's collateralization requirements and do not require collateralization.

Riverfront Development Corporation (RDC)

At June 30, 2010, the carrying value and bank balances of the RDC's deposits were $270,812 and $247,328, respectively and of which $4,642 were held in the State Investment Pool. Deposits include $170,465 of restricted cash and cash equivalents that have been assigned to the bank as collateral for repayment in the event of a default under the bond or collateral agreements. Of the bank balances, $105,856 is insured by the FDIC and $9,008 is uninsured and uncollateralized. The deposits are held at financial institutions that satisfied the State's collateralization requirements and do not require collateralization.

Delaware State University (DSU)

At June 30, 2010, the carrying value and bank balance of DSU's deposits were $15.3 million and $22.2 million, respectively. Of the bank balances, $1.0 million is insured by the FDIC and $21.2 million is subject to custodial credit because it is uninsured and uncollateralized. The deposits are held at financial institutions that satisfied the State's collateralization requirements and do not require collateralization. An additional $3.5 million of cash and cash equivalents related to unexpended State appropriations are held at the State Treasurer's office. The credit risk for these deposits depends on the investment decisions made by the State Treasurer's office.

Investments of DSU totaled $27.3 million stated at quoted market value, which consist of pooled investments. The investments are owned by DSU and are subject to categorization.

Delaware Technical and Community College Educational Foundation (DTCC Foundation)

At December 31, 2009, the DTCC Foundation's carrying value and bank balance was $329,287 and $329,287, respectively. The Foundation maintains cash balances at one financial institution located in Delaware. Accounts at the institution are insured by the FDIC up to $250,000. The deposits are held at financial institutions that satisfied the State's collateralization requirements and do not require collateralization.

Investments of the DTCC Foundation totaled $9.9 million, stated at quoted market value. These investments consist of pooled investments where the DTCC Foundation does not own specific securities. An additional $56,091 is invested in life insurance, recorded at the cash surrender value.

Delaware Charter Schools

At June 30, 2010, the Delaware Charter Schools deposits carrying value was $27.3 million. Deposits include $25.9 million held in the State Investment Pool. Carrying value of the remainder of deposits was $1.5 million. Bank balances totaled $1.5 million, consisting of $730,009 insured by FDIC and $739,769 uninsured and uncollateralized. The deposits are held at financial institutions that satisfied the State's collateralization requirements and do not require collateralization.

Delaware State Housing Authority (DSHA)

Investment Policies

DSHA has an investment policy that encompasses all moneys related to the issuance of bonds, as well as, all funds otherwise held by DSHA. DSHA seeks first and foremost to ensure safety of principal, and secondly, to attain the highest possible return available given the risk constraints.

DSHA is allowed to invest in certain qualified investments as defined by amended Subchapter II, Section 4013, Chapter 40, Title 31, of the Delaware Code and DSHA's formal investment policy. Subject to certain limitations, such as the credit ratings on bonds and the capitalization level of depositories, "qualified investments" include:

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

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

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

Investments

Investments are presented at fair value. Fair values are determined by quoted market prices based on national exchange prices for all investments, except for the State of Delaware Investment Pool. The State pool is valued based on the pool's share price. The table below lists investments and their maturities:

Investment Maturities (in Years)
(Expressed in Thousands)

Investment Type	Fair Value	Less than 1	1 - 5	5 - 10	10 - 20	20 - 30	More than 30
U.S. treasury notes	$ 6,519	$ 2,243	$ 4,034	$ -	$ 334	$ -	$ -
U.S. treasury bonds	25	-	-	-	19	-	-
U.S. treasury bills	-	-	-	-	-	-	-
U.S. treasury strips	2,797	1,232	1,520	-	133	-	-
U.S. agencies	17,807	3,645	13,060	-	-	851	-
Certificates of deposit	771	732	39	-	-	-	-
Commercial paper	104	104	-	-	-	-	-
Corporate notes	2,498	1,619	817	-	-	-	-
Investment	-	-	-	-	-	-	-
agreements	211,159	153,718	3,587	8,398	1,209	13,244	31,002
Money market savings accounts	1,997	1,997	-	-	-	-	-
Bank money market accounts	39,135	39,135	-	-	-	-	-
State of Delaware investment pool	22,586	22,586	-	-	-	-	-
Total Investments:	$ 305,398	$ 227,011	$ 23,057	$ 8,398	$ 1,695	$ 14,095	$ 31,002

Interest Rate Risk

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

a. Single Family & Multi-Family Program Funds: Investment contracts for bond program funds should have a maturity that matches the final bond maturity to minimize reinvestment risk. Individual investments of bond program funds should match anticipated cash requirements or provide sufficient liquidity to allow funds to be accessed to meet bond resolution requirements without incurring material principal losses.

b. Federal Program Funds: HUD funds held by DSHA should have a maximum maturity of one year. HUD-related funds held by DSHA (escrows, replacement reserves, residual receipts) shall have a maximum maturity of three years.

c. General Fund: The Operating Reserve Account, which is managed externally, should have a maximum maturity at the time of purchase of ten years. However, specific investments may be transferred into the account from time to time that may have a longer maturity. DSHA may further reduce the maximum maturity of the operating reserve investments from time to time.

d. Other DSHA funds should be invested with a maturity that matches, or is prior to, the anticipated time at which the funds will be needed.

e. DSHA investments (other than deposit accounts, money market fund shares, or deposits with the State Treasurer's Office) should have a fixed maturity date by which principal and accrued interest will be fully repaid. DSHA is not permitted to enter into investments that have an expected maturity date that can be extended, depending upon market conditions.

Credit Risk

DSHA's general investment policy is to make investments with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as, the probable income to be derived. DSHA's investment policy limits its investment choices as mentioned above under Investments. For DSHA's Single and Multi-Family Programs, the investment rating must be equal or exceed the bond rating. DSHA's Operating Reserve Account has a specific credit quality requirement. Corporate debt obligations and shares of money market mutual funds shall have a long-term rating of AA and/or Aa, respectively by Standard & Poor's (S&P) and Moody's at the time of purchase. As of June 30, 2010, DSHA's investments were rated as follows:

Ratings (S & P)
(Expressed in Thousands)

Investment Type	AAA	AA+	AA-	A+	A	BBB+	NR
U.S. Agencies	$ 17,807	$ -	$ -	$ -	$ -	$ -	$ -
Corporate Notes	-	446	251	922	879	-	-
Commercial Paper	-	-	-	-	-	-	104
Total	$ 17,807	$ 446	$ 251	$ 922	$ 879	$ -	$ 104

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of failure, the Authority's deposits may not be returned. All of the Authority's despots are insured by the FDIC. As of June 30, 2010, the carrying value and bank balances of the Authority's deposits were $0.2 million and $1.5 million respectively.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, DSHA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of DSHA's $305.4 million investment balance, $211.2 million represents deposits held by various Guaranteed Investment Contract (GIC) providers under investment agreements. These accounts are uninsured and uncollateralized. The funds are specifically identified for DSHA, but the custodial credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the GIC provider whose rating must equal or exceed that of the bond rating. The bank and savings money markets must be collateralized at 102% or greater by securities pledged and identified as held in DSHA's name. Although the State Investment Pool is not collateralized, the State's Cash Management Policy Board requires that investments meet certain ratings, investment types and maturity criteria. DSHA's investment policy does not limit the amount of securities that can be held by the counterparties.

NOTE 3 RECEIVABLES

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

Taxes receivable represent the amount of personal, business, and other taxes determined to be measurable and available at June 30, 2010. Uncollectibility for taxes receivable primarily results from identified assessment problems, inability to locate taxpayers, and accounts of decedents.

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

Receivables - Primary Government
Governmental Activities
(Expressed in Thousands)

	General Fund	Federal Funds	Local School District Funds	Total Receivables
Receivables:				
Taxes	$ 232,713	$ -	$ 29,192	$ 261,905
Interest	2	-	-	2
Accounts	949,752	122,507	747	1,073,006
Loans and notes	170,931	66,110	-	237,041
Intergovernmental	2,641	97,760	-	100,401
Total receivables	1,356,039	286,377	29,939	1,672,355
Allowance for doubtful accounts	(1,044,975)	(112,202)	(260)	(1,157,437)
Total receivables, net	$ 311,064	$ 174,175	$ 29,679	$ 514,918
Amounts not scheduled for collection during the subsequent year	$ 173,070	$ 64,464	$ 19,334	$ 256,868

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

	Unemployment	Lottery	DelDOT	Total Receivables
Receivables:				
Taxes	$ 38,249	$ -	$ -	$ 38,249
Interest	-	-	488	488
Accounts	13,230	6,940	11,287	31,457
Loans and notes	-	-	-	-
Intergovernmental	669	-	15,227	15,896
Total receivables	52,148	6,940	27,002	86,090
Allowance for doubtful accounts	(26,608)	(725)	-	(27,333)
Total receivables, net	$ 25,540	$ 6,215	$ 27,002	$ 58,757
Amounts not scheduled for collection during the subsequent year	$ -	$ -	$ -	$ -

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

Receivables
Component Unit Activities
(Expressed in Thousands)

	Delaware State Housing Authority	Diamond State Port Corporation	Riverfront Development Corporation	Delaware State University	Delaware Charter Schools	Total Receivables
Receivables:						
Interest	$ 38,034	$ -	$ 75	$ -	$ -	$ 38,109
Accounts	1,708	2,226	136	13,097	128	17,295
Loans and Notes	943,186	-	1,496	99	-	944,781
Intergovernmental	304	-	-	6,764	-	7,068
Total receivables	983,232	2,226	1,707	19,960	128	1,007,253
Less: Allowance for doubtful accounts	(896)	(51)	-	(5,172)	-	(6,119)
Total receivables, net	$ 982,336	$ 2,175	$ 1,707	$ 14,788	$ 128	$ 1,001,134
Amounts not scheduled for collection during the subsequent year	$ 933,996	$ -	$ 465	$ 99	$ -	$ 934,560

Deferred Revenues

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

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

Deferred Revenues
(Expressed in Thousands)

Unavailable		
Taxes receivable:	$	73,194
Non-tax receivables:		
Intergovernmental Receivables		33,979
Loans and notes receivables		192,520
Accounts receivables		63,521
Subtotal unavailable		363,214
Unearned		
Advance park reservation fees		936
Federal grant advance drawdowns		16,921
Subtotal unearned		17,857
Total deferred revenue	$	381,071

NOTE 4 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

(a) Due From/Due to Other Funds

Receivables reported as "due from other funds" and the related payables reported as "due to other funds" represent amounts owed to State organizations by other organizations within the State reporting entity. Amounts receivable from or payable to other levels of government are reported as intergovernmental receivables or payables. The composition of due from/due to balances at June 30, 2010, expressed in thousands, is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	$ 18,145
	Federal	$ 30,546
	Local school district	2,665
	Subtotal	51,356
General	Enterprise Fund Lottery	6,510
	Total	$ 57,866

The amounts due from the federal fund are recorded for borrowings to eliminate negative balances in the State Investment Pool. The amount for the federal fund is created by expenditures relating to reimbursement type federal grant revenues. These costs result in a negative balance in the State Investment Pool. Amounts due from local school districts represent balances due from the Christina School District which were borrowed for general operating expenses and capital projects.

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

(b) Transfers In From/Out To Other Funds

Transfers in and transfers out from/to other funds in the statement of revenues, expenditures and changes in fund balance, the statement of revenues, expenses and changes in fund net assets, proprietary funds and payment from the primary government in the statement of activities-component units represent transfers between funds. Transfers are used to 1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) use restricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) move profits from the Lottery fund as required by State law.

A schedule of transfers in and transfers out for the year ended June 30, 2010 is presented below (expressed in thousands):

	Transfers In	Transfers Out
Governmental funds		
General	$ 914,041	$ 26,422
Federal	-	21,220
Local school district	56,174	90,924
Capital Projects Fund	-	495,769
Proprietary funds		
Lottery	-	334,609
DelDOT	3,112	4,383
Total of all funds	$ 973,327	$ 973,327

NOTE 5 GENERAL OBLIGATION BONDS

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

The State Constitution provides that the State may issue general obligation bonds for specific purposes in amounts approved by the General Assembly. The enabling acts pursuant to which the bonds are issued provide that all bonds issued shall be direct obligations of the State; that is, the bonds are secured by the pledge of the full faith and credit of the State. General obligation bonds are redeemed over a period not to exceed 20 years, generally from available resources in the general fund. Accordingly, the State has generally issued 10- and 20-year serial bonds with equal amounts of principal maturing each year. Bonds outstanding have call provisions providing for early redemption at the option of the State, generally beginning 8 or 10 years following the date of issue in the inverse order of maturity, in whole or in part, at redemption prices not to exceed 100% of par value.

On October 22, 2009, the State issued $493.0 million of general obligation bonds consisting of $313.7 million of Series 2009C and $179.3 million of Series 2009D. Of the $313.7 million bonds issued as Series 2009C, $283.0 million in principal was issued to refund higher priced bonds resulting in a net present value savings of $15.3 million, or 5% of the principal refunded. The Series 2009C bonds were sold to retail and institutional investors and bore coupons between 2% and 5%. The Series 2009D bonds were designated as taxable "Build American Bonds" for purposes of the American Recovery and Reinvestment Act of 2009. The State has elected to receive a cash subsidy from the U.S. Treasury of 35% of the interest payable on the Series 2009D bonds. Series 2009D coupons range from 3.7% to 5.3%. The investments and fixed earnings on the investments are sufficient to fully provide for all further debt service on the refunded bonds. The refunding for Series 2009 C resulted in an economic gain of $16.1 million and a debt service cash savings over the next nineteen years of $15.3 million.

The refunding for Series 2010 resulted in an economic gain of $10.3 million and a debt service cash savings over the next eleven years of $9.2 million.

On May 11, 2010, the State issued $152.2 million in general obligation bonds, which were used to refund $160.5 million of the State's existing tax-exempt debt for savings. The bonds mature between January 1, 2011 and July 1, 2020 and bear coupons between 1.5% and 5%. The transaction reduced debt service by $10.3 million.

Bonds issued and outstanding totaled $1,497.4 million at June 30, 2010. Of this amount, $516.0 million is supported by property taxes collected by the local school districts. During fiscal year 2010, the local school district funds transferred $58.1 million of property tax revenue to the State to meet the required debt service on their share of the debt.

The State is authorized to issue an additional $225.6 million of general obligation bonds at June 30, 2010. Interest rates and maturities of the outstanding general obligation bonds are detailed as follows:

General Obligation Bonds
(Expressed in Thousands)

Sale #	Description	Interest Rates	Maturity Date (Fiscal Year)	Balance Outstanding at June 30, 2010
210	GO 2010A2	2.000%-3.000%	2018	$ 26,250
209	GO 2010A1	1.500%-5.000%	2024	125,900
208	GO 2009D	3.700%-5.300%	2029	179,315
207	GO 2009C2	2.000%-3.000%	2024	44,685
206	GO 2009C1	3.000%-5.000%	2027	268,980
205	GO 2009B	4.750%-5.000%	2026	102,100
204	GO 2009A2	4.750%-5.000%	2017	5,275
203	GO 2009A1	4.750%-5.000%	2029	86,725
202	GO 2008B	4.750%-5.000%	2016	80,855
201	GO 2008A	3.000%-5.000%	2016	6,685
200	GO 2007A	4.000%-5.000%	2027	122,875
199	GO 2006C	0%	2022	1,433
198	GO 2006B	4.000%-5.500%	2026	99,635
197	GO 2006A	3.75%-4.500%	2026	17,490
196	GO 2005D	3.50%-5.0%	2025	89,000
195	GO 2005C	5%	2023	45,335
194	GO 2005B	2.625%-5.0%	2024	38,125
193	GO 2005A	2.25%-4.25%	2025	19,820
192	QZAB 2004B	0%	2020	224
191	GO 2004A	3.0%-6.0%	2024	90,405
190	QZAB 2003D	0%	2018	908
189	GO 2003C	4.0%-6.0%	2011	18,000
188	GO 2003B	4.0%-5.0%	2011	7,585
187	GO 2003A	2.625%-5.0%	2011	7,300
186	QZAB 2002B	0%	2016	760
185	GO 2002A	4.0%-5.250%	2010	9,270
184	QZAB 2001B	0%	2011	649
170	GO 1992B	4.7%-6.1%	2012	1,771
		Total, gross		1,497,355
		Plus: unamortized bond premium		127,902
		Total general obligation bonds		$ 1,625,257

The following table sets forth the future debt service requirements on outstanding general obligation bonds at June 30, 2010:

Total General Obligation Bonds
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2011	$ 140,750	$ 64,598	$ 205,348
2012	129,141	62,767	191,908
2013	134,129	56,119	190,248
2014	133,065	47,833	180,898
2015	120,620	41,977	162,597
2016-2020	451,813	136,348	588,161
2021-2025	262,057	60,644	322,701
2026-2030	125,780	13,179	138,959
Total	$ 1,497,355	$ 483,465	$ 1,980,820

Changes in general obligation bonded debt during the year ended June 30, 2010 are summarized in Note 10.

In prior years, the State has defeased certain general obligation bonds by creating separate irrevocable trust funds. New debt has been issued or cash appropriated and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt. Accordingly, the debt has been considered defeased and has been removed as a liability from the government-wide financial statements. At June 30, 2010, a total of $475.6 million of defeased bonds were outstanding.

NOTE 6 REVENUE BONDS

Revenue Bonds

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

Primary Government

DelDOT Fund

Delaware Transportation Authority (Authority)

The Authority is subject to oversight by the Department of Transportation and is included in the DelDOT fund. The Authority assists in the implementation of the State's plans and policies regarding the coordination and development of a comprehensive, balanced transportation system for the State. It has the power to develop a unified system of air, water, vehicular and specialized transportation in the State. The Authority includes the Transportation Trust Fund and the Delaware Transit Corporation. The Secretary of the Department of Transportation, with consent of the Governor, appoints the Authority's Director.

To assist the Authority in financing a unified transportation system, the State created a Transportation Trust Fund (the Trust Fund) within the Authority which receives all receipts of the Authority. The primary sources of funding of the Trust Fund are motor fuel taxes and motor vehicles fees imposed and collected by the State and deposited in the Trust Fund, and revenue from the Delaware Turnpike, which the Authority owns and operates. The Authority also has the power to issue bonds, with legislative authorization, to finance improvements to the State's transportation system. Debt issued by the Authority does not constitute a debt of the State or a pledge of its general taxing power or of its full faith and credit. Rather, the outstanding revenue bonds are obligations of the Authority payable solely from and secured by a pledge and assignment of certain tolls and revenues such as motor fuel tax revenue, motor vehicle document fees, and motor vehicle registrations. The Authority may apply Trust Fund revenue in excess of debt service requirements for transportation projects, subject to legislative authorization, and may pledge any or all of this revenue to secure financing for these projects.

The Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and is therefore not reported as a liability. At June 30, 2010, the amount of defeased debt outstanding amounted to $151.6 million.

The Authority had a total of $200.2 million in authorized but unissued revenue bonds at June 30, 2010. Bonds outstanding at June 30, 2010 amounted to $1,182.0 million and are presented as follows:

Delaware Transportation Authority Revenue Bonds
(Expressed in Thousands)

Description	Interest Rates	Maturity Date (Fiscal Year)	Balance Outstanding At June 30, 2010
Transportation System Senior Revenue Bonds - Series			
2000	5.50%	2020	$ 3,910
2001	4.5% - 5.0%	2021	24,415
2002 B	4.0% - 5.25%	2022	98,245
2003	4.5% - 5.0%	2023	153,305
2004	4.0% - 5.0%	2024	149,330
2005	4.25% - 5.0%	2025	139,510
2006	3.5% - 5.0%	2026	116,240
2007	4.0% - 5.0%	2021	79,280
2008A	4.0% - 5.0%	2028	82,450
2008B	4.0% - 5.0%	2029	117,875
2009	5.00%	2029	105,315
Transportation System Junior Grant Anticipation Bonds			
2010 Series	2.0% - 5.0%	2025	113,490
	Total, gross		1,183,365
	Less: deferred amount on refunding		(1,352)
	Total, net		1,182,013
	Less: current portion of debt outstanding		(71,489)
	Long term portion of debt outstanding		$ 1,110,524

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

Delaware Transportation Authority Revenue Bonds
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2011	$ 71,760	$ 53,061	124,821
2012	77,035	50,947	127,982
2013	79,590	47,119	126,709
2014	78,375	43,210	121,585
2015	78,680	39,456	118,136
2016-2020	365,770	143,644	509,414
2021-2025	309,960	63,864	373,824
2026-2030	122,195	12,485	134,680
Total	$ 1,183,365	$ 453,786	$ 1,637,151

The transportation system revenue bonds have fixed interest rates and are limited obligations of the Authority secured only by the pledged revenues of the trust funds. Summary financial information at June 30, 2010 for the trust funds, which is the segment of DelDOT that supports the revenue bonds, is presented below and on the following page:

Condensed Balance Sheets
(Expressed in Thousands)

Assets:	
Current assets	$ 339,185
Capital assets	1,136,044
Other assets	62,057
Total assets	$ 1,537,286
Liabilities:	
Current liabilities	127,283
Noncurrent liabilities	1,143,915
Total liabilities	1,271,198
Net Assets:	
Invested in capital assets, Net of related debt	40,209
Unrestricted	65,978
Restricted	159,901
Total net assets	266,088
Total liabilities and net assets	$ 1,537,286

Condensed Statements of Revenues,
Expense and Changes in Net Assets
(Expressed in Thousands)

Operating revenues (pledged against bonds)	$ 360,832
Other operating revenues	53,132
Depreciation expense	(194)
Other operating expenses	(342,875)
Operating income	70,895
Nonoperating revenues (expenses):	
Investment income (pledging against bonds)	2,302
Other investment income (loss)	(19,696)
Interest expense	(43,921)
Transfer from State General Fund	3,401
Change in net assets	12,981
Beginning net assets	253,107
Ending net assets	$ 266,088

Condensed Statements of Cash Flows
(Expressed in Thousands)

Net cash provided by (used in):	
Operating activities	$ 68,989
Noncapital financing activities	3,401
Capital and related financing activities	(29,421)
Investing activities	(44,728)
Net increase (decrease)	(1,759)
Beginning cash and cash equivalents	11,084
Ending cash and cash equivalents	$ 9,325

Component Units

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

Delaware State Housing Authority (DSHA)

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

DSHA has issued revenue bonds to provide financing for mortgage, construction, and other loans to not-for-profit and limited for profit housing sponsors; to make loans to mortgage lenders, requiring the proceeds thereof to be used for making new qualified residential mortgage loans; and to purchase qualified mortgage loans from mortgage lenders. The bonds are direct obligations of DSHA and are secured by the mortgage loans made or purchased under the applicable resolutions; the revenues, prepayments and foreclosure proceeds received are related to the mortgage loans, and certain funds and accounts established pursuant to the applicable bond resolutions. All bonds are callable subject to certain restrictions. Interest rates on bonds outstanding range from 1.35% to 7.75% with maturities of such bonds up through July 1, 2048.

On September 11, 2009, DSHA issued $40.0 million of Single Family Mortgage Revenue Bonds, 2009 Series A. The proceeds of the sale were used to provide down payment assistance and low rate mortgages to first-time home buyers and to provide over $2.0 million of Second Mortgage Assistance Loans for down payment and closing cost assistance to qualified home buyers.

On December 23, 2009, DSHA issued $150.0 million of Single Family Mortgage Revenue Bonds, 2009 pursuant to the New Issue bond Program (NIBP) established jointly by Fannie Mae, Freddie Mac, the Federal Housing Finance Agency, and the U.S. Department of the Treasury (US Treasury) under which the US Treasury provides funding for bond issuance. The proceeds from the sale are currently held in escrow pending matching DSHA bond issuances of market bonds to make fund available to finance qualifying single family mortgage loans. The Authority has until December 31, 2010 to meet the requirement for matching bond issuances. If this deadline is not met the $150.0 million NIBP bonds are subject to mandatory redemption plus the payment of accrued interest. As of June 30, 2010, all of the NIBP bonds have been classified as a current liability.

Revenue bonds payable decreased by $1.6 million due to accretion on capital appreciation bonds, netted by deferred amounts on refunding and bond forgiveness.

Outstanding bonds at June 30, 2010 amounted to $964.3 million. Future debt service requirements for DSHA's bonds are shown on the following table:

Delaware State Housing Authority Revenue Bonds
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2011	$ 168,457	$ 40,798	$ 209,255
2012	17,435	39,749	57,184
2013	18,475	38,877	57,352
2014	18,395	37,989	56,384
2015	18,445	37,086	55,531
2016-2020	99,800	171,057	270,857
2021-2025	118,298	143,282	261,580
2026-2030	143,240	109,862	253,102
2031-2035	158,316	71,135	229,451
2035-2040	150,713	23,364	174,077
2041-2045	23,750	7,415	31,165
2046-2049	28,948	1,375	30,323
Total	$ 964,272	$ 721,989	$ 1,686,261

Riverfront Development Corporation (RDC)

Bonds payable represents amounts due under variable rate bonds, which were issued by RDC in November 1997. The bonds bear interest at a rate which is determined quarterly and is equal to the yield on 90-day U.S. Treasury bills plus 0.30% with a minimum rate of 5.125%. The rate as of June 30, 2010 was 5.125%. The bonds mature December 1, 2017.

Estimated future annual debt service requirements are as follows:

Riverfront Development Corporation Revenue Bonds
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2011	$ 360	$ 177	$ 537
2012	385	157	542
2013	420	137	557
2014	470	114	584
2015	505	89	594
2016-2017	1,485	103	1,588
Total	$ $3,625	$ $777	$ $4,402

Delaware State University (DSU)

Revenue bonds payable at June 30, 2010 are as follows:

Delaware State University
Revenue Bonds Payable
(Expressed in Thousands)

Revenue Refunding Bonds	$	7,459
Revenue Bonds		47,869
Student Housing Foundation Bonds		50,703
Total	$	106,031

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

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

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

Delaware State University Revenue Refunding Bonds
(Expressed In Thousands)

Year Ending June 30	Interest Rate	Principal	Interest	Total
2011	4.00	$ 805	$ 324	$ 1,129
2012	4.00	835	290	1,125
2013	4.00	875	254	1,129
2014	4.40	905	215	1,120
2015	4.40	945	175	1,120
2016-2018	4.40 - 5.25	3,130	211	3,341
		7,495	$ 1,469	$ 8,964
Less Unamortized bond discount:		(36)		
Total bonds payable at June 30, 2010		$ 7,459		

On December 20, 2007, DSU issued revenue bonds of $47.6 million (par value) through the Delaware Economic Development Authority (Delaware EDA). The bonds are due on October 1, 2036 and are secured by un-appropriated gross revenues of DSU. The 2007 bonds are being issued as "Additional Bonds" under the Indenture, secured equally and ratable with all other Bonds issued and outstanding under the Indenture and any Alternative Indebtedness as provided in the Indenture and in the Loan Agreement. Pursuant to the Indenture, the Delaware EDA issued for the benefit of DSU, its $15.9 million revenue refunding bonds (Delaware State University Project) Series 1999 to advance refund all other Bonds then outstanding under the Indenture. The 2007 bonds are insured by MBIA Insurance Corporation. The bonds were secured for the construction of a new student union, a swimming pool, and a student wellness/recreation center. The Union will include a student club area, book store, copy center, mail services, game room, study area, commuter lounge, meeting rooms and administrative offices. The primary function of the pool is to provide a recreational environment. The student wellness/recreation center will serve student athletes in restricted areas and the general student population will have recreational courts, fitness equipment, intramural sports, and an academic component for wellness and health programs. It was noted that the 2007 bonds were backed by MBIA who had no letter of credit expiration date.

Delaware State University Revenue Bonds

(Expressed In Thousands)

Year Ending June 30	Interest Rate	Principal	Interest	Total
2011	4.00	$ -	$ 2,208	$ 2,208
2012	4.00	-	2,208	2,208
2013	4.00	-	2,208	2,208
2014	4.00	-	2,208	2,208
2015	4.00	-	2,208	2,208
2016-2020	4.00 - 5.00	2,620	10,974	13,594
2021-2025	4.00 - 5.00	7,630	9,856	17,486
2026-2030	4.00 - 5.00	9,655	7,871	17,526
2031-2035	4.00 - 5.00	12,110	5,240	17,350
2036	4.00 - 5.00	15,565	2,194	17,759
Total, gross		47,580	$ 47,175	$ 94,755
Plus unamortized bond premium		289		
Total bonds payable at June 30, 2010		$ 47,869		

The Delaware State University Student Housing Foundation (the Foundation), a component unit of DSU, is a non-profit corporation organized for the purpose of acquiring, developing, constructing, and operating student housing facilities primarily for students and faculty of DSU. The property is located in Dover, Delaware and the Foundation's development and construction project consists of three phases, collectively known as Phase I, II, and III. The Foundation has a fiscal year-end of June 30, 2010. The Foundation has issued student housing revenue bonds, secured by deed and payable solely from the revenues of the Foundation, for which bond proceeds were restricted to the development, construction, furnishing and equipping of the student housing facilities.

The Foundation refinanced the Series 2000A and 2002A Bonds (the Prior Bonds) with a loan payable in an aggregate amount of $18.4 million funded with proceeds from the issuance of student housing revenue bonds, Series 2004A (for Phases I and II). Pursuant to the Trust indenture dated January 1, 2004, the proceeds from the sale of the Series 2004A Bonds are restricted to refunding prior outstanding bonds, to fund a debt service reserve fund for the Series 2004A Bonds, to fund an operating reserve fund for the Series 2004A Bonds, and to pay a portion of the costs of issuance of the Series 2004A Bonds. Effective February 21, 2004, the Foundation defeased the tax-exempt Series 2000A and the tax exempt Series 2002A term bonds at face value. It was further noted that the letter of credit for the 2004A bonds were backed by ACA with no letter of credit expiration, whereas the 2004B bonds were backed by Wachovia, who provided a letter of credit extension through January 2011.

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

The liability of the Foundation under the loan agreements is limited to the value of the building and improvements, pledged revenues and amounts deposited with the trustee. The first monthly interest payment on the Series 2004 Bonds began on July 1, 2004. Total accrued interest on all bonds as of June 30, 2010 is $0.4 million.

In February 2010, the University entered into an interest rate swap agreement in order to hedge interest rate exposure on the underlying bonds. The swap agreement had a fair value liability of $11,024 at June 30, 2010 which is reflected in the consolidated statement of financial position.

Maturities of long-term debt at June 30, 2010 are as follows:

Delaware State University
Student Housing Foundation
Revenue Bonds
(Expressed in Thousands)

Year Ending June 30	**Principal**
2011	$ 1,040
2012	1,090
2013	1,140
2014	1,185
2015	1,235
2016-2020	7,085
2021-2025	8,890
2026-2030	11,205
2031-2035	14,170
2036-2037	4,205
Subtotal	$ 51,245
Less bond discount (net of accumulated amortization)	(542)
Total	$ 50,703

In February 2009, management terminated an interest rate swap held with Wachovia, which was previously entered into for its variable rate, tax-exempt, Series 2004B bonds of $35.9 million. The settlement of the swap resulted in a payment of $212,670, with a June 30, 2009 obligation of $212,629. While the termination of the swap did result in a violation of its debt covenant for its 2004B bonds, the Foundation did obtain a waiver for the respective covenant through January 2010. The Foundation entered into a new interest rate swap agreement with Wells Fargo (formerly Wachovia) in February 2010.

The swap agreement is as follows:

	Notional Amount	Start Date	Maturity Date	Fixed Rate	Floating rate
Muncipal Swap Index	$ 34,530,000	02/01/2010	06/30/2010	0.68%	USD/SIFMA
Muncipal Swap Index	$ 33,870,000	07/01/2010	01/22/2011	0.68%	USD/SIFMA

NOTE 7 LOANS AND NOTES PAYABLE

Component Units

Delaware State Housing Authority (DSHA)

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

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

Year Ending June 30	Principal	Interest	Total
2011	$ 123	$ 117	$ 240
2012	69	117	186
2013	20	3	23
2014	19	2	21
2015	19	1	20
Total	$ 250	$ 240	$ 490

Diamond State Port Corporation (DSPC)

Loan and notes payable of the DSPC at June 30, 2010 are shown below:

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

Transportation Trust Fund Loan	$ 21,043
City of Wilmington Port Debt Service Notes	7,454
Delaware River and Bay Authority	3,382
Wilmington Trust Company	263
Bank of America	250
Total	$ 32,392

Transportation Trust Fund Loan

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

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

Interest expense charged to operations in 2010 was $0.8 million.

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

Transportation Trust Fund Loan
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2011	$ 789	$ 839	$ 1,628
2012	821	807	1,628
2013	854	774	1,628
2014	888	740	1,628
2015	923	704	1,627
2016-2020	5,203	2,936	8,139
2021-2025	6,334	1,805	8,139
2026-2030	5,231	466	5,697
Total	$ 21,043	$ 9,071	$ 30,114

City of Wilmington Note

In 1995, in consideration of the acquisition of the Port of Wilmington assets from the City of Wilmington (the City), Delaware, DSPC issued to the City two separate notes consisting of a Port Deferred Payment Note in the amount of $39.9 million and Port Debt Service Notes with an original face amount of $51.1 million. These notes are secured by a first lien on substantially all of the DSPC's assets. These notes obligate DSPC to pay the City amounts that generally represent the outstanding principal balance of certain DSPC-related City general obligation bonds. The interest rates on the City bonds range from 3.2% to 6.4%.

On October 20, 2001, the City issued $22.2 million of general obligation bonds with an average interest rate of 3.70% to advance refund $21.3 million of outstanding 1992 A, B, and C Series general obligation bonds with an average interest rate of 6.16%. DSPC-related portions of the new bonds issued and old bonds redeemed were $7.2 million and $6.9 million, respectively, passed through to DSPC. Although the effect of the City's advance refunding on the Port Debt Service Note resulted in a deferred accounting loss of $0.3 million for the year ended June 30, 2002, it reduced DSPC's debt service payments by $0.3 million over eleven years resulting in an economic gain. The deferred loss on the refunding is accreted over the eleven year life of the debt.

On October 5, 2004, the City issued $12.9 million of general obligation bonds with an average interest rate of 3.73% to advance refund $11.7 million of outstanding 1993 B Series general obligation bonds with an average interest rate of 5.0%, and a portion of interest of $0.2 million due January 1, 2005. DSPC-related portions of the new bonds issued and old bonds redeemed were $4.0 million and $3.6 million, respectively, passed through to DSPC. Although the effect of the City's advance refunding on the Port Debt Service Note resulted in a deferred accounting loss of $0.4 million it reduces DSPC's debt service payments by $0.3 million over the next seventeen and a half years resulting in an economic gain. The deferred loss on the refunding is accreted over the seventeen and a half year life of the debt. The deferred loss balance on the 2004 refunding as of June 30, 2010 was $0.4 million.

On June 30, 2006, the State of Delaware paid the City, on behalf of DSPC, $5.0 million in lieu of amounts due for the DSPC-related portions of the City's 1993B and 2004B bond payments due July 1, 2006 and July 1, 2007 totaling $5.6 million, reducing the total amount owed to the City by $5.6 million. The effect on the advance payment was a reduction of principal in the amount of $5.0 million, a reduction of accrued interest due July 1, 2006 in the amount of $0.3 million, and a resulting gain of $0.4 million.

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

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

Total deferred loss balance as of June 30, 2010 was $0.4 million.

Principal and interest payments made on the note during 2010 were $2.5 million and $0.4 million, respectively.

Interest expense on the note in 2010 was $0.4 million.

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

Port Debt Service Note
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2011	$ 422	$ 364	$ 786
2012	1,183	320	1,503
2013	610	291	901
2014	661	264	925
2015	701	233	934
2016-2020	2,416	715	3,131
2021-2023	1,853	126	1,979
Subtotal	7,846	2,313	10,159
Deferred loss on refunding	(392)	-	(392)
Total	$ 7,454	$ 2,313	$ 9,767

Delaware River and Bay Authority (DRBA) Obligation

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

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

Interest expense incurred on this obligation was less than $0.1 million.

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

Delaware River and Bay Authority Obligation
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2011	$ 212	$ 49	$ 261
2012	215	46	261
2013	175	86	261
2014	181	81	262
2015	186	75	261
2016-2020	888	419	1,307
2021-2025	1,030	277	1,307
2026-2027	495	28	523
Total	$ 3,382	$ 1,061	$ 4,443

Wilmington Trust Company (WTC) Loan

DSPC entered into a loan agreement with WTC on August 17, 2007 for $0.4 million to purchase two 45,000 lbs. Hyster forklifts. Monthly payments to WTC of $6,186 began on September 17, 2007. The loan is for seven years, and the interest rate is 7.40%.

Interest expense incurred on this obligation was less than a million during 2010.

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

Wilmington Trust Company Loan
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2011	$ 56	$ 18	$ 74
2012	61	13	74
2013	65	9	74
2014	70	4	74
2015	11	-	11
Total	$ 263	$ 44	$ 307

Bank of America Master (BOA) Lease

In 2008, DSPC utilized the State of Delaware's Master Lease program (as administered by BOA) to purchase the twelve forklifts for $0.3 million using two loans. Both loans are for ten years at interest rates of 2.88% and 3.23%, respectively. Payments began one month after the purchase dates.

Interest expense incurred on this obligation was less than a million during 2010.

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

Bank of America Master Lease
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2011	$ 29	$ 7	$ 36
2012	29	6	35
2013	30	5	35
2014	31	4	35
2015	32	4	36
2016-2018	99	5	104
Total	$ 250	$ 31	$ 281

Riverfront Development Corporation (RDC)

The RDC has entered into multiple mortgage agreements with various banks. These mortgages are secured by the real estate and vehicles financed. Principal balances of the mortgages total $14.0 million at June 30, 2010. Interest rates for the mortgages vary between 5.455% and 8.15% and mature between June 2011 and November 2014.

Estimated future annual debt service requirements are shown as follows:

Riverfront Development Mortgage Debt
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2011	$ 4,945	$ 499	$ 5,444
2012	3,645	232	3,877
2013	345	125	470
2014	300	116	416
2015	4,800	56	4,856
Total	$ 14,035	$ 1,028	$ 15,063

NOTE 8 LEASE COMMITMENTS

Primary Government

The State has entered into various property and equipment operating leases (terms in excess of one year) with aggregate future rentals approximating $176.9 million, of which $151.2 million relates to property leases and $25.7 million relates to equipment leases. Operating leases contain various renewal options. Any escalation clauses, sublease rentals and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures of the related fund when paid. Lease payments for fiscal year 2010 were approximately $36.8 million, of which $25.6 million was for office space and $11.2 million, was for equipment. The equipment leases held by the State consists mainly of computers, data processing equipment and fleet vehicles.

Significant annual equipment rentals include $5.0 million for fleet vehicles and data processing equipment for the Office of Management and Budget and $1.5 million for data processing equipment for the Department of Education. Significant annual real estate rentals include $6.7 million for leases for Health and Social Services facilities, $2.1 million for the Department of Services for Children, Youth and Their Families, $2.1 million for office space for the Department of Correction, and $3.2 million for the Department of Labor.

Future minimum lease commitments for operating leases as of June 30, 2010 are shown in the following table:

Lease Commitments
(Expressed in Thousands)

Year Ending June 30	Operating Leases
2011	$ 32,644
2012	27,242
2013	23,407
2014	17,615
2015	16,824
2016-2020	38,351
2021-2025	17,089
2026-2030	2,880
2031-2039	846
Total	$ 176,898

NOTE 9 OTHER LONG-TERM OBLIGATIONS

Compensated absences payable are reported in the government-wide financial statements and in the proprietary fund financial statements. They represent benefits accrued to State employees for vacation earned as of year-end and sick leave estimated to be paid out at retirement for services rendered as of June 30, 2010. Employees earn from 1.25 to 1.75 days of vacation leave per month depending on years of service. Employees or their estates are paid for unused vacation upon termination of employment. Employees earn 1.25 days of sick leave per month. The State's obligation for sick leave credit is a maximum of 45 workdays. $162.4 million has been accrued for the Governmental Activities and $14.2 million in the Business-type Activities for the total compensated absences liability. The current portion of the long-term obligation for compensated absences is $13.2 million in the Governmental Activities and $4.3 million in the Business-type Activities. Approximately $135.1 million (83.2%) of the long-term obligation for compensated absences will be liquidated by the General Fund. Of the remainder, approximately $10.5 million (6.5%) and $16.8 million (10.3%) will be paid with Federal Funds and Local School District Funds, respectively.

The State has recorded $75.0 million relating to the accrual of the obligation for escheated (abandoned) property of which $15.0 million was recorded as the current portion.

The State has incurred obligations relating to scholarship and physician loan repayment programs, resulting in an additional long-term obligation of $4.2 million, of which $1.4 million was recorded as the current portion.

NOTE 10 CHANGES IN LONG-TERM OBLIGATIONS

The following table provides a summary of changes in long-term obligations of the primary government for the year ended June 30, 2010:

Changes in Long-Term Obligations
Primary Government
(Expressed in Millions)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Net pension obligation (note 15)	$ 112.7	$ 12.8	$ (9.9)	$ 115.6	$ -
Other postemployment benefits	608.5	459.6	(162.0)	906.1	-
Compensated absences	146.6	27.6	(11.8)	162.4	13.2
Claims and judgments (notes 13 and 17)	120.4	41.6	(32.1)	129.9	32.3
Escheat payable	47.0	42.9	(14.9)	75.0	15.0
Notes payable	3.0	0.4	(3.2)	0.2	-
Pollution remediation obligations	16.5	9.9	(3.0)	23.4	5.5
Bonds payable:					
General obligation bonds	1,467.1	184.6	(155.8)	1,495.9	140.1
Bond issue premium, net of accumulated amortization	72.1	66.1	(10.3)	127.9	9.6
Physician and scholarship programs	4.5	1.0	(1.3)	4.2	1.4
Governmental Activities long-term liabilities	$ 2,598.4	$ 846.5	$ (404.3)	$ 3,040.6	$ 217.1
Business-type Activities:					
Other postemployment benefits	$ 53.9	$ 34.0	$ (7.2)	$ 80.7	$ -
Compensated absences	14.3	-	(0.1)	14.2	4.3
Claims and judgments (notes 13 and 17)	5.3	0.3	(2.4)	3.2	-
Pollution remediation obligations	2.9	-	(0.1)	2.8	2.0
Liabilities payable from restricted assets	5.6	2.1	(1.1)	6.6	3.2
Bonds payable:					
General obligation bonds	2.1	-	(0.7)	1.4	0.7
Revenue bonds	1,142.6	113.5	(76.4)	1,179.7	71.7
Bond issue premium, net of accumulated amortization	33.8	12.4	(6.4)	39.8	7.4
Business-type Activities long-term liabilities	$ 1,260.5	$ 162.3	$ (94.4)	$ 1,328.4	$ 89.3

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

Changes in Long-Term Obligations
Component Units
(Expressed in Millions)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Delaware State Housing Authority					
Compensated absences	$ 0.9	$ 0.5	$ (0.4)	$ 1.0	$ -
Escrow deposits	28.4	0.9	-	29.3	-
Notes payable	0.3	0.9	(0.1)	1.1	1.0
Revenue bonds	993.5	190.2	(219.4)	964.3	168.5
Other long-term obligations	1.6	0.1	(0.4)	1.3	0.3
Total long-term obligations	$ 1,024.7	$ 192.6	$ (220.3)	$ 997.0	$ 169.8
Diamond State Port Corporation					
Notes and loans payable	$ 34.4	$ 0.7	$ (2.7)	$ 32.4	$ 1.5
Total long-term obligations	$ 34.4	$ 0.7	$ (2.7)	$ 32.4	$ 1.5
Riverfront Development Corporation					
Revenue bonds	$ 3.9	$ -	$ (0.3)	$ 3.6	$ 0.3
Long-term debt	14.1	6.0	(6.0)	14.1	5.0
Total long-term obligations	$ 18.0	$ 6.0	$ (6.3)	$ 17.7	$ 5.3
Delaware State University					
Revenue bonds	$ 56.1	$ -	$ (0.8)	$ 55.3	$ 0.8
Other long-term obligations	1.2	-	(0.3)	0.9	0.1
Total long-term obligations	$ 57.3	$ -	$ (1.1)	$ 56.2	$ 0.9
Delaware Charter Schools					
Compensated absences	$ 1.0	$ 0.1	$ (0.1)	$ 1.0	$ -
Notes payable	26.3	7.1	(0.5)	32.9	0.9
Revenue bonds	25.6	-	(6.5)	19.1	0.5
Long-term debt	12.1	-	(1.1)	11.0	2.0
Total long-term obligations	$ 65.0	$ 7.2	$ (8.2)	$ 64.0	$ 3.4

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

The State, by action of the General Assembly, created various authorities for the express purpose of providing private entities with an available low cost source of capital financing for construction of facilities deemed to be in the public interest. The bonds of the authorities represent limited obligations payable solely from payments made by the borrowing entities. The majority of the bonds are secured by the property financed. Upon repayment of a bond, ownership of acquired property transfers to the entity served by the bond issuance. The State has no obligation for this debt. Accordingly, these bonds are not reflected in the accompanying financial statements. These bonds are issued through the Delaware Economic Development Authority and the Delaware Health Facilities Authority. The principal amount of bonds outstanding at June 30, 2010 for these entities amounted to $1,113.2 million and $540.4 million, respectively.

NOTE 12 CAPITAL ASSETS

(a) Primary Government

Capital asset activities for the fiscal year ended June 30, 2010 were as follows:

Capital Assets
(Expressed in Thousands)

Governmental Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital Assets, not being depreciated				
Land	$ 456,328	$ 7,525	$ (36,357)	$ 427,496
Easements	166,715	89,938	-	256,653
Construction-in-progress	387,938	253,436	(241,530)	399,844
Total capital assets, not being depreciated	1,010,981	350,899	(277,887)	1,083,993
Capital assets, being depreciated				
Vehicles	74,490	5,400	(6,247)	73,643
Buildings	2,929,349	251,426	(19,574)	3,161,201
Equipment	92,219	4,013	(5,301)	90,931
Land Improvements	115,786	10,740	-	126,526
Total capital assets being depreciated	3,211,844	271,579	(31,122)	3,452,301
Less accumulated depreciation for:				
Vehicles	(58,905)	(3,583)	4,480	(58,008)
Buildings	(894,910)	(58,092)	7,118	(945,884)
Equipment	(67,735)	(5,627)	4,759	(68,603)
Land Improvements	(43,461)	(3,733)	-	(47,194)
Total accumulated depreciation	(1,065,011)	(71,035)	16,357	(1,119,689)
Total capital assets, being depreciated, net	2,146,833	200,544	(14,765)	2,332,612
Governmental activities capital assets, net	$ 3,157,814	$ 551,443	$ (292,652)	$ 3,416,605

Capital Assets
(Expressed in Thousands)

Business-type Activities Lottery	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets, being depreciated				
Computer equipment & software	$ 1,395	$ -	$ -	$ 1,395
Total capital assets being depreciated	1,395	-	-	1,395
Less accumulated depreciation	(1,391)	(2)	-	(1,393)
Total capital assets, being depreciated, net	$ 4	$ (2)	$ -	$ 2

Capital Assets
(Expressed in Thousands)

Business-type Activities DelDOT	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets, not being depreciated				
Land	$ 249,775	$ 26,986	-	$ 276,761
Infrastructure	3,385,364	47,313	-	3,432,677
Total capital assets, not being depreciated	3,635,139	74,299	-	3,709,438
Capital assets, being depreciated				
Buildings & improvements	89,564	3,165	(1,663)	91,066
Furniture & equipment	220,629	21,813	(5,026)	237,416
Total capital assets being depreciated	310,193	24,978	(6,689)	328,482
Less accumulated depreciation for:				
Buildings & improvements	(23,696)	(2,443)	822	(25,317)
Furniture & equipment	(97,159)	(20,609)	4,631	(113,137)
Total accumulated depreciation	(120,855)	(23,052)	5,453	(138,454)
Total capital assets, being depreciated, net	189,338	1,926	(1,236)	190,028
Total capital assets	$ 3,824,477	$ 76,225	$ (1,236)	$ 3,899,466
Business-type activities capital assets, net	$ 3,824,477	$ 76,225	$ (1,236)	$ 3,899,466

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

Depreciation Expense
(Expressed in Thousands)

Governmental activities:		
General government	$	11,548
Health and children's services		6,164
Judicial and public safety		10,959
Natural resources and environmental control		4,161
Labor		76
Education		38,127
Total depreciation expense - governmental activities	$	71,035
Business-type activities:		
DelDOT	$	23,053
Lottery		2
Total depreciation expense - business-type activities	$	23,055

(b) Component Units

Capital asset activities for the fiscal year ended June 30, 2010 were as follows:

Component Units
(Expressed in Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
Delaware State Housing Authority				
Capital assets, not being depreciated	$ 4,646	$ 861	(940)	$ 4,567
Capital assets, being depreciated	40,857	1,262	-	42,119
Accumulated depreciation	(24,773)	(1,706)		(26,479)
Total capital assets, net	$ 20,730	$ 417	$ (940)	$ 20,207
Diamond State Port Corporation				
Capital assets, not being depreciated	$ 34,494	$ 3,702	(1,811)	$ 36,385
Capital assets, being depreciated	179,895	3,700	-	183,595
Accumulated depreciation	(50,520)	(5,265)		(55,785)
Total capital assets, net	$ 163,869	$ 2,137	$ (1,811)	$ 164,195
Riverfront Development Corporation				
Capital assets, not being depreciated	$ 114,344	$ 2,980	(13,705)	$ 103,619
Capital assets, being depreciated	45,215	13,701	-	58,916
Accumulated depreciation	(29,261)	(4,632)	-	(33,893)
Total capital assets, net	$ 130,298	$ 12,049	$ (13,705)	$ 128,642
Delaware State University				
Capital assets, not being depreciated	$ 55,037	$ -	(38,061)	$ 16,976
Capital assets, being depreciated	188,275	103,157	-	291,432
Accumulated depreciation	(80,228)	(17,179)	-	(97,407)
Total capital assets, net	$ 163,084	$ 85,978	$ (38,061)	$ 211,001
Delaware Charter Schools				
Capital assets, not being depreciated	$ 19,273	$ 162	(14,234)	$ 5,201
Capital assets, being depreciated	60,016	17,403	-	77,419
Accumulated depreciation	(10,384)	(2,288)	24	(12,648)
Total capital assets, net	$ 68,905	$ 15,277	$ (14,210)	$ 69,972

NOTE 13 RISK MANAGEMENT

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

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

The management of the State estimates that the amount of actual or potential claims against the State at June 30, 2010, for workers' compensation, automobile accident and health-care claim liabilities is $162.6 million. The claim liabilities relating to health-care totaling $35.0 million have been recorded as accrued liabilities in governmental activities. The liability for workers' compensation and automobile accident liabilities totaling $127.7 million has been recorded in governmental activities as claims and judgments. The current portion of these claims totals $32.3 million. Other claim liabilities relating to police professional malpractice and property and casualty were not recorded at June 30, 2010 as the total of these liabilities were not material to the financial statements. Changes in the balances of claim liabilities during fiscal years 2010 and 2009 were as follows:

Changes in Claim Liabilities
(Expressed in Thousands)

Fiscal Year	**Beginning Balance July 1**	**Current Year Claims and Changes in Estimates**	**Actual Claim Payments**	**Ending Balance June 30**
2009	139,513	534,696	(521,705)	152,504
2010	152,504	559,788	(549,702)	162,590

DelDOT

The Delaware Transit Corporation (DTC) maintains coverage on auto and worker's compensation insurance through both the retention of risk and the purchase of commercial insurance. The DTC has recorded $6.4 million of claim liabilities as claims and judgments. Of this amount, $3.2 million has been recorded as current.

NOTE 14 OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

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

Membership of the plan consisted of the following at June 30, 2010:

Retirees and beneficiaries receiving benefits	19,103
Terminated plan members entitled to but not yet receiving the benefits	1,809
Active eligible plan members	35,926
Total	56,838

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

<u>Eligibility:</u>

State Employees:

Early Retirement:

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

Normal Retirement:

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

<u>Benefits:</u>

During the fiscal year ended June 30, 2010, the State provided health insurance options through several providers.

Spouse and Survivor Coverage:

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

Employee Contributions:

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

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

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

Funding Policy

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

Contributions

The contribution rates for the employer and retiree are established annually by the budgeting process of the State. Those rates include an employer contribution based on projected pay-as-you-go financing requirements as a percent of covered payroll, with an additional amount to prefund benefits, which is not actuarially determined. The State contributed $10.0 million in fiscal year 2010. For fiscal year 2010, the State contribution in relation to the annual required contribution (ARC) totaled $171.5 million.

Retiree contribution rates are affected by the retiree date of hire, with eligible retirees hired after June 30, 1991 paying a proportionately higher rate if their years of service total less than 20. Retiree contributions for health coverage totaled $5.6 million.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. Amounts "required" but not actually set aside to pay for these benefits are accumulated as part of the net OPEB obligations. The following table shows the components of the State's annual OPEB for fiscal year 2010 and the preceding fiscal year, the amount actually contributed to the plan, and the State's net OPEB obligation (dollar amounts in millions):

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

	Total	Governmental Activities	Business-Type Activities *
Net OPEB obligation at June 30, 2009	662.4	$ 608.5	$ 53.9
Annual required contribution	498.3	459.6	38.7
Adjustment to annual required contribution	0.9	-	0.9
Annual OPEB Cost	1,161.6	1,068.1	93.5
Employer contributions	(174.7)	(162.0)	(12.7)
Net OPEB obligation at June 30, 2010	$ 986.9	$ 906.1	$ 80.8

* This column includes DTC's OPEB activity.

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2010 and preceding fiscal year are as follows (dollar amounts in millions):

Ended June 30	OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
2009	516.2	31%	641.5
2010	480.0	36%	956.5

Funded Status and Funding Progress

As of June 30, 2010, the plan was 1.8% funded. The actuarial accrued liability for benefits was $5,884.0 million, and the actuarial value of assets was $104.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $5,780.0 million for the primary government. The covered payroll (annual payroll of active employees covered by the plan) was $1,798.0 million, and the ratio of the UAAL to the covered payroll was 321%.

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

Actuarial Methods and Assumptions

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

In the June 30, 2010, actuarial valuation, the entry age normal actuarial cost method was used. Investments are valued at market rates. The actuarial assumptions included a 5.0% investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the State's own investments calculated based on the funded level of the plan at the valuation date, and an initial medical inflation rate of 9.0% with an ultimate rate of 5.0%. The UAAL is being amortized as a level percentage of projected payroll on a level percent open basis over 30 years using a 3.75% rate of salary increase.

Delaware Transit Corporation (DTC)

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

Plan Description

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

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

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

The number of participants are 722 active employees and 79 retirees as of June 30, 2010, the effective date of the other post-employment benefit (OPEB) actuarial valuation report.

Funding Policy

DTC currently pays for post-employment health care benefits on a pay-as-you-go basis. Although DTC is studying the establishment of a trust that would be used to accumulate and invest assets necessary to pay the accumulated liability, these financial statements assume that the pay-as-you-go funding will continue. The cash basis costs associated with these benefits were $865,354 and $803,627 for the fiscal years ended June 30, 2010 and 2009 respectively.

Annual OPEB Cost and Net Obligation

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

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

Annual required contribution	$ 11,677
Interest on net OPEB obligation	996
Adjustment to annual required contribution	(863)
Annual OPEB cost (expense)	11,810
Contributions made	(2,365)
Increase in net OPEB obligation	9,445
Net OPEB obligation - beginning of year	20,941
Net OPEB obligation - end of year	$ 30,386

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

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	11,702	6.87%	20,941
2010	11,810	20.02%	30,386

Funded Status and Funding Progress

As of June 30, 2010, the plan was 1.80% funded. The actuarial accrued liability was $82.6 million which is equivalent to the unfunded actuarial accrued liability. The covered payroll (annual payroll of active employees covered by the plan) was $31.4 million and the ratio of the UAAL to the covered payroll was 38%.

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

Actuarial Methods and Assumptions

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

In the April 1, 2010 actuarial valuation, the projected unit credit method was used with linear pro-ration to assumed benefit commencement. The actuarial assumptions included a 4.75% investment rate of return, 4% payroll growth rate, a 3.2% inflation rate, and a healthcare cost trend rate of 8% initially, reduced be decrements to 6.9% after 10 years. The ultimate healthcare cost trend rate will remain constant at 5.2% after 2080. The unfunded liability is being amortized as a level percentage of payroll over a 30-year amortization period.

NOTE 15 PENSIONS

Primary Government

Pension Plans

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

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

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

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

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

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

The Delaware Local Government Retirement Investment Pool (DELRIP) is presented separately as investment trust funds in the fiduciary funds statement of net assets and statement of changes in net assets. The remaining non-DPERS retirement funds/plans are included in the pension trust fund.

Non-DPERS Fund Descriptions and Contributions

County & Municipal Police and Firefighters' COLA Fund

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

Post-Retirement Increase Fund (PRI)

The State passed legislation which established a mechanism for funding ad hoc post-retirement increases granted by the General Assembly to members retired under the State Employees' Plan, the New State Police Plan, and the Judiciary Plans (Closed and Revised) beginning in fiscal year 1994. The mechanism allows the State to appropriate actuarially determined employer contributions to a separate PRI fund managed by the Board. The actuary uses the current actuarial assumptions, methods, and population data to calculate the estimated additional liability resulting from the potential benefit increases. When the Legislature grants an ad hoc post-retirement adjustment, funds are transferred from this PRI fund on a monthly basis based on a five-year actuarial funding schedule to the appropriate pension plan from which the additional benefits are disbursed. For the fiscal year ended June 30, 2010, $26.5 million was transferred to the appropriate plans in DPERS.

No post-retirement increase was granted by the General Assembly in Fiscal years 2008, 2009 and 2010. As of June 30, 2010, previously granted post-retirement increases have outstanding liabilities totaling $13.8 million, which will be funded by the State and transferred to the appropriate plans over the remaining fiscal year as follows:

Fiscal Year	(Expressed in Thousands)
2011	13,825
Total	$ 13,825

The Board adopts actuarially determined funding for the Post-Retirement Increase Fund. Funding for fiscal year 2010 was 1.4% of covered payroll. Funding for fiscal year 2011 will be 0.81%.

Local Government Retirement Investment Pool (DELRIP)

In June 1996, the State established DELRIP in the custody of the Board to allow local governments the option to pool their pension assets with the System for investment purposes. The DELRIP is an external investment pool that allows local governments within the State to potentially maximize their rate of return and reduce administrative expenses related to the investment of funds. Participation in the pool is voluntary. There were three participating entities in DELRIP as of June 30, 2010, which comprise the pool in its entirety: Sussex County and the Towns of Elsmere and Newport.

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

Plan Membership, Benefit and Contribution Provisions

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

State Employees' Pension Plan

Plan Description and Eligibility:

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

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

Vesting: 5 years of credited service.

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

Disability Benefits: Same as Service Benefits. Employee must have 5 years of credited service. In lieu of disability pension benefits, over 90% of the members of this plan opted into a disability insurance program offered by the State effective January 1, 2006.

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

Contributions:

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

Burial Benefit: $7,000 per member.

Special Fund

Plan Description and Eligibility:

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

Service Benefits: Defined by special legislation.

Vesting: Defined by special legislation.

Retirement: Defined by special legislation.

Disability Benefits: Defined by special legislation.

Survivor Benefits: Same as State Employees' Plan.

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

Burial Benefit: $7,000 per member.

New State Police Pension Plan

Plan Description and Eligibility:

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

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

Vesting: 10 years of credited service at age 62.

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

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

Non-Duty – same as Service Benefits.

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

Contributions:

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

Burial Benefit: $7,000 per member.

Judiciary Pension Plans (Closed and Revised)

Plan Description and Eligibility:

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

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

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

Service Benefits:

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

Revised - 1/24th of final average monthly compensation multiplied by years of service up to 12 years, plus 1/48th of final average monthly compensation, multiplied by years of service from 13 to 24 years, subject to maximum limitations.

For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

Vesting: 12 years of credited service.

Retirement:

Closed - Age 65 with 12 years of credited service, or any age with 24 years of credited service.

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

Disability Benefits: Same as Service Benefits.

Survivor Benefits:

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

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

Contributions:

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

Burial Benefit: Not applicable.

County & Municipal Police and Firefighters' Pension Plans

Plan Description and Eligibility:

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

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

Vesting: 5 years of credited service.

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

Disability Benefits:

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

Non-Duty - Same as Service Benefits.

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

Contributions:

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

Burial Benefit: Not applicable.

County and Municipal Other Employees' Pension Plan

Plan Description and Eligibility:

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

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

Vesting: 5 years of credited service.

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

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

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

Contributions:

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

Burial Benefit: Not applicable.

Delaware Volunteer Firemen's Fund

Plan Description and Eligibility:

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

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

Vesting: 10 years of credited service.

Retirement: Age 60 with 10 years credited service.

Disability Benefits: Not applicable.

Survivor Benefits: Not applicable.

Contributions:

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

Burial Benefit: Not applicable.

Diamond State Port Corporation Pension Plan

Plan Description and Eligibility:

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

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

Vesting: 5 years of credited service.

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

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

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

Contributions:

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

Burial Benefit: Not applicable.

Closed State Police Pension Plan

Plan Description and Eligibility:

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

Service Benefits: 50% of monthly salary.

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

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

Survivor Benefits: If employee is active or is receiving a service or service-related disability pension, the eligible survivor receives 75% of pension; if employee is receiving a non-service related disability pension; eligible survivor receives 50% of pension.

Contributions:

- Employer - Funded on a pay-as-you-go basis.
- Member - 5% of salary with 20 years or less of credited service; 2% of salary with over 20 years credited service.

Burial Benefit: $7,000 per member.

Historical Trend Information

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

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

NET PENSION OBLIGATION (NPO)

The Annual Pension Cost (APC) and Net Pension Obligation (NPO) for the Closed State Police Pension Plan for the fiscal years ended June 30, 2010, 2009, and 2008 are as follows:

Net Pension Obligation (NPO)
(Expressed in Thousands)

	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2008
Annual Required Contribution	$ 27,214	$ 26,423	$ 26,017
Interest on Net Pension Obligation	9,012	8,706	8,380
Adjustment to Annual Required Contribution	(9,942)	(9,504)	(9,060)
Annual Pension Cost	26,284	25,625	25,337
Less Contributions Made	(23,367)	(21,796)	(21,269)
Increase in Net Pension Obligation	2,917	3,829	4,068
Net Pension Obligation, Beginning of Year	112,652	108,823	104,755
Net Pension Obligation, End of Year	$ 115,569	$ 112,652	$ 108,823

Three-Year Trend Information
(Expressed in Thousands)

	Plan Year Ended	Contribution Made	Annual Pension Cost (APC)	Percent Of APC Contributed	Net Pension Obligation
State Employees'	6/30/2010	$ 101,457	$ 101,457	100.00%	$ -
	6/30/2009	96,576	96,576	100.00%	-
	6/30/2008	101,660	101,660	100.00%	-
County & Municpal Police and Firefighters'	6/30/2010	$ 7,307	$ 7,307	100.00%	$ -
	6/30/2009	12,007	12,007	100.00%	-
	6/30/2008	6,246	6,246	100.00%	-
County & Municpal Other Employees'	6/30/2010	$ 1,276	$ 1,276	100.00%	$ -
	6/30/2009	2,293	2,293	100.00%	-
	6/30/2008	1,492	1,492	100.00%	-
Delaware Volunteer Firemen's	6/30/2010	$ 1,191	$ 1,703	69.94%	$ 2,884
	6/30/2009	1,108	1,604	69.10%	2,428
	6/30/2008	1,045	1,553	67.29%	1,682
Judiciary	6/30/2010	$ 2,473	$ 2,473	100.00%	$ -
	6/30/2009	2,549	2,549	100.00%	-
	6/30/2008	2,644	2,644	100.00%	-
New State Police	6/30/2010	$ 6,562	$ 6,562	100.00%	$ -
	6/30/2009	6,791	6,791	100.00%	-
	6/30/2008	6,643	6,643	100.00%	-
Closed State Police	6/30/2010	$ 23,367	$ 27,214	85.86%	$ 115,569
	6/30/2009	21,775	26,423	82.41%	112,652
	6/30/2008	21,267	25,337	83.94%	108,823
Diamond State Port Corporation	6/30/2010	$ 594	$ 594	100.00%	$ -
	6/30/2009	694	694	100.00%	-
	6/30/2008	715	715	100.00%	-

Delaware Transportation Authority

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

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

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

Three-Year Trend Information
(Expressed in Dollars)

	Plan Year Ended	Contribution Made	Annual Pension Cost	Percent Of APC Contributed	Net Pension Asset
DTC Pension Plan	6/30/2010	$ 1,033,487	$ 1,033,998	99.95%	$ (109,288)
	6/30/2009	800,128	940,741	85.05%	(108,777)
	6/30/2008	800,040	768,204	104.14%	31,836
Contributory Pension	12/31/2009	$ 1,063,098	$ 674,249	157.67%	$ 2,167,594
	12/31/2008	996,405	632,751	157.47%	1,778,745
	12/31/2007	879,154	440,338	199.65%	1,415,091

Deferred Compensation Plan

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

NOTE 16 AFFILIATED ORGANIZATIONS

State Lottery

Multi-State Lottery Association

The State Lottery is a member of the Multi-State Lottery Association (MUSL), which operates online games on behalf of participating state lotteries. Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the member's share of the estimated grand prize liability. Each MUSL member pays lesser prizes directly to the winners. The MUSL operates the Powerball games, as well as the Powerplay feature associated with Powerball. The MUSL also operates the Hot Lotto game, in which the Lottery began participating during fiscal year 2008. Participating lotteries are required to maintain deposits with MUSL for contingency reserves to protect MUSL from unforeseen prize liabilities. The money in this reserve fund is refundable to MUSL members if the MUSL disbands or if a member leaves the MUSL Board.

The amount the Lottery had on deposit with MUSL as of June 30, 2010, was $2.3 million. This amount is reported by the Lottery as a liability on its balance sheet because it represents the amount to be paid to the State upon separation from the MUSL if the MUSL is not required to use a portion of the Lottery's reserves held by the MUSL.

Complete separate financial statements for the MUSL may be obtained at the Multi-State Lottery Association, Suite 210, 1701 48th Street, West Des Moines, IA 50266-6723.

NOTE 17 COMMITMENTS

Primary Government

The State has entered into various contractual commitments that contracts for services and for construction of various highway, capital, and lottery projects. These commitments are expected to be funded from existing program resources, current and future appropriations and from the proceeds of revenue and general obligation bonds to be issued. Commitments of the governmental funds totaling $325.7 million are shown on the balance sheet as encumbrances. Commitments of the proprietary fund include $280.7 million for DelDOT.

Component Units

Diamond State Port Corporation (DSPC)

DSPC has various contracts for construction and renovation of significant facilities in accordance with the Capital Budget approved by its Board of Directors. As of June 20, 2010, DSPC had $15.0 million in cash and investments committed to capital projects.

Riverfront Development Corporation (RDC)

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

NOTE 18 CONTINGENCIES

Primary Government

Various parties have made claims against the State. For those cases in which it is reasonably possible that a loss will be incurred and in which the amount of the potential judgment can be reasonably estimated, the State estimates the liability to be $3.7 million. The State recognized $2.2 million in governmental activities as claims and judgments liabilities for pending litigation settlements estimated to be probable as of June 30, 2010. In the opinion of the Attorney General of the State, however, the remaining cases are either subject to a valid defense or are not expected to result in an impairment of the State's financial position. Management believes the settlement in aggregate of claims outstanding will not result in amounts material to the financial statements of the State.

The State receives significant financial assistance from the federal government in the form of grants and entitlements. The right to these resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the State. The State does not believe that the liabilities that may result from such audits for periods through June 30, 2010 would have a material effect on its financial position or the results of operations.

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

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

Site investigation, planning and design, cleanup and site monitoring are typical remediation activities underway across the State. Several State organizations have dedicated programs, rules and regulations that routinely deal with remediation related issues; others become aware of pollution conditions in the fulfillment of their missions. The State has the knowledge and expertise to estimate the remediation obligations presented herein based upon prior experience in identifying and funding similar remediation activities. The standard requires the State to calculate pollution remediation liabilities using the expected cash flow technique. Where the State cannot reasonably estimate a pollution remediation obligation, it does not report a liability; however, the State has not identified any of these situations.

The remediation obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State's obligation. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

During fiscal year 2010, the State acquired property from an automobile manufacturer. This property will be used by the University of Delaware. This property was not able to be fully tested to determine an estimate of the pollution.

At June 30, 2010, the State had a total pollution remediation liability of $23.4 million, with an estimated potential recovery of $4.5 million from the U.S. Environmental Protection Agency.

The State Lottery has discharged its primary responsibility for payment of annual installments (generally 14 to 20 years) to winners of jackpots greater than $150,000 by purchasing annuities from private insurance companies. The Lottery remains liable for future periodic payments of deferred prize obligations (approximately $2 million at June 30, 2010) in the event that the annuity issuers default on their obligations.

Component Units

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

NOTE 19 SUBSEQUENT EVENTS

Primary Government

On October 28, 2010, the State issued $310.7 million of its general obligation bonds maturing between July 1, 2011 and July 1, 2030. The bonds consist of Series 2010B, $135.3 million traditional tax-exempt bonds, Series 2010C, $115.8 million federally taxable Build America Bonds, and Series 2010D, $59.6 million federally taxable Qualified School Construction Bonds.

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

The proceeds from the new money general obligation bonds, a total of $259.6 million, will be used to provide funds for capital projects across the State.

Component Units

Riverfront Development Corporation (RDC)

The RDC and the State of Delaware had filed a claim against BP Products of North America for additional environmental remediation cost s that were incurred for land formerly owned by RDC, due to unanticipated conditions discovered at the site. The claim has been settled, and RDC‘s share of the claims is approximately $0.6 million. These amounts are expected to be received in October, 2010.

Delaware State Housing Authority (DSHA)

As of September 28, 2010, the Authority has borrowed an additional $40,020,473 from FHLB Pittsburgh. This additional borrowing was used for the purchase of mortgage backed securities and will be repaid with the proceeds of a bond issue expected to occur in the near future.

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REQUIRED SUPPLEMENTARY INFORMATION SECTION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY REPORTING

BUDGETARY BASIS VS. GAAP

While GAAP requires the use of the fund structure described in Note 1(b), the State's budget system uses only a general fund and a special fund, each of which uses the basis of accounting described below. Additionally, the activities of certain component units of the State, which are not substantially supported by tax revenues, are not included in the budget data. Reconciliation of the accrual adjustments necessary to convert budgetary basis information to GAAP basis is presented in Required Supplementary Information.

The State Constitution requires the Governor to prepare and submit to the General Assembly a State budget for the ensuing year. The State budgets and controls its financial activities on the cash basis of accounting. In compliance with State law, the State records its financial transactions in either of two major categories – the general fund or the special fund. References to these two funds in this document include the terms "budgetary" or "budgetary basis" to differentiate them from the GAAP funds of the same name which encompass different funding categories. The General Assembly enacts the budget through the passage of specific line-item appropriations by department, the legal level of budgetary control, the sum of which must not exceed 98 percent of the estimated revenues and available unencumbered cash balance from the prior year pursuant to the State Constitution. The Governor has the power to approve or veto each appropriation passed by the General Assembly. The General Assembly may also enact supplement appropriation or special appropriation bills after it completes action on the State's budget.

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

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

The budget schedules in Required Supplemental Information a) reflect the adjustments made to increase the special fund's excess of revenues over expenditures for certain revenue sources not previously recognized; b) eliminates the net activity of certain operations that are accounted for within both the special fund and also in the separate accounts of certain component units or agency funds that are not principally accounted for within the special fund; and c) presents the accrual adjustments necessary to convert budgetary basis information to GAAP basis.

Statutory/Budgetary Presentation

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

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriations bill as of June 30, 2010, and do not include encumbrances and multi-year projects budgetary carry-forwards from the prior fiscal year. GAAP requires that the final legal budget be reflected in the “final budget” column; therefore, updated revenue estimates available for appropriations as of the last Delaware Economic and Financial Advisory Council (DEFAC) meeting in June 2010, as well as the amounts shown in the original budget, are reported. The final legal budget also reflects encumbrances and multi-year projects budgetary carry-forwards from the prior fiscal year.

The tables on the following two pages represent the Budgetary Statements of Revenues, Expenditures and Changes in Fund Balance – General and Special Funds. Also included is a schedule showing the budgetary fund balance designations. Of the $538.5 million budgetary general fund balance at June 30, 2010, $186.4 million is reserved for the budgetary reserve account and $147.2 million is designated as continuing and encumbered appropriations. The $204.9 million of undesignated fund balance, for the most part, is not available for new spending as these funds have been committed based on State statues which are subject to review and change by the Legislature.

Budgetary Comparison Schedule-General Fund
Budget to Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2010
(Expressed in Millions)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Personal income taxes	$ 908.3	$ 848.6	$ 851.9	$ 3.3
Business taxes	1,168.6	1,549.6	1,523.1	(26.5)
Other taxes	148.6	178.5	178.7	0.2
License, permits, fines and fees	292.9	307.5	308.6	1.1
Interest earnings	11.5	10.2	10.9	0.7
Lottery sales	297.6	275.0	275.5	0.5
Other non-tax revenue	91.2	63.6	86.3	22.7
Total revenue	2,918.7	3,233.0	3,235.0	2.0
Expenditures				
Legislature	13.8	16.0	11.8	4.2
Judicial	87.1	89.8	86.4	3.4
Executive	97.9	166.5	89.9	76.6
Department of Technology & Information	35.1	38.4	32.3	6.1
Other Elective Offices	40.6	55.1	54.2	0.9
Legal	42.6	41.6	41.3	0.3
Department of State	27.5	29.6	27.4	2.2
Department of Finance	20.5	28.8	24.3	4.5
Department of Health & Social Services	813.5	853.0	821.4	31.6
Department of Services to Child, Youth and Their Families	130.9	129.5	118.2	11.3
Department of Corrections	249.4	255.7	238.0	17.7
Department of Natural Resources and Environmental Control	37.2	54.4	44.1	10.3
Department of Safety & Homeland Security	122.4	121.6	117.9	3.7
Department of Transportation	0.0	0.0	0.0	0.0
Department of Labor	6.7	6.8	6.2	0.6
Department of Agriculture	7.5	7.2	6.7	0.5
Department of Elections	3.8	4.3	4.0	0.3
Fire Prevention Commission	4.4	4.5	4.3	0.2
Delaware National Guard	4.4	4.7	3.7	1.0
Advisory Council for Exceptional Citizens	0.2	0.2	0.2	0.0
Higher Education	224.6	227.9	227.3	0.6
Department of Education	1,121.1	1,175.2	1,116.9	58.3
Total expenditures	3,091.2	3,310.8	3,076.5	234.3
Excess (deficiency) of revenue over expenditures	(172.5)	(77.8)	158.5	236.3
Budgetary fund balance, beginning of year	380.0	380.0	380.0	0.0
Budgetary fund balance, end of year	$ 207.5	$ 302.2	$ 538.5	$ 236.3

Budgetary fund balance	
Designated:	
Budget reserve account	$ 186.4
Continuing and encumbered appropriations	147.2
Undesignated	204.9
Total	$ 538.5

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

Budgetary Comparison Schedule-Special Fund
Budget to Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2010
(Expressed in Millions)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Business taxes	$ 47.6	$ 47.6	$ 45.2	$ (2.4)
Other taxes	4.1	4.1	3.7	(0.4)
License, permits, fines and fees	94.4	94.4	103.5	9.1
Rentals and sales	12.1	12.1	17.9	5.8
Interest earnings	54.8	54.8	5.8	(49.0)
Grants	36.2	36.2	41.3	5.1
Other non-tax revenue	681.1	681.1	488.8	(192.3)
Total revenue	930.3	930.3	706.2	(224.1)
Expenditures				
Legislative	0.1	0.1	-	0.1
Judicial	11.5	12.7	9.4	3.3
Executive	138.5	120.7	79.5	41.2
Department of Technology & Information	29.5	39.9	17.0	22.9
Other Elective Offices	77.3	78.7	73.8	4.9
Legal	6.1	6.8	4.9	1.9
Department of State	37.6	47.0	34.6	12.4
Department of Finance	60.5	86.5	58.7	27.8
Department of Health & Social Services	101.1	121.0	88.9	32.1
Department of Services to Child, Youth and Their Families	19.4	23.4	16.4	7.0
Department of Corrections	4.2	6.0	2.7	3.3
Department of Natural Resources and Environmental Control	91.3	116.8	46.6	70.2
Department of Safety & Homeland Security	12.4	14.7	9.9	4.8
Department of Transportation	343.8	370.9	235.2	135.7
Department of Labor	18.4	19.7	16.3	3.4
Department of Agriculture	8.2	8.6	5.6	3.0
Department of Elections	-	0.2	0.1	0.1
Fire Prevention Commission	2.7	2.9	2.1	0.8
Delaware National Guard	-	-	0.6	(0.6)
Department of Education	5.5	6.1	6.6	(0.5)
Total expenditures	968.1	1,082.7	708.9	373.8
Excess (deficiency) of revenue over expenditures	(37.8)	(152.4)	(2.7)	149.7
Budgetary fund balance, beginning of year	379.9	379.9	379.9	-
Budgetary fund balance, end of year	$ 342.1	$ 227.5	$ 377.2	$ 149.7

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

Statutory/Budgetary Reconciliations

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation is required of resulting basis, perspective and entity differences in the revenues in excess of (less than) expenditures and other financing sources (uses) between budgetary and GAAP presentations.

The following two schedules represent the accrual adjustments necessary to convert budgetary basis information to GAAP basis.

Budget vs. GAAP Revenue Reconciliation
For the Fiscal Year Ended June 30, 2010
(Expressed in Millions)

Budget basis general and special fund revenue for fiscal year 2010		$3,941.2
Non-appropriated revenue by category:		
Other revenue	79.1	
License, fees, permits, and fines	56.9	
Personal, business, and other taxes	50.1	
Federal government	9.6	
Rentals and sales	10.0	
Interest and other investment income	4.9	
Adjustments and accruals:		
DelDOT fund revenue	(232.5)	
Lottery sales	(333.6)	
Local school districts	(13.2)	
Interfund revenue	(79.6)	
Other accruals and adjustments	(35.1)	
Total general fund revenues for fiscal year 2010		$3,457.8
Federal fund revenue	1,406.2	
Local school fund revenue	493.8	
Capital projects fund revenue	1.2	
		1,901.2
Total GAAP basis governmental funds revenue for fiscal year 2010		$5,359.0

Budget vs. GAAP Expenditures Reconciliation
For the Fiscal Year Ended June 30, 2010
(Expressed in Millions)

Total budget basis general and special fund expenditures for fiscal year 2010		$3,785.4
Non appropriated expenditures by function:		
General government	$542.9	
Health & children's services	26.2	
Judicial & public safety	17.6	
Natural resources & environmental control	32.7	
Labor	12.5	
Education	65.0	
Transportation	14.1	
Adjustments and accruals:		
Tax refunds	(296.3)	
Component units	95.8	
Interfund expenses	(85.4)	
Other accruals and adjustments	(465.8)	
Total general fund expenditures for fiscal year 2010		$3,744.7
Federal fund expenditures	1,466.4	
Local school district fund expenditures	378.0	
Capital projects fund expenditures	244.8	
		2,089.2
Total GAAP basis governmental funds expenditures for fiscal year 2010		$5,833.9

Required Supplementary Information

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 4,447 centerline miles and approximately 1,556 bridges that the State is responsible to maintain.

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

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

It is the State's policy to maintain at least 85% of its highways at a fair or better condition level and 75% of its bridge systems at a good or better condition level. No more than 10% of bridges and 15% of roads should be in substandard condition. Condition assessments are determined every year for roads and every two years for bridges. Due to the timing of these condition assessments, information for the fiscal year ended June 30, 2010 is not available.

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

Structural Rating Numbers and Percentages for Bridges

	BCR Condition Rating	2009 Number	2009 Percent	2008 Number	2008 Percent	2007 Number	2007 Percent
		Calendar Year Ended December 31					
Good	6-9	1,144	73.5	1,118	74.1	1,131	77.6
Fair	5	295	19.0	291	19.3	261	17.9
Poor	0-4	117	7.5	100	6.6	65	4.5
Totals		1,556	100	1,509	100	1,457	100

Deck Rating Numbers and Percentages for Bridges

	OPC Condition Rating	2009 Square Feet	2009 Percent	2008 Square Feet	2008 Percent	2007 Square Feet	2007 Percent
		Calendar Year Ended December 31					
Good	6-9	6,800,531	92.8	6,799,842	93.0	6,809,939	93.4
Fair	5	510,306	6.9	485,635	6.6	450,384	6.2
Poor	0-4	19,558	0.3	26,253	0.4	29,590	0.4
Totals		7,330,395	100	7,311,730	100	7,289,913	100

Center-Line Mile Numbers and Percentages for Road Pavement

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

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

	2010	2009	2008	2007	2006
	Fiscal Year ended June 30				
Estimated	$102,183	$208,764	$197,301	$129,138	$135,991
Actual	$336,214	$308,732	$271,333	$256,571	$211,347

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

Required Supplementary Information – Pension

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

Delaware Public Employees' Retirement System (DPERS)

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

Schedule of Funding Status and Progress
(Expressed in Thousands)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL AAL AAL (UAAL) (Excess of Assets over Liabilities) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Annual Covered Payroll	(6) UAAL/ (Excess) as % of Covered Payroll (3) / (5)
State Employees *	6/30/10	$ 6,808,957	$ 7,096,369	$ 287,369	96.0%	$ 1,740,622	16.5%
	6/30/09	6,744,050	6,827,006	82,956	98.8%	1,753,129	4.7%
	6/30/08	6,751,949	6,549,856	(202,093)	103.1%	1,711,473	(11.8%)
Special	6/30/10	$ 457	$ 333	$ (124)	137.2%	N/A	N/A
	6/30/09	516	399	(117)	129.3%	N/A	N/A
	6/30/08	614	492	(122)	124.8%	N/A	N/A
Closed State Police +	6/30/10	$ 1,440	$ 298,493	$ 297,053	0.5%	$ 339	87,626.3%
	6/30/09	727	306,904	306,177	0.2%	619	49,463.2%
	6/30/08	618	299,921	299,294	0.2%	1,152	25,980.4%
New State Police *	6/30/10	$ 245,303	$ 260,258	$ 14,955	94.3%	$ 49,896	30.0%
	6/30/09	229,457	241,251	11,794	95.1%	50,425	23.4%
	6/30/08	216,368	214,921	(1,447)	100.7%	47,971	(3.0%)
Judiciary*	6/30/10	$ 51,550	$ 60,104	$ 8,554	85.8%	$ 9,798	87.3%
	6/30/09	49,036	57,799	8,763	84.8%	9,814	89.3%
	6/30/08	47,209	55,856	8,647	84.5%	9,689	89.2%
Diamond State Port Corporation	6/30/10	$ 15,418	$ 18,354	$ 2,936	84.0%	$ 11,224	26.2%
	6/30/09	14,353	16,284	1,931	88.1%	11,071	17.4%
	6/30/08	13,391	14,139	748	94.7%	10,270	7.3%
County & Municipal Police Firefighters	6/30/10	$ 135,684	$ 141,430	$ 5,746	95.9%	$ 56,917	10.1%
	6/30/09	119,712	122,573	2,861	97.7%	55,478	5.2%
	6/30/08	102,423	103,911	1,488	98.6%	49,328	3.0%
County and Municipal Other Employees	6/30/10	$ 17,596	$ 19,827	$ 2,231	88.7%	$ 20,591	10.8%
	6/30/09	15,074	16,787	1,713	89.8%	19,046	9.0%
	6/30/08	12,980	14,308	1,328	90.7%	18,632	7.1%
						Active Member ++	Cost per Active Member ++
Volunteer Firemen	6/30/10	$ 13,663	$ 27,382	$ 13,719	49.9%	4,898	2,801
	6/30/09	13,241	26,562	13,321	49.8%	5,074	2,625
	6/30/08	12,972	25,719	12,747	50.4%	5,066	2,516

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

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

++ Not expressed in thousands.

N/A – Not Applicable

Annual Pension Cost, Actuarial Methods and Assumptions - DPERS

The schedules below provide information concerning annual pension costs. Annual pension cost for each plan, except the Closed State Police Plan, is equal to the respective plan's required and actual contributions for the fiscal year ended June 30, 2010.

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

Plan	State Employees'	Special	Closed State Police	New State Police	Judiciary
Annual Pension Cost	$ 101,457	N/A	$ 27,214	$ 6,562	$ 2,473
Actuarial Valuation Date	6/30/10	6/30/10	6/30/10	6/30/10	6/30/10
Actuarial Cost Method	Entry Age Normal	N/A	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Closed for Plan Bases & Open for Aggregate Gain/Loss	N/A	Level Dollar Closed	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	20 years (1)	N/A	27 years	20 years (1)	12.07 years (1)
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:					
Investment rate of return	8.0%	8.0%	8.0%	8.0%	8.0%
Projected Salary Increases [1]	4.3% to 10.1%	N/A	4.8% to 5.3%	4.8% to 16.7%	4.3% to 13.1%
Cost-of-living adjustments	Ad hoc	Ad hoc	Based on CPI	Ad hoc	Ad hoc

Plan	Diamond State Port Corporation	County & Municipal Police and Firefighters'	County & Municipal Other Employees	Delaware Volunteer Firemen's
Annual Pension Cost	$ 594	$ 7,307	$ 1,276	$ 1,703
Actuarial Valuation Date	6/30/10	6/30/10	6/30/10	6/30/10
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Closed	Level Percent Open	Level Percent Open	Level Dollar Closed
Remaining Amortization Period	15 years	10 years	10 years	18 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:				
Investment rate of return	8.0%	8.0%	8.0%	8.0%
Projected Salary Increases [1]	4.8%	4.3% to 15.7%	4.3% to 10.1%	N/A
Cost-of-living adjustments	Ad Hoc	Ad Hoc	Ad Hoc	Ad Hoc

[1] Excludes liability and amortization payments due to cost-of living adjustments. This liability is funded from the Post-Retirement Increase Fund. Each COLA is funded over 5 years.

N/A: Not applicable

DelDOT - Delaware Transit Corporation – Pension Data

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

Schedule of Funding Status and Progress
(Expressed in Dollars)

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (Excess of Assets over AAL) (a-b)	(d) Funded Ratio (a / b)	(e) Annual Covered Payroll	(f) UAAL (Excess) as % of Covered Payroll (c / e)
DTC Pension Plan	07/01/2009	$ 10,282,778	$ 10,797,306	$ (514,528)	95.23%	$ 11,624,462	(4.43%)
	07/01/2008	10,886,557	11,290,478	(403,921)	96.42%	12,082,615	(3.34%)
	07/01/2007	10,533,449	10,873,946	(340,497)	96.87%	9,993,019	(3.41%)
Contributory Plan	1/1/2010	$ 26,246,390	$ 27,215,318	$ (968,928)	96.44%	$ 22,675,263	(4.27%)

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

Plan	DTC Pension Plan	Contributory Pension Plan
Contribution Rates:		
Employer	Actuarially Determined	5.00%
Participants	N/A	5.00%
Annual Pension Cost	$ 1,033,998	$ 674,249
Contributions Made	$ 1,033,487	$ 1,063,098
Actuarial Valuation Date	7/01/09	01/01/10
Actuarial Cost Method	Frozen Initial Liability	Entry Age Normal
Remaining Amortization Period	18	30
Asset Valuation Method	Market	Five-Year Smoothed Market
Actuarial Assumptions:		
Investment rate of return	7.50%	7.00%
Projected Salary Increases	4.50%	4.00%

Note: For the contributory pension plan valuation dated January 1, 2008, the actuarial cost method was changed from the aggregate method to the entry age normal method. In addition, the asset valuation method was changed to the five-year smoothed market method.
N/A: Not applicable

Required Supplementary Information – OPEB Trust

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

OPEB Trust

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

Schedule of Funding Status and Progress
(Expressed in Millions)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded Actuarial Accrued Liabilities (UAAL) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (3) / (5)
7/1/2010	$ 104	$ 5,884	$ 5,780	1.8%	$ 1,798	321%
7/1/2009	83	5,636	5,553	1.5%	1,811	307%

Valuation Date	July 1, 2010
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	5.00%
Rate of Salary Increases	3.75% (plus merit scale)
Ultimate Rate of Medical inflation	5.00%
Initial Rate of Medical Inflation	9.00%

	Total	Governmental Activities	Business Type Activities
Net OPEB obligation at June 30, 2009	$ 662.4	$ 608.5	$ 53.9
Annual required contribution	498.3	459.6	38.7
Adjustment to annual required contribution	0.9	-	0.9
Annual OPEB cost	1161.6	1068.1	93.5
Employer contribution	(174.7)	(162.0)	(12.7)
Net OPEB obligation at June 30, 2010	$ 986.9	$ 906.1	$ 80.8

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2010 are as follows (dollar amounts in millions):

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	$ 480.0	36%	$ 956.5

Delaware Transit Corporation - OPEB

As of June 30, 2010, the plan was 1.80% funded. The actuarial liability was $82.6 million. The covered payroll (annual payroll of active employees covered by the plan) was 31.4 million, and the ratio of the UAAL to the covered payroll was 38%.

In April 1, 2010 actuarial valuation, the projected unit credit method was used the linear proration to assumed benefit commencement. The actuarial assumptions included a partially funded 4.75% investment rate of return, 4.0% payroll growth rate, a 3.2% inflation rate, and a healthcare cost trend rate of 8.0% initially, reduced by decrements to 6.9% after 10 years. The ultimate healthcare cost trend rate will remain constant at 5.2% after 2080. The unfunded liability is being amortized as a level percentage of payroll over a 30-year amortization period.

SUPPLEMENTARY INFORMATION
COMBINING STATEMENTS

STATE OF DELAWARE
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2010
(Expressed in Thousands)

	State Employees' Pension Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	Delaware Volunteer Firemen's Fund
Assets					
Cash and cash equivalents	$ 262,597	$ 17	$ 9,568	$ 1,994	$ 565
Receivables:					
Accrued interest	16,744	1	608	127	15
Investment sales pending	61,071	4	2,225	464	-
Employer contributions	8,372	-	510	175	-
Member contributions	3,369	-	224	17	-
Total receivables	89,556	5	3,567	783	15
Investments at fair value:					
Domestic fixed income	480,574	31	17,511	3,649	4,872
Domestic equities	884,312	57	32,221	6,714	4,419
Pooled equity and fixed income	1,766,192	114	64,354	13,410	-
Alternative investments	1,515,732	97	55,228	11,508	-
Foreign fixed income	126,779	8	4,619	963	-
Foreign equities	838,005	54	30,534	6,363	2,427
Total investments	5,611,594	361	204,467	42,607	11,718
Total assets	5,963,747	383	217,602	45,384	12,298
Liabilities					
Investment purchases payable	49,426	3	1,801	375	-
Benefits payable	1,339	-	4	5	16
Accrued investment expenses	3,535	-	128	27	-
Accrued administrative expenses	288	-	4	-	-
Total liabilities	54,588	3	1,937	407	16
Assets held in trust for pension benefits and pool participants	$ 5,909,159	$ 380	$ 215,665	$ 44,977	$ 12,282

Diamond State Port Corporation Plan	County and Municipal Police and Firefighters' Plans	County and Municipal Police and Firefighters' Cola Fund	County and Municipal Other Employees' Plan	DPERS Post Retirement Increase Fund	Closed State Police Plan	Totals
$ 601	$ 5,371	$ 160	$ 699	$ 46	$ 1,397	$ 283,015
38	339	5	44	7	1	17,929
140	1,249	38	163	11	-	65,365
50	1,122	-	748	965	-	11,942
17	311	-	42	-	1	3,981
245	3,021	43	997	983	2	99,217
1,101	9,830	293	1,279	84	-	519,224
2,025	18,088	540	2,354	154	-	950,884
4,044	36,126	1,078	4,700	307	-	1,890,325
3,471	31,004	925	4,033	264	-	1,622,262
290	2,593	77	337	21	-	135,687
1,919	17,141	511	2,231	146	-	899,331
12,850	114,782	3,424	14,934	976	-	6,017,713
13,696	123,174	3,627	16,630	2,005	1,399	6,399,945
113	1,011	30	132	9	-	52,900
37	-	-	3	-	-	1,404
8	72	2	10	1	-	3,783
2	5	-	2	-	3	304
160	1,088	32	147	10	3	58,391
$ 13,536	$ 122,086	$ 3,595	$ 16,483	$ 1,995	$ 1,396	$ 6,341,554

STATE OF DELAWARE
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

	State Employees' Pension Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	Delaware Volunteer Firemen's Fund
Additions					
Contributions:					
Employer contributions	$ 101,457	$ -	$ 6,562	$ 2,473	$ 1,191
Transfer of assets from post-retirement increase fund	26,116	-	151	190	-
Transfer of assets from outside the system	-	-	-	-	-
Member contributions	44,915	-	3,276	304	181
Other	-	-	38	-	-
Total contributions	172,488	-	10,027	2,967	1,372
Investments:					
Investment income	93,228	5	3,299	694	346
Net increase (decrease) in fair value	681,066	48	23,358	4,953	785
Total investment income (loss)	774,294	53	26,657	5,647	1,131
Less investment manager/advisor/custody fees	(17,196)	(1)	(615)	(129)	-
Less investment administrative expenses	(534)	-	(7)	(1)	-
Net investment income (loss)	756,564	52	26,035	5,517	1,131
Deductions:					
Transfer of assets from post-retirement increase fund	-	-	-	-	-
Transfer of assets outside the system	-	-	-	-	-
Pension payments	399,253	61	5,182	2,726	1,520
Refunds of contributions to members	3,099	-	60	-	99
Burial benefit payments	4,825	14	-	-	-
Administrative expenses	5,376	2	74	15	34
Total deductions	412,553	77	5,316	2,741	1,653
Change in net assets	516,499	(25)	30,746	5,743	850
Net assets held in trust for pension benefits:					
Net assets - beginning of year	5,392,660	405	184,919	39,234	11,432
Net assets - end of year	$ 5,909,159	$ 380	$ 215,665	$ 44,977	$ 12,282

Diamond State Port Corporation Plan	County and Municipal Police and Firefighters' Plans	County and Municipal Police and Firefighters' Cola Fund	County and Municipal Other Employees' Plan	DPERS Post Retirement Increase Fund	Closed State Police Plan	Totals
$ 594	$ 7,307	$ -	$ 1,276	$ 23,380	$ 23,367	$ 167,607
-	-	-	-	-	-	26,457
-	-	2,901	-	-	-	2,901
204	3,734	-	509	-	6	53,129
-	-	-	-	-	-	38
798	11,041	2,901	1,785	23,380	23,373	250,132
206	1,794	74	231	53	7	99,937
1,452	12,316	949	1,559	537	-	727,023
1,658	14,110	1,023	1,790	590	7	826,960
(39)	(339)	(11)	(45)	(8)	-	(18,383)
(3)	(9)	-	(4)	-	(5)	(563)
1,616	13,762	1,012	1,741	582	2	808,014
-	-	-	-	26,457	-	26,457
-	-	10,331	-	-	-	10,331
342	1,365	-	236	-	22,592	433,277
56	142	-	30	-	-	3,486
-	-	-	-	-	91	4,930
29	101	-	43	-	50	5,724
427	1,608	10,331	309	26,457	22,733	484,205
1,987	23,195	(6,418)	3,217	(2,495)	642	573,941
11,549	98,891	10,013	13,266	4,490	754	5,767,613
$ 13,536	$ 122,086	$ 3,595	$ 16,483	$ 1,995	$ 1,396	$ 6,341,554

STATE OF DELAWARE
COMBINING STATEMENT OF NET ASSETS
INVESTMENT TRUST FUNDS
JUNE 30, 2010
(Expressed in Thousands)

	Delaware Local Government Retirement Investment Pool	Delaware Local Government OPEB Investment Trust	Total Investment Trust Funds
Assets:			
Cash and cash equivalents	$ 1,379	$ 3,141	$ 4,520
Receivables:			
Accrued interest	88	-	88
Investment sales pending	322	-	322
Investments, at fair value:			
Domestic fixed income	2,524	10,608	13,132
Domestic equities	4,645	8,453	13,098
Pooled equity and fixed income	9,276	-	9,276
Alternative investments	7,961	-	7,961
Foreign fixed income	665	-	665
Foreign equities	4,402	4,395	8,797
Total assets	31,262	26,597	57,859
Investment purchase payable	260	-	260
Accrued investment expense	19	1	20
Total liabilities	279	1	280
Net assets:			
Assets held in trust for pension benefits and pool participants	$ 30,983	$ 26,596	$ 57,579

STATE OF DELAWARE
COMBINING STATEMENT OF CHANGES IN NET ASSETS
INVESTMENT TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

	Delaware Local Government Retirement Investment Trust Funds	Delaware Local Government OPEB Investment Trust	Total Investment Trust Funds
Additions:			
Contributions:			
Transfer of assets from outside the trust	$ -	$ 43	$ 43
Total contributions	-	43	43
Investments:			
Investment earnings	480	760	1,240
Net increase (decrease) in fair value of investments	3,443	2,342	5,785
Total investment earnings (loss)	3,923	3,102	7,025
Less investment manager/advisor/custody fees	(88)	(14)	(102)
Less investment administrative expenses			-
Net investment earnings	3,835	3,088	6,923
Total additions	3,835	3,131	6,966
Deductions:			
Transfer of assets outside the trust	119	1,037	1,156
Total deductions	119	1,037	1,156
Change in net assets	3,716	2,094	5,810
Net assets - beginning of year	27,267	24,502	51,769
Net assets - end of year	$ 30,983	$ 26,596	$ 57,579

STATE OF DELAWARE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

Child Support Collection	**Balance July 1, 2009**	**Additions**	**Deductions**	**Balance June 30, 2010**
Assets				
Cash and cash equivalents	$ 1,658	$ 281,455	$ 279,553	$ 3,560
Investments	206	726	932	-
Receivables, net	3,857	4,252	5,877	2,232
Total assets	5,721	286,433	286,362	5,792
Liabilities				
Accounts payable	5,721	286,433	286,362	5,792
Total liabilities	5,721	286,433	286,362	5,792

Court Fines and Restitution	**Balance July 1, 2009**	**Additions**	**Deductions**	**Balance June 30, 2010**
Assets				
Cash and cash equivalents	14,547	16,315	21,376	9,486
Investments	2,859	13,441	9,454	6,846
Receivables, net	33,140	9,260	6,260	36,140
Total assets	50,546	39,016	37,090	52,472
Liabilities				
Accounts payable	50,546	39,016	37,090	52,472
Total liabilities	50,546	39,016	37,090	52,472

All Other Agency Funds	**Balance July 1, 2009**	**Additions**	**Deductions**	**Balance June 30, 2010**
Assets				
Cash and cash equivalents	10,921	36,175	36,656	10,440
Investments	15,415	4,789	4,239	15,965
Receivables, net	-	-	-	-
Total assets	26,336	40,964	40,895	26,405
Liabilities				
Accounts payable	26,336	40,964	40,895	26,405
Total liabilities	26,336	40,964	40,895	26,405

Totals - All Agency Funds	**Balance July 1, 2009**	**Additions**	**Deductions**	**Balance June 30, 2010**
Assets				
Cash and cash equivalents	27,126	333,945	337,585	23,486
Investments	18,480	18,956	14,625	22,811
Receivables, net	36,997	13,512	12,137	38,372
Total assets	82,603	366,413	364,347	84,669
Liabilities				
Accounts payable	82,603	366,413	364,347	84,669
Total liabilities	$ 82,603	$ 366,413	$ 364,347	$ 84,669

STATE OF DELAWARE
COMBINING BALANCE SHEET
LOCAL SCHOOL DISTRICT FUNDS
JUNE 30, 2010
(Expressed in Thousands)

	Appoquinimink	Brandywine	Caesar Rodney	Cape Henlopen	Capital	Christina	Colonial	Delmar	Indian River	Lake Forest
Assets										
Cash and cash equivalents	$ 6	$ 774	$ 1,160	$ 720	$ 1,326	$ 672	$ 685	$ 56	$ 344	$ 401
Investments	17,097	10,744	13,095	23,096	19,830	46,106	39,306	1,609	27,290	8,071
Accounts receivable, net	-	-	-	48	-	216	-	-	-	-
Taxes receivable, net	1,121	1,636	785	1,742	1,507	3,775	3,030	433	3,526	691
Total assets	18,224	13,154	15,040	25,606	22,663	50,769	43,021	2,098	31,160	9,163
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	1,029	2,525	388	1,591	758	2,569	759	67	955	423
Due to general fund	-	-	-	-	-	2,665	-	-	-	-
Deferred revenue	1,053	1,558	741	1,612	1,327	3,496	2,887	421	3,394	668
Total liabilities	2,082	4,083	1,129	3,203	2,085	8,730	3,646	488	4,349	1,091
Fund balances (deficit)										
Reserved for:										
Encumbrances	1,895	1,015	256	350	496	-	1,880	11	1,271	298
Unreserved (deficit)	14,247	8,056	13,655	22,053	20,082	42,039	37,495	1,599	25,540	7,774
Total fund balances	16,142	9,071	13,911	22,403	20,578	42,039	39,375	1,610	26,811	8,072
Total liabilities and fund balances	$ 18,224	$ 13,154	$ 15,040	$ 25,606	$ 22,663	$ 50,769	$ 43,021	$ 2,098	$ 31,160	$ 9,163

STATE OF DELAWARE
COMBINING BALANCE SHEET - CONTINUED
LOCAL SCHOOL DISTRICT FUNDS
JUNE 30, 2010
(Expressed in Thousands)

	Laurel	Milford	NCC Vo-Tech	Polytech	Red Clay	Seaford	Smyrna	Sussex Co Vo-Tech	Woodbridge	DOE Administration	Totals
Assets											
Cash and cash equivalents	$ 387	$ 343	$ 35	$ 8	$ 488	$ 967	$ 124	$ 8	$ 174	$ -	$ 8,678
Investments	763	10,554	18,457	7,116	43,931	7,936	12,038	6,202	4,365	9	317,615
Accounts receivable, net	1	-	-	-	-	-	-	312	-	-	577
Taxes receivable, net	950	937	1,264	362	2,813	1,912	489	963	1,166	-	29,102
Total assets	2,101	11,834	19,756	7,486	47,232	10,815	12,651	7,485	5,705	9	355,972
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable	240	251	271	108	4,333	201	313	180	200	-	17,161
Due to general fund	-	-	-	-	-	-	-	-		-	2,665
Deferred revenue	929	868	1,196	334	2,617	1,847	453	1,233	1,145	-	27,779
Total liabilities	1,169	1,119	1,467	442	6,950	2,048	766	1,413	1,345	-	47,605
Fund balances (deficit)											
Reserved for:											
Encumbrances	3	318	744	-	3,195	58	157	34	246	-	12,227
Unreserved (deficit)	929	10,397	17,545	7,044	37,087	8,709	11,728	6,038	4,114	9	296,140
Total fund balances	932	10,715	18,289	7,044	40,282	8,767	11,885	6,072	4,360	9	308,367
Total liabilities and fund balances	$ 2,101	$ 11,834	$ 19,756	$ 7,486	$ 47,232	$ 10,815	$ 12,651	$ 7,485	$ 5,705	$ 9	$ 355,972

STATE OF DELAWARE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
LOCAL SCHOOL DISTRICT FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

	Appoquinimink	Brandywine	Caesar Rodney	Cape Henlopen	Capital	Christina	Colonial	Delmar	Indian River	Lake Forest
Revenues										
Real estate taxes	$ 24,484	$ 57,925	$ 8,356	$ 24,854	$ 17,649	$ 78,873	$ 39,629	$ 1,437	$ 31,713	$ 4,973
Licenses, fees, permits and fines	-	6	17			-	-	-	25	5
Rentals and sales	2,943	2,056	168	343	475	862	77	102	863	1,370
Federal governmen	-	102	13	78	2	232	6	-	181	-
Interest & other investment income	298	335	183	296	270	680	509	29	375	122
Other	3,473	1,940	1,435	1,412	3,356	990	5,431	371	5,770	1,364
Total revenues	31,198	62,364	10,172	26,983	21,752	81,637	45,652	1,939	38,927	7,834
Expenditures										
Education	21,603	48,265	10,739	23,811	14,678	61,242	22,937	2,219	27,895	7,753
Unrestricted payments to component unit - Education	1,241	2,491	416	263	865	5,709	1,963	2	162	77
Total expenditures	22,844	50,756	11,155	24,074	15,543	66,951	24,900	2,221	28,057	7,830
Excess (deficiency) of revenues over expenditures	8,354	11,608	(983)	2,909	6,209	14,686	20,752	(282)	10,870	4
Other Sources (Uses) of Financial Resources										
Transfers in	719	4,400	7,103	4,600	1,526	15,900	2,281	628	7,463	1,283
Transfers out	(7,038)	(10,268)	(4,112)	(4,913)	(3,956)	(17,115)	(8,819)	(786)	(10,184)	(1,306)
Total other sources (uses) of financial resources	(6,319)	(5,868)	2,991	(313)	(2,430)	(1,215)	(6,538)	(158)	(2,721)	(23)
Net change in fund balances	2,035	5,740	2,008	2,596	3,779	13,471	14,214	(440)	8,149	(19)
Fund balances - beginning	14,107	3,331	11,903	19,807	16,799	28,568	25,161	2,050	18,662	8,091
Fund balances - ending	$ 16,142	$ 9,071	$ 13,911	$ 22,403	$ 20,578	$ 42,039	$ 39,375	$ 1,610	$ 26,811	$ 8,072

STATE OF DELAWARE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANECS (DEFICITS) - CONTINUED
LOCAL SCHOOL DISTRICT FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)
(continued)

	Laurel	Milford	NCC Vo-Tech	Polytech	Red Clay	Seaford	Smyrna	Sussex Co Vo-Tech	Woodbridge	DOE Administration	Totals
Revenues											
Real estate taxes	$ 2,893	$ 7,275	$ 25,036	$ 4,037	$ 80,301	$ 6,380	$ 7,087	$ 7,757	$ 4,059	$ -	434,718
Licenses, fees, permits and fines	1	1	-	1	-	-	697		911	-	1,664
Rentals and sales	186	86	352	2,002	1,209	43	49	648	269	-	14,103
Federal governmen	-	-	-	-	9	-	38	1	(2)	-	660
Interest & other investment income	16	244	259	87	570	104	200	78	57	-	4,712
Other	527	816	3,198	61	4,549	399	1,029	1,022	1,208	(412)	37,939
Total revenues	3,623	8,422	28,845	6,188	86,638	6,926	9,100	9,506	6,502	(412)	493,796
Expenditures											
Education	3,084	5,803	24,589	4,047	64,061	5,006	4,577	6,929	5,141	-	364,379
Unrestricted payments to component unit - Education	11	28				60	342		33	-	13,663
Total expenditures	3,095	5,831	24,589	4,047	64,061	5,066	4,919	6,929	5,174	-	378,042
Excess (deficiency) of revenues over expenditures	528	2,591	4,256	2,141	22,577	1,860	4,181	2,577	1,328	(412)	115,754
Other Sources (Uses) of Financial Resources											
Transfers in	247	571	374	11	6,255	1,304	465	158	474	412	56,174
Transfers out	(786)	(3,090)	(1,532)	(242)	(10,060)	(1,833)	(2,926)	(827)	(1,131)	-	(90,924)
Total other sources (uses) of financial resources	(539)	(2,519)	(1,158)	(231)	(3,805)	(529)	(2,461)	(669)	(657)	412	(34,750)
Net change in fund balances	(11)	72	3,098	1,910	18,772	1,331	1,720	1,908	671	-	81,004
Fund balances - beginning	943	10,643	15,191	5,134	21,510	7,436	10,165	4,164	3,689	9	227,363
Fund balances - ending	$ 932	$ 10,715	$ 18,289	$ 7,044	$ 40,282	$ 8,767	$ 11,885	$ 6,072	$ 4,360	$ 9	$ 308,367

STATISTICAL SECTION

Statistical Section Index

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

Contents **Page**

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

STATE OF DELAWARE
Net Assets by Component
Last Nine Fiscal Years
(Accrual basis of accounting, expressed in thousands)

	2002	2003	2004	2005	2006	2007	2008 *	2009	2010
Governmental activities									
Invested in capital assets, net of related debt	$ 680,717	$ 762,239	$ 767,977	$ 983,693	$ 1,244,073	$ 1,385,413	$ 1,515,272	$ 1,665,199	$ 1,799,599
Restricted	128,930	136,460	148,150	161,050	175,365	182,750	186,430	186,430	186,430
Unrestricted	676,829	734,589	1,112,774	1,159,119	1,089,100	1,183,671	884,060	366,597	269,978
Total governmental activities net assets	$ 1,486,476	$ 1,633,288	$ 2,028,901	$ 2,303,862	$ 2,508,538	$ 2,751,834	$ 2,585,762	$ 2,218,226	$ 2,256,007
Business-type activities									
Invested in capital assets, net of related debt	$ 2,651,025	$ 2,464,049	$ 2,561,502	$ 2,530,183	$ 2,616,971	$ 2,653,221	$ 2,731,901	$ 2,727,661	$ 2,803,634
Restricted	310,619	256,792	219,844	341,895	358,547	342,263	308,738	202,220	137,831
Unrestricted	153,418	299,855	172,428	75,335	76,907	89,806	64,577	56,596	5,069
Total business-type activities net assets	$ 3,115,062	$ 3,020,696	$ 2,953,774	$ 2,947,413	$ 3,052,425	$ 3,085,290	$ 3,105,216	$ 2,986,477	$ 2,946,534
Primary government									
Invested in capital assets, net of related debt	$ 3,331,742	$ 3,226,288	$ 3,329,479	$ 3,513,876	$ 3,861,044	$ 4,038,634	$ 4,247,173	$ 4,392,860	$ 4,603,233
Restricted	439,549	393,252	367,994	502,945	533,912	525,013	495,168	388,650	324,261
Unrestricted	830,247	1,034,444	1,285,202	1,234,454	1,166,007	1,273,477	948,637	423,193	275,047
Total primary government net assets	$ 4,601,538	$ 4,653,984	$ 4,982,675	$ 5,251,275	$ 5,560,963	$ 5,837,124	$ 5,690,978	$ 5,204,703	$ 5,202,541

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

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

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

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Expenses									
Governmental activities:									
General government	$ 477,142	$ 341,054	$ 339,945	$ 404,190	$ 480,490	$ 513,326	$ 549,263	$ 551,390	$ 436,025
Health and children's services	1,240,332	1,363,289	1,399,354	1,450,505	1,619,176	1,699,475	1,869,754	1,980,118	2,059,215
Judicial and public safety	389,806	422,921	442,345	477,691	539,365	574,809	640,380	641,296	624,565
Natural resources and environmental control	111,443	100,171	113,189	95,622	114,287	173,331	164,446	154,871	148,776
Labor	60,650	59,521	61,963	61,360	61,013	74,194	68,172	77,911	74,163
Education	1,410,708	1,422,820	1,422,046	1,592,035	1,719,901	1,774,528	2,031,009	2,002,158	2,040,439
Payment to component unit:									
General government	-	10,107	1,952	-	-	-	-	-	-
Education	-	64,670	73,361	73,279	81,575	89,945	99,969	100,139	105,819
Interest	31,576	42,000	50,201	44,003	46,051	50,560	52,224	57,570	55,782
Total governmental activities expenses	3,721,657	3,826,553	3,904,356	4,198,685	4,661,858	4,950,168	5,475,217	5,565,453	5,544,784
Business-type activities:									
Lottery	380,084	353,840	357,011	388,062	408,997	424,111	419,223	388,260	353,449
DelDOT	448,839	505,409	506,351	526,234	485,169	504,466	535,150	602,296	626,012
Unemployment	116,538	125,270	114,136	92,284	92,025	108,851	113,955	203,817	379,065
Total business-type activities expenses	945,461	984,519	977,498	1,006,580	986,191	1,037,428	1,068,328	1,194,373	1,358,526
Total primary government expenses	4,667,118	4,811,072	4,881,854	5,205,265	5,648,049	5,987,596	6,543,545	6,759,826	6,903,310
Program revenues									
Governmental activities:									
Charges for services:									
General government	348,378	166,077	131,470	130,493	148,056	223,600	172,093	104,268	149,299
Health and children's services	108,695	142,245	138,056	117,708	83,445	110,168	99,438	87,548	121,855
Judicial and public safety	41,417	49,809	42,086	55,026	46,762	49,535	53,803	52,681	60,024
Natural resources and environmental control	20,662	53,009	36,491	20,806	66,354	56,559	47,374	42,555	58,925
Labor	77	4,726	3,241	2,910	-	10,918	-	-	-
Education	10,450	96,179	76,862	78,577	65,552	40,317	28,235	57,101	63,099
Operating grants and contributions	718,815	772,470	894,779	905,737	959,567	1,001,981	1,094,610	1,199,961	1,460,903
Capital grants and contributions	-	-	-	5,000	3,334	1,740	16,142	9,936	30,861
Total governmental activities program revenues	1,248,494	1,284,515	1,322,985	1,316,257	1,373,070	1,494,818	1,511,695	1,554,050	1,944,966

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

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

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

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes (1)	$ 2,257,952	$ 2,271,259	$ 2,352,666	$ 2,673,622	$ 2,836,555	$ 3,187,378	$ 3,322,523	$ 3,366,308	$ 3,238,062	$ 3,249,145
Licenses, fees, permits and fines (9)	728,414	228,599	241,663	296,238	296,011	319,768	339,347	355,604	356,228	392,388
Rentals and sales	333,747	49,576	43,461	51,793	57,246	51,047	59,547	34,294	37,736	38,615
Federal government	664,263	731,918	775,725	913,880	929,703	976,143	1,016,215	1,111,247	1,220,072	1,442,722
Interest and other investment income	111,374	58,624	73,911	36,109	35,624	49,577	82,701	84,313	41,140	20,185
Other revenues (9)	153,234	230,241	260,270	295,087	266,657	340,827	313,765	109,385	146,967	215,951
Total revenues	4,248,984	3,570,217	3,747,696	4,266,729	4,421,796	4,924,740	5,134,098	5,061,151	5,040,205	5,359,006
Expenditures										
General government (2) (9)	938,328	466,848	413,096	422,785	503,097	633,784	681,609	568,408	577,079	471,515
Health and children's services (3)	1,175,376	1,261,128	1,372,705	1,407,976	1,480,000	1,674,907	1,751,795	1,880,828	1,996,677	2,059,159
Judicial and public safety (4)	398,293	407,608	410,084	439,640	472,406	543,684	580,707	585,648	572,830	578,777
Natural resources and environmental control	128,272	125,301	116,399	165,960	160,840	192,706	212,296	174,823	157,669	156,268
Labor (6)	49,228	60,572	59,500	62,716	68,156	66,646	66,785	65,656	75,804	73,922
Transportation (7)	293,358	-	-	-	-	-	-	-	-	
Education (5)	1,446,986	1,440,044	1,432,937	1,501,237	1,633,834	1,773,371	1,821,210	1,836,092	1,851,336	1,886,353
Payment to component unit:										
General government (9)	-	8,821	5,927	1,952	-	-	-	-	-	
Education (9)	-	40,571	68,850	73,361	73,279	81,575	89,945	99,969	100,139	105,819
Other (6)	-	-	-	-	-	-	-	-	-	
Capital outlay (8)	-	168,418	189,713	162,154	173,561	223,779	220,635	277,754	270,847	241,050
Debt service:										
Principal (7)	120,281	79,757	84,079	94,522	107,890	113,781	116,617	151,650	142,069	155,789
Interest (7)	70,012	34,134	33,676	39,246	46,160	49,037	50,609	57,673	60,827	66,222
Advance refunding escrow	-	-	-	-	-	-	-	-	-	35,189
Costs of issuance of debt (10)	-	-	-	515	533	343	764	415	841	3,797
Total expenditures	4,620,134	4,093,202	4,186,966	4,372,064	4,719,756	5,353,613	5,592,972	5,698,916	5,806,118	5,833,860
Revenues over (under) expenditures	(371,150)	(522,985)	(439,270)	(105,335)	(297,960)	(428,873)	(458,874)	(637,765)	(765,913)	(474,854)

Other financing sources (uses)										
Transfer in	$ 969,797	$ 337,925	$ 477,297	$ 415,886	$ 409,038	$ 374,511	$ 402,963	$ 491,038	$ 470,687	$ 970,215
Transfer out	(700,731)	(71,835)	(230,744)	(173,326)	(186,194)	(151,957)	(147,411)	(158,906)	(135,219)	(634,335)
Other financing sources	-	-	-	-	-	-	2,281	26	-	-
Operating transfer out to component unit	(61,417)	-	-	-	-	-	-	-	-	-
Issuance of general obligation bonds	-	159,144	394,474	327,218	170,559	132,000	383,133	217,375	236,000	645,130
Premium on bond sales	-	-	23,864	22,048	9,788	4,850	9,661	10,220	17,044	66,054
Payment to bond refunding agent	-	(20,764)	(177,728)	(79,882)	(50,145)	-	-	-	-	(460,580)
Total other financing sources (uses)	207,649	404,470	487,163	511,944	353,046	359,404	650,627	559,753	588,512	586,484
Net change in fund balance	$ (163,501)	$ (118,515)	$ 47,893	$ 406,609	$ 55,086	$ (69,469)	$ 191,753	$ (78,012)	$ (177,401)	$ 111,630
Debt service as a percentage of non-capital expenditures	4.30%	2.99%	3.04%	3.29%	3.52%	3.29%	3.23%	4.02%	3.82%	4.90%

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

Notes:
(1) Taxes include personal income taxes and business taxes.
(2) General government summarizes the expenditures of the following General Government Departments: Legislative, Executive, Technology and Information, Other Elective Offices, State, Finance, Office of Management and Budget, Agriculture, Elections, and the Advisory Council for Exceptional Citizens.
(3) Health and children's services summarizes the expenditures of the Departments of Health and Social Services, and Services for Children Youth and Their Families.
(4) Judicial and public safety summarizes the expenditures of the following Departments: Judicial, Legal, Corrections, Safety and Homeland Security, Fire Prevention and the Delaware National Guard.
(5) Education summarizes the expenditures of the Departments of Higher Education and Public Education.
(6) "Other" summarizes the expenditures of the following Departments: Labor, Agriculture, Elections, Fire Prevention, the Delaware National Guard and the Advisory Council for Exceptional Citizens. Effective fiscal year 2001, the category "Other" was eliminated and departments were grouped with similar or related functions.
(7) The Department of Transportation, including debt service, is reported as an enterprise fund effective fiscal year 2002.
(8) Presented by department and function prior to fiscal year 2002.
(9) Reclassification of expenses in fiscal year 2002 due to GASB Statement 34.
(10) Cost of issuance of debt reported as an expense effective fiscal year 2004.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund										
Reserved	$ 315,386	$ 341,391	$ 305,592	$ 286,755	$ 314,533	$ 331,388	$ 383,719	$ 369,058	$ 311,745	$ 352,732
Unreserved	447,175	580,248	643,461	929,157	999,231	1,039,370	956,073	856,479	744,435	843,635
Total general fund	$ 762,561	$ 921,639	$ 949,053	$ 1,215,912	$ 1,313,764	$ 1,370,758	$ 1,339,792	$ 1,225,537	$ 1,056,180	$ 1,196,367
All other governmental funds:										
Reserved	$ 121,893	$ 125,936	$ 129,226	$ 178,201	$ 156,212	$ 196,502	$ 224,018	$ 189,794	$ 176,122	$ 12,202
Unreserved, reported in:										
Federal fund	8,268	(33,705)	(47,878)	(43,422)	(40,172)	(60,841)	(41,060)	14,000	(15,916)	(48,405)
Local school district fund	114,232	110,560	101,445	101,361	101,052	74,206	106,083	168,077	213,160	296,171
Capital projects fund	72,499	(189,822)	(149,345)	(62,942)	(86,660)	(205,898)	(62,353)	(108,940)	(118,479)	(33,638)
Debt service fund	107,904	-	-	-	-	-	-	-	-	
Total all other governmental funds	$ 424,796	$ 12,969	$ 33,448	$ 173,198	$ 130,432	$ 3,969	$ 226,688	$ 262,931	$ 254,887	$ 226,330

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

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

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Earnings by industry										
Farm earnings										
Farm	$ 226.0	$ 105.0	$ 196.0	$ 254.0	$ 286.0	$ 221.0	$ 224.0	$ 98.0	$ 176.0	$ 195.0
Non-farm earnings										
Private earnings:										
Accommodation and food services	$ 565.0	$ 591.0	$ 624.0	$ 683.0	$ 690.0	$ 743.0	$ 795.0	$ 750.0	$ 751.0	$ 789.0
Administrative and waste services	696.0	676.0	713.0	778.0	908.0	959.0	993.0	930.0	881.0	933.0
Arts, entertainment, and recreation	223.0	256.0	247.0	287.0	271.0	292.0	306.0	298.0	296.0	287.0
Construction	1,449.0	1,423.0	1,627.0	1,848.0	-	2,061.0	1,930.0	1,831.0	1,507.0	1,453.0
Educational services	192.0	214.0	220.0	269.0	275.0	282.0	296.0	318.0	323.0	332.0
Finance and insurance	3,720.0	3,161.0	3,237.0	3,827.0	5,393.0	3,815.0	3,664.0	3,635.0	3,610.0	3,592.0
Forestry, fishing, and related activities	-	15.0	18.0	17.0	23.0	17.0	17.0	-	-	-
Health care and social assistance	2,047.0	2,197.0	2,345.0	2,634.0	2,761.0	2,864.0	3,138.0	3,353.0	3,463.0	3,506.0
Information	514.0	457.0	474.0	482.0	483.0	520.0	547.0	548.0	515.0	508.0
Management of companies and enterprises	974.0	1,010.0	934.0	957.0	930.0	1,080.0	1,107.0	1,278.0	1,057.0	1,127.0
Manufacturing, durable and non-durable	2,253.0	2,319.0	2,628.0	2,407.0	2,428.0	2,571.0	2,888.0	2,436.0	2,146.0	2,097.0
Mining	-	14.0	15.0	19.0	-	25.0	22.0	-	-	-
Professional, scientific, and technical services	2,416.0	2,420.0	2,567.0	2,822.0	2,681.0	2,860.0	2,992.0	3,099.0	2,993.0	3,069.0
Real estate and rental and leasing	358.0	383.0	370.0	483.0	466.0	476.0	414.0	442.0	409.0	395.0
Trade, retail	1,459.0	1,519.0	1,629.0	1,699.0	1,758.0	1,806.0	1,842.0	1,704.0	1,693.0	1,691.0
Trade, wholesale	898.0	982.0	1,081.0	1,187.0	1,233.0	1,287.0	1,349.0	1,282.0	1,186.0	1,267.0
Transportation and warehousing	493.0	490.0	530.0	611.0	634.0	637.0	642.0	644.0	610.0	607.0
Utilities	248.0	250.0	235.0	241.0	246.0	253.0	241.0	270.0	276.0	264.0
Other services, except public administration	656.0	816.0	819.0	863.0	906.0	959.0	995.0	970.0	958.0	972.0
Total private earnings	$ 19,161.0	$ 19,193.0	$ 20,313.0	$ 22,114.0	$ 22,086.0	$ 23,507.0	$ 24,178.0	$ 23,788.0	$ 22,674.0	$ 22,889.0
Government and government enterprises:										
Federal, civilian	$ 371.0	$ 371.0	$ 378.0	$ 413.0	$ 420.0	$ 446.0	$ 493.0	$ 556.0	$ 504.0	$ 534.0
Military	299.0	380.0	422.0	451.0	448.0	440.0	465.0	513.0	561.0	585.0
State and local government	2,289.0	2,599.0	2,669.0	2,871.0	2,913.0	3,203.0	3,293.0	3,356.0	3,497.0	3,429.0
Total government enterprises	$ 2,959.0	$ 3,350.0	$ 3,469.0	$ 3,735.0	$ 3,781.0	$ 4,089.0	$ 4,251.0	$ 4,425.0	$ 4,562.0	$ 4,548.0
Total non-farm earnings	$ 22,120.0	$ 22,543.0	$ 23,782.0	$ 25,849.0	$ 25,867.0	$ 27,596.0	$ 28,429.0	$ 28,213.0	$ 27,236.0	$ 27,437.0
Total earnings by industry	$ 22,346.0	$ 22,648.0	$ 23,978.0	$ 26,103.0	$ 26,153.0	$ 27,817.0	$ 28,653.0	$ 28,311.0	$ 27,412.0	$ 27,632.0
Less: contributions for government social insurance (1)	$ (2,371.0)	$ (2,373.0)	$ (2,531.0)	$ (2,760.0)	$ (2,964.0)	$ (3,013.0)	$ (3,106.0)	$ (3,197.0)	$ (3,101.0)	$ (3,151.0)
Plus: adjustment for residence (2)	(1,937.0)	(1,824.0)	(1,978.0)	(2,177.0)	(2,547.0)	(2,234.0)	(2,258.0)	(2,096.0)	(1,901.0)	(1,913.0)
Plus: dividends, interest and rent (3)	4,649.0	4,756.0	4,721.0	5,172.0	5,066.0	5,994.0	6,411.0	6,730.0	6,233.0	6,323.0
Plus: personal current transfer receipts (4)	3,472.0	3,690.0	3,962.0	4,278.0	4,608.0	5,021.0	5,441.0	5,993.0	6,742.0	7,092.0
Total personal income	$ 26,159.0	$ 26,897.0	$ 28,152.0	$ 30,616.0	$ 30,316.0	$ 33,585.0	$ 35,141.0	$ 35,741.0	$ 35,385.0	$ 35,983.0

Source:
Personal income by major source and earnings by industry is provided by the Bureau of Economic Analysis, U.S. Department of Commerce (www.bea.gov/regional/spi) through estimates released October 2009.

Notes:

(1) Contributions for government social insurance are included in earnings by type and industry, but they are excluded from personal income.

(2) The adjustment for residence is the net inflow of the earnings of interarea commuters. For the United States, it consists of adjustments for border workers: wage and salary disbursements to U.S. residents commuting to Canada less wage and salary disbursements to Canadian and Mexican residents commuting into the United States.

(3) Rental income of persons includes the capital consumption adjustment.

(4) This component of personal income is payments to persons for which no current services are performed. It consists of payments to individuals and to nonprofit institutions by federal, state, and local governments and by businesses. Government payments to individuals includes retirement and disability insurance benefits, medical payments (mainly Medicare and Medicaid), income maintenance benefits, unemployment insurance benefits, veterans' benefits, and federal grants and loans to students. Government payments to nonprofit institutions excludes payments by the federal government for work under research and development contracts. Business payments to persons consists primarily of liability payments for personal injury and of corporate gifts to nonprofit institutions.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Personal income tax revenue (1)	$718.3	$713.8	$711.3	$782.4	$878.2	$1,013.2	$1,012.7	$1,008.5	$914.5	$743.8
Personal income (2)	$25,750.0	$26,694.5	$27,586.2	$29,520.6	$31,077.2	$33,307.0	$34,536.6	$35,376.9	$35,243.2	$36,035.0
Average effective rate (3)	2.79%	2.67%	2.58%	2.65%	2.83%	3.04%	2.93%	2.85%	2.59%	2.06%

Personal Income Tax Rates (4)

Tax Year	Taxable Income	Tax Liability	Plus	On Taxable Income Over
2001-2009	$60,000 and higher	$2,943.50	5.95%	$60,000
	$25,000 - $59,999	$1,001.00	5.55%	$25,000
	$20,000 - $24,999	$741.50	5.20%	$20,000
	$10,000 - $19,999	$261.50	4.80%	$10,000
	$5,000 - $9,999	$66.00	3.90%	$5,000
	$2,000 - $4,999	$0.00	2.20%	$2,000
	$1,999 and lower	$0.00	0.00%	$0

Tax Year	Taxable Income	Tax Liability	Plus	On Taxable Income Over
2010	$60,000 and higher	$2,943.50	6.95%	$60,000
	$25,000 - $59,999	$1,001.00	5.55%	$25,000
	$20,000 - $24,999	$741.50	5.20%	$20,000
	$10,000 - $19,999	$261.50	4.80%	$10,000
	$5,000 - $9,999	$66.00	3.90%	$5,000
	$2,000 - $4,999	$0.00	2.20%	$2,000
	$1,999 and lower	$0.00	0.00%	$0

As an example, for tax year 2010, a taxable income over $60,000, pays a tax of $2,943.50 plus 6.95% of the taxable income in excess of $60,000.

Sources:
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), as presented in the State's Comprehensive Annual Financial Report for the applicable fiscal year.
Personal income is provided by the Bureau of Economic Analysis, U.S. Department of Commerce (www.bea.gov/regional/spi) through estimates released October 2009.
Delaware Department of Finance Fiscal Notebook

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

STATE OF DELAWARE
Personal Income Tax Filers and Liability by Income Level
Calendar Year 2008 and Ten Years Prior

		Tax Year 1998					Tax Year 2008				
			Delaware AGI		Liability Net of Credits			Delaware AGI		Liability Net of Credits	
Taxpayer Percentile		Number of Filers	Average DE AGI	Percentage of Total	Total Liability	Percentage of Total	Number of Filers	Average DE AGI	Percentage of Total(1)	Total Liability	Percentage of Total
From:	To:										
0	10	44,558	3,269	0.8%	0.00%	0.0%	49,930	3,873	0.7%	76,046	0.0%
10	20	44,558	8,151	2.1%	477,835	0.1%	49,930	10,428	2.0%	1,877,128	0.2%
20	30	44,558	13,168	3.4%	9,129,924	1.3%	49,930	17,050	3.3%	8,427,591	1.0%
30	40	44,558	18,225	4.7%	20,465,811	2.8%	49,931	23,785	4.6%	18,644,272	2.2%
40	50	44,559	23,425	6.0%	31,606,969	4.3%	49,931	30,607	5.9%	33,150,946	3.9%
50	60	44,558	29,029	7.5%	44,282,444	6.1%	49,930	38,152	7.3%	50,319,951	5.9%
60	70	44,558	35,654	9.2%	59,352,473	8.1%	49,930	47,201	9.1%	69,376,333	8.1%
70	80	44,558	44,054	11.3%	78,699,770	10.8%	49,930	59,211	11.4%	93,309,566	10.9%
80	90	44,558	57,616	14.8%	110,569,875	15.2%	49,931	78,950	15.1%	131,966,995	15.4%
90	95	22,280	80,699	10.4%	83,327,504	11.4%	24,966	111,106	10.7%	101,144,946	11.8%
95	99	17,823	133,533	13.7%	123,575,064	17.0%	19,972	185,894	14.3%	154,499,179	18.0%
99	100	4,457	626,657	16.1%	167,082,284	22.9%	4,994	820,534	15.7%	195,454,016	22.8%
				100.0%		100.0%			100.0%		100.0%

Source: Delaware Division of Revenue

Notes: The number of filers is equal for each 10 percentile.
(1) Percentage of total is that of Delaware AGI by class for tax year 2008 forward.

STATE OF DELAWARE
Franchise Taxes
Last Ten Calendar Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Franchise tax (in millions)	$ 533.6	$ 492.5	$ 448.2	$ 515.8	$ 508.1	$ 524.8	$ 539.7	$ 566.3	$ 574.2	$ 633.6
Number of filers	254,538	240,618	243,564	240,304	239,106	239,824	231,376	233,447	219,808	214,561
Average amount per filer	$ 2,096.3	$ 2,046.8	$ 1,840.2	$ 2,146.4	$ 2,125.0	$ 2,188.3	$ 2,332.6	$ 2,425.8	$ 2,609.7	$ 2,953.0

Authorized Share Method	**Tax Year 2000-2002**	**Tax Year 2003-2007**	**Tax Year 2008**	**Tax Year 2009**	**Tax Year 2010**
3,000 shares or less, minimum tax	$30.00	$35.00	$75.00	$75.00	$75.00
3,001-5,000 shares	$50.00	$62.50	$75.00	$75.00	$75.00
5,001-10,000 shares	$90.00	$112.50	$150.00	$150.00	$150.00
Each additional 10,000 shares, add	$50.00	$62.50	$75.00	$75.00	$75.00
Maximum yearly tax	$150,000	$165,000	$165,000	$180,000	$180,000

Assumed Par Value Capital Method

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

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

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities										
General obligation bonds	$ 653,701	$ 709,958	$ 854,262	$ 1,012,544	$ 1,026,947	$ 1,045,166	$ 1,307,487	$ 1,373,212	$ 1,467,143	$ 1,495,904
Revenue bonds	515	408	-	-	-	-	-	-	-	-
Notes payable	-	-	-	-	4,754	3,746	4,882	8,563	3,006	212
Total governmental activities	654,216	710,366	854,262	1,012,544	1,031,701	1,048,912	1,312,369	1,381,775	1,470,149	1,496,116
Business-type activities										
General obligation bonds	-	-	-	-	-	-	3,383	2,783	2,107	1,451
Revenue bonds	634,385	675,735	863,145	815,505	861,710	953,265	1,018,815	992,636	1,142,613	1,219,530
Notes payable	-	-	-	-	40,000	-	-	-	-	-
Total business-type activities	634,385	675,735	863,145	815,505	901,710	953,265	1,022,198	995,419	1,144,720	1,220,981
Total primary government	$ 1,288,601	$ 1,386,101	$ 1,717,407	$ 1,828,049	$ 1,933,411	$ 2,002,177	$ 2,334,567	$ 2,377,194	$ 2,614,869	$ 2,717,097
Personal income	$25,750,027	$26,694,744	$27,586,196	$29,520,592	$31,077,231	$33,306,984	$34,536,652	$35,376,923	$35,243,169	$36,035,000
Debt as a percentage of personal income	5.00%	5.19%	6.23%	6.19%	6.22%	6.01%	6.76%	6.72%	7.42%	7.54%
Population	795	806	818	830	844	853	864	873	855	N/A
Amount of debt per capita (expressed in thousands)	$1,620	$1,720	$2,100	$2,202	$2,292	$2,347	$2,702	$2,723	$3,058	N/A

Sources:
Personal income is provided by the Bureau of Economic Analysis, U.S. Department of Commerce (www.bea.gov/regional/spi) through estimates released October 2009.
Population is provided by the Bureau of Census, U.S. Department of Commerce (http://factfinder.census/gov) through estimates released January 2009.

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

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

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

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

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Estimated general fund revenue	$ 2,348.2	$ 2,364.5	$ 2,364.8	$ 2,514.0	$ 2,765.1	$ 3,006.4	$ 3,274.3	$ 3,366.1	$ 3,147.0	$ 3,190.7
Projected new tax-supported debt authorizations (5%)	$ 117.2	$ 118.2	$ 118.2	$ 125.7	$ 138.3	$ 150.3	$ 163.8	$ 168.3	$ 157.4	$ 160.0

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

Notes:
There is no constitutional debt limit for the State.

In 1991, the General Assembly passed legislation to replace prior statutory debt limits with a three-part debt limit, as follows:
1 The aggregate principal amount of new "tax-supported obligations of the State" may not exceed 5% of the estimated budgetary general fund revenue for that fiscal year.
2 No "tax-supported obligations of the State" and no "Transportation Trust Fund debt obligations" of the Delaware Transportation Authority may be incurred if the aggregate maximum annual payments on all such outstanding obligations exceed 15% of the estimated budgetary general fund revenue plus Transportation Trust Fund revenue for the fiscal year following the fiscal year in which such obligations is incurred (the 15% test).
3 No general obligation debt (with certain exceptions) may be incurred if the maximum annual debt service payable in any fiscal year on all such outstanding obligations will exceed the estimated cumulative cash balances (including all reserves) for the fiscal year following the fiscal year in which the obligation is incurred.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010
General obligation debt supported by budgetary general fund revenue									
State facilities	$ 415.8	$ 482.1	$ 490.6	$ 428.3	$ 373.8	$ 360.9	$ 334.1	$ 343.2	$ 437.6
School facilities (state share)	124.3	124.2	247.1	260.6	264.8	464.0	522.5	608.7	542.0
Miscellaneous	3.4	4.2	-	-	-	-	-	-	-
Subtotal	543.5	610.5	737.7	688.9	638.6	824.9	856.6	951.9	979.6
General obligation debt supported by budgetary special fund revenue									
Highway and other transportation improvements	5.2	3.3	3.7	4.8	4.2	3.4	2.8	2.1	1.5
School facilities (local share)	158.8	240.2	270.6	332.6	401.8	482.1	516.2	514.9	516.0
Housing authority loans	2.4	0.3	0.6	0.6	0.6	0.5	0.4	0.4	0.3
Subtotal	166.4	243.8	274.9	338.0	406.6	486.0	519.4	517.4	517.8
Total general obligation debt outstanding	$ 709.9	$ 854.3	$ 1,012.6	$ 1,026.9	$ 1,045.2	$ 1,310.9	$ 1,376.0	$ 1,469.3	$ 1,497.4
Population (in thousands)	806	818	830	844	853	864	873	885	N/A
Debt per capita (in thousands)	0.88	1.04	1.22	1.22	1.23	1.52	1.58	1.66	N/A

Source:
Delaware Office of the State Treasurer

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

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

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

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

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenue bonds - DelDOT										
Revenue - turnpike and motor vehicles	$ 299,962	$ 297,894	$ 298,536	$ 314,205	$ 324,962	$ 337,350	$ 346,954	$ 381,590	$ 367,399	$ 363,948
Debt service:										
Principal	$ 35,315	$ 39,565	$ 41,490	$ 47,640	$ 53,920	$ 58,445	$ 61,370	$ 67,640	$ 73,510	$ 74,380
Interest	37,537	35,269	44,957	38,176	39,370	40,573	45,534	46,210	43,619	50,885
Debt service requirements	$ 72,852	$ 74,834	$ 86,447	$ 85,816	$ 93,290	$ 99,018	$ 106,904	$ 113,850	$ 117,129	$ 125,265
Coverage	4.12	3.98	3.45	3.66	3.48	3.41	3.25	3.35	3.14	2.91
Revenue bonds - DSU										
Revenue - student tuition and fees	$ 28,858	$ 32,170	$ 34,504	$ 39,191	$ 43,695	$ 50,551	$ 51,836	$ 56,381	$ 57,036	$ 59,197
Less: operating expenses	(14,689)	(15,447)	(20,992)	(24,104)	(26,227)	(32,089)	(40,683)	(41,855)	(41,224)	(44,105)
Net available revenue	$ 14,169	$ 16,723	$ 13,512	$ 15,087	$ 17,468	$ 18,462	$ 11,153	$ 14,526	$ 15,812	$ 15,092
Debt service:										
Principal	785	965	990	1,653	1,617	2,078	1,440	1,480	1,585	1,710
Interest	761	649	622	737	763	505	2,279	2,814	4,381	3,542
Debt service requirements	$ 1,546	$ 1,614	$ 1,612	$ 2,390	$ 2,380	$ 2,583	$ 3,719	$ 4,294	$ 5,966	$ 5,252
Coverage	9.16	10.36	8.38	6.31	7.34	7.15	3.00	3.38	2.65	2.87
Revenue bonds - DSHA										
Gross revenues	$ 68,718	$ 151,538	$ 103,713	$ 150,211	$ 89,697	$ 81,632	$ 82,689	$ 134,059	$ 144,322	$ 294,656
Less: Operating expenses	(1,864)	(2,030)	(6,355)	(1,794)	(1,995)	(1,137)	(660)	(849)	(962)	(893)
Net available revenue	$ 66,854	$ 149,508	$ 97,358	$ 148,417	$ 87,702	$ 80,495	$ 82,029	$ 133,210	$ 143,360	$ 293,763
Debt service:										
Principal	42,460	107,463	66,189	128,665	73,964	58,956	51,517	84,578	79,687	217,757
Interest *	24,535	23,868	22,597	18,929	$ 16,163	18,120	28,791	45,172	52,251	49,496
Debt service requirements	$ 66,995	$ 131,331	$ 88,786	$ 147,594	$ 90,127	$ 77,076	$ 80,308	$ 129,750	$ 131,938	$ 267,253
Coverage	1.00	1.14	1.10	1.01	0.97	1.04	1.02	1.03	1.09	1.10

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

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

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

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

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Population										
State	786	796	806	818	830	844	853	864	873	885
Percentage change	1.4%	1.3%	1.3%	1.5%	1.5%	1.7%	1.1%	1.3%	1.0%	1.4%
National	282,193	285,108	287,985	290,850	293,657	296,410	299,398	301,621	304,060	307,007
Percentage change	1.1%	1.0%	1.0%	1.0%	1.0%	0.9%	1.0%	0.7%	0.8%	1.0%
Total personal income										
State (in millions)	$24,277.0	$25,492.4	$26,529.9	$27,140.1	$29,330.9	$29,010.2	$32,947.1	$34,574.7	$35,667.4	$35,360.0
Percentage change	7.8%	5.0%	4.1%	2.3%	8.1%	-1.1%	13.6%	4.9%	3.2%	-0.9%
National (in billions)	$8,555	$8,879	$9,055	$9,369	$9,929	$10,477	$11,257	$11,880	$12,226	$12,165
Percentage change	8.2%	3.8%	2.0%	3.5%	6.0%	5.5%	7.4%	5.5%	2.9%	-0.5%
Per capita personal income										
State	$30,871	$32,142	$33,007	$33,644	$35,523	$36,793	$38,745	$40,112	$40,852	$39,949
Percentage change	6.2%	4.1%	2.7%	1.9%	5.6%	3.6%	5.3%	3.5%	1.8%	-2.2%
National	$30,318	$31,149	$31,470	$32,284	$33,899	$35,447	$37,728	$39,430	$40,208	$39,626
Percentage change	7.0%	2.7%	1.0%	2.6%	5.0%	4.6%	6.4%	4.5%	2.0%	-1.4%
Resident civilian labor force and employment										
Civilian labor force	416,500	418,700	420,500	424,500	428,900	438,000	440,300	442,700	442,902	434,704
Employed	402,800	404,100	403,800	406,700	411,600	419,500	424,500	427,800	421,838	399,669
Unemployed	13,700	14,600	16,700	17,800	17,300	18,500	15,800	14,900	21,064	35,035
Unemployment rate	3.3%	3.5%	4.0%	4.2%	4.0%	4.2%	3.6%	3.4%	4.8%	8.1%

Sources:
Population is provided by the Bureau of Census, U.S. Department of Commerce (http://factfinder.census/gov) through estimates released January 2009
Personal income is provided by the Bureau of Economic Analysis, U.S. Department of Commerce (www.bea.gov/regional/spi) SA05N through estimates released October 2009
Delaware Department of Labor, Office of Occupational and Labor Market Information

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

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

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

STATE OF DELAWARE
Principal Employers by Industry
Last Ten Calendar Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Number of employees by industry										
Farm compensation										
Farm	4,252	4,036	3,806	3,379	3,254	3,162	3,138	3,210	3,046	3,014
Non-farm compensation										
Private compensation:										
Accomodation and food services	30,098	30,358	30,878	31,513	33,043	33,601	34,079	34,643	35,219	35,075
Administrative and waste services	31,451	29,704	26,827	26,612	27,659	28,205	29,522	29,869	29,396	27,498
Arts, entertainment, and recreation	11,822	10,932	11,991	12,367	12,664	12,951	13,103	12,871	13,147	12,919
Construction	32,698	32,111	32,253	33,240	36,124	34,739	40,574	38,877	37,088	30,288
Educational services	6,836	7,218	7,786	7,857	8,069	8,612	9,202	9,386	9,661	9,328
Finance and insurance	44,427	48,174	48,539	46,733	46,282	48,453	47,531	48,733	50,529	51,845
Forestry, fishing, and related activities	1,250	684	949	805	841	853	833	877	868	-
Health care and social assistance	45,830	46,623	47,890	49,659	51,085	52,801	54,539	56,953	59,440	62,512
Information	8,961	8,820	7,845	7,727	7,363	7,623	7,781	7,987	8,142	7,526
Management of companies and enterprises	11,165	12,387	12,632	12,010	13,149	13,150	12,698	12,050	11,362	10,719
Manufacturing, durable and non-durable	43,243	40,076	37,754	36,390	35,430	34,022	34,204	34,176	32,740	28,837
Mining	242	-	211	239	228	21	189	211	173	-
Professional, scientific, and technical services	35,279	34,563	33,080	34,140	35,792	33,848	34,181	35,589	36,690	34,613
Real estate and rental and leasing	15,940	15,745	16,532	17,991	19,864	22,205	23,404	25,092	27,053	24,058
Trade, retail	60,643	58,132	59,093	60,248	60,970	62,298	62,972	63,871	62,579	58,364
Trade, wholesale	14,620	14,291	14,467	15,071	15,805	16,041	16,345	16,175	15,997	14,564
Transportation and warehousing	12,015	12,194	12,187	12,249	13,394	13,145	13,823	14,245	14,197	12,641
Utilities	2,364	2,269	2,233	2,228	2,232	2,231	2,231	2,193	2,278	2,220
Other services, except public administration	24,205	24,646	26,927	27,752	28,822	30,001	30,466	31,068	31,782	30,090
Total private employment	433,089	428,927	430,074	434,831	448,816	454,800	467,677	474,866	478,341	453,097
Government and government enterprises:										
Federal, civilian	5,796	5,441	5,342	5,370	5,426	5,430	5,383	5,532	5,673	5,723
Military	8,719	9,005	9,262	9,396	9,033	8,422	8,032	8,275	8,378	8,464
State government	29,561	30,120	30,580	30,378	29,987	30,559	31,742	31,922	32,302	32,823
Local government	22,150	22,324	22,158	22,524	22,996	23,867	24,427	24,761	25,263	24,802
Total government employment	66,226	66,890	67,342	67,668	67,442	68,278	69,584	70,490	71,616	71,812
Total non-farm employment	499,315	495,817	497,416	502,499	516,258	523,078	537,261	545,356	549,957	524,909
Total employment	503,567	499,853	501,222	505,878	519,512	526,240	540,399	548,566	553,003	527,923

Source:
Number of employees by industry is provided by the Bureau of Economic Analysis, U.S. Department of Commerce (www.bea.gov/regional/spi) through estimates released October 2009.

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

STATE OF DELAWARE
State Employees by Function
Last Nine Fiscal Years

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

Source:
Delaware Payroll Human Resources Statewide Technology System

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

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

STATE OF DELAWARE
Operating Indicators by Function
Last Eight Fiscal Years

Department/Agency	2003	2004	2005	2006	2007	2008	2009	2010
Children, Youth and Their Families								
Number of youths in care	7,949	8,130	7,885	8,882	9,129	8,115	7,532	22,539
Corrections								
Average Daily Inmate Population	6,568	6,672	6,655	6,837	7,088	7,156	7,018	6,727
Department of Natural Resources and Environmental Contro								
Number of visitors to State Parks	N/A	N/A	5,341,852	4,556,931	5,513,777	4,812,961	4,650,000	4,789,780
Education								
Public School Enrollment, Grades K-12	116,288	117,777	119,109	120,491	121,856	123,615	125,430	128,503
Delaware State University - Students enrolled	3,367	3,270	3,270	3,722	3,690	3,756	3,534	3,819
Delaware Technical & Community College - enrolled	17,501	18,783	19,462	19,593	19,565	20,349	20,484	21,352
Health and Social Services								
Medicaid eligibles	118,775	130,411	136,885	142,515	143,386	148,827	156,266	173,769
Prescription assistance program	5,150	5,837	6,609	9,065	8,515	7,003	6,267	5,995
Childcare caseloads	13,334	13,813	13,926	14,769	15,039	14,009	13,549	13,696
Client visits to Service Centers	610,190	538,503	612,170	406,487	441,196	452,554	605,991	686,606
Judicial								
Court of Common Pleas - filings	82,719	87,834	85,867	90,964	99,345	128,372	136,631	140,139
Superior Court - civil case filings	10,696	10,922	10,878	11,041	12,869	13,177	14,137	15,060
Labor								
Workers' compensations petitions filed	6,609	7,031	7,488	7,619	7,414	7,545	8,196	7,641
Safety and Homeland Security								
Number of criminal histories requested	29,027	29,770	38,382	35,263	37,321	38,289	37,384	39,627
Calls to 911 centers	209,388	617,769	346,044	605,194	395,701	434,562	596,691	263,424
Transportation								
Licensed drivers	591,713	604,124	614,410	619,877	622,027	632,304	636,580	644,014
Registered motor vehicles	778,016	803,942	821,716	847,692	862,473	871,010	845,802	832,661
Bus ridership - fixed routes	7,493,214	7,792,570	8,052,452	8,472,093	8,313,800	8,628,149	9,146,869	9,218,232
Train ridership - Newark to Philadelphia	732,210	783,663	838,578	974,890	1,028,631	1,073,296	1,137,709	1,106,742

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

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

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

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

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

	2003	2004	2005	2006	2007	2008	2009	2010
General Government								
Acres of farmland permanently preserved	5,886	5,360	2,770	3,216	1,094	2,948	2,896	4,487
Health and Children's Services								
Hospitals	5	5	5	5	5	6	6	6
Service centers	14	14	14	14	14	15	15	15
Natural Resources and Environmental Control								
Acres of wildlife habitat actively managed	6,817	6,910	7,250	7,975	8,911	8,150	8,557	8,500
Transportation								
Centerline miles	4,464	4,464	4,453	4,454	4,454	4,447	N/A	N/A
Centerline miles rated good	3,459	3,296	3,070	3,055	3,071	3,007	N/A	N/A
Number of bridges	1,360	1,371	1,374	1,417	1,457	1,509	1,556	N/A
Structural rating of good	1,012	1,029	1,048	1,112	1,131	1,118	1,144	N/A
Square feet of bridge deck	7,145,202	7,163,000	7,241,809	7,267,932	7,289,913	7,311,730	7,330,395	N/A
Square feet of bridge deck rated good	6,932,464	6,731,463	6,808,227	6,860,141	6,809,939	6,799,842	6,800,531	N/A
National Guard								
Number of armory facilities	15	14	14	14	14	13	12	12
Education								
Local school districts								
Number of elementary schools	101	102	102	105	105	108	102	100
Number of middle schools	31	33	33	35	35	36	38	40
Number of high schools	29	29	31	33	33	32	31	31
Number of special schools	14	14	14	14	14	14	13	13
Number of administration buildings	19	19	19	19	19	19	20	22

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

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

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

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

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Buildings										
General Government	$ 399,497	$ 163,140	$ 332,079	$ 344,179	$ 373,127	$ 405,941	$ 444,439	$ 460,711	$ 459,906	$ 468,958
Health and Children's Services	64,363	61,733	29,329	123,800	145,342	149,535	151,888	158,691	190,450	188,454
Judicial and Public Safety	193,957	181,777	311,261	349,902	350,393	353,106	353,315	358,662	359,135	371,690
Natural Resources and Environmental Control	3,851	4,032	6,180	6,521	7,522	10,892	23,773	27,538	29,149	38,750
Transportation	56,332	50,658	51,971	53,415	60,820	54,857	55,051	77,471	89,564	91,065
Education	576,096	615,108	758,520	946,668	1,162,450	1,251,807	1,479,998	1,705,323	1,890,709	2,093,349
Total Buildings	$ 1,294,096	$ 1,076,448	$ 1,489,340	$ 1,824,485	$ 2,099,654	$ 2,226,138	$ 2,508,464	$ 2,788,396	$ 3,018,913	$ 3,252,266
Land and Land Improvements										
General Government	$ 44,486	$ 110,247	$ 113,283	$ 139,444	$ 171,809	$ 184,916	$ 211,040	$ 252,200	$ 274,853	$ 289,265
Health and Children's Services	3,333	2,436	753	3,894	10,282	10,620	11,469	11,993	13,667	13,518
Judicial and Public Safety	14,358	13,454	11,430	22,502	25,521	25,521	26,102	25,971	25,971	25,987
Natural Resources and Environmental Control	184,224	192,378	213,635	239,717	263,703	284,814	300,525	309,158	323,370	371,079
Transportation	13,949	11,230	11,230	113,673	164,703	211,272	206,411	222,986	249,775	276,761
Education	33,158	45,219	47,775	47,214	60,491	64,374	75,910	84,728	100,968	110,825
Total Land and Land Improvements	$ 293,508	$ 374,964	$ 398,106	$ 566,444	$ 696,509	$ 781,517	$ 831,457	$ 907,036	$ 988,604	$ 1,087,435
Equipment and Vehicles										
General Government	$ 27,073	$ 25,442	$ 25,947	$ 32,084	$ 36,248	$ 38,801	$ 33,825	$ 34,380	$ 26,339	$ 25,826
Health and Children's Services	11,517	12,614	6,065	14,385	13,740	14,639	18,209	19,684	20,876	17,486
Judicial and Public Safety	26,871	27,087	29,457	31,693	33,825	33,761	37,183	34,091	33,488	31,573
Natural Resources and Environmental Control	12,173	12,673	14,005	15,467	18,445	19,963	21,035	21,500	21,412	22,021
Transportation	130,930	143,377	152,567	149,831	158,779	161,945	179,466	218,606	220,630	237,416
Labor	830	807	807	715	730	712	875	875	806	862
Education	54,362	46,430	43,325	46,326	50,422	49,955	56,486	60,185	63,787	62,990
Total Equipment and Vehicles	$ 263,756	$ 268,430	$ 272,173	$ 290,501	$ 312,189	$ 319,776	$ 347,079	$ 389,321	$ 387,338	$ 398,174
Infrastructure										
Transportation (1)		$ 3,201,814	$ 3,226,811	$ 3,157,072	$ 3,201,817	$ 3,255,998	$ 3,283,783	$ 3,345,399	$ 3,385,364	$ 3,432,677

Source:
Delaware Department of Finance

Notes:

(1) Reflects changes as a result of GASB Statement No. 34.

Information regarding Infrastructure can be found in the Required Supplementary Information contained on page 128. Information is given as to the number of bridges and their condition as well as the center-lane miles and their condition for the past three years. The State preserves farmland under the Department of Agriculture which is part of General Government. In addition, land is preserved as park land under the Department of Natural Resources and Environmental Control. Other land is used for functional purposes of the department, including housing building to perform the Department's function.

APPENDIX C

CONTINUING DISCLOSURE AGREEMENT

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THE STATE OF DELAWARE
$275,425,000
General Obligation Bonds,
Series 2011

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated November 15, 2011 (including any amendments or supplements hereto, the "Disclosure Agreement") is executed and delivered by The State of Delaware (as more fully defined below, the "Issuer") in connection with the issuance of the above-captioned bonds (the "2011 Bonds"). The Issuer, intending to be legally bound, hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Holder from time-to-time of the Bonds (as defined below) and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. Unless the context clearly requires otherwise, the following capitalized terms shall have the meanings set forth below:

"Additional Bonds" shall mean any indebtedness of the Issuer issued subsequent to the 2011 Bonds which the Issuer has declared in writing to be covered by this Disclosure Agreement. No such written declaration shall be considered an amendment to this Disclosure Agreement for purposes of Section 9 hereof.

"Annual Filing Date" shall mean not later than the first day of the eleventh calendar month immediately following the end of the Issuer's fiscal year.

"Annual Financial Information" shall mean any Annual Report provided by the State pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Bonds" shall mean the 2011 Bonds and Additional Bonds, if any.

"Dissemination Agent" shall mean any agent of the Issuer designated in writing by the Issuer which has filed with the Issuer a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System maintained by the MSRB at http://emma.msrb.org/, which serves as the sole nationally recognized municipal securities information repository under the Rule.

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Issuer" shall mean The State of Delaware, or any successor Obligated Person that assumes either by operation by law or by contract both (i) the obligation to pay debt service on the Bonds and (ii) the obligations of the Issuer under this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor organization.

"Notice Event" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"Obligated Person" shall have the meaning set forth in the Rule, provided that the sole objective criteria used to select the Obligated Person shall be the entity obligated to repay all debt service with respect to the relevant Bonds.

"Official Statement" shall mean the final Official Statement relating to the 2011 Bonds or a Series of Additional Bonds, as applicable.

"Participating Underwriter" shall mean any of the original underwriters of any Series of Bonds required to comply with the Rule in connection with offering of such Bonds.

"Repository" shall mean each nationally recognized municipal securities information repository under the Rule. As of the date hereof, the Securities and Exchange Commission has appointed the MSRB through EMMA to act as the sole Repository. Any information filed in connection with this Disclosure Agreement shall be filed with EMMA at http://emma.msrb.org/, any State Repository and any future Repository as may be required under the Rule.

"Rule" shall mean Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as heretofore amended, and as such Rule may be hereafter amended from time-to-time.

"State Repository" shall mean any public or private repository or entity designated by the State of Delaware as a state information repository for the purpose of the Rule and with which the Issuer is legally required to file the Annual Report. Currently, there is no State Repository in Delaware. The list of state information repositories maintained by the United States Securities and Exchange Commission shall be conclusive as to the existence of a State Repository.

"2011 Bonds" shall mean the Issuer's $275,425,000 aggregate principal amount General Obligation Bonds, Series 2011 dated November 15, 2011

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than the Annual Filing Date, provide to the MSRB via EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent, if any. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided however that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide the Annual Report to the Repository by the date required in subsection (a), a Notice Event pursuant to Section 5(a)(15) shall be deemed to have occurred and the

Issuer shall report to the Repository electronically in accordance with the provisions of Section 5(b) hereof.

(c) The Dissemination Agent, if any, shall: (i) determine each year prior to the Annual Filing Date the name and address of each Repository; and (ii) file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing each Repository to which it was provided.

(d) Audited financial statements of the Issuer not submitted as part of the Annual Report shall be provided to the Repository, if and when available to the Issuer, and in any event not more than thirty (30) days after receipt thereof from the Issuer's auditors. In the event that audited financial statements are not submitted as part of the Annual Report, the Issuer shall provide in lieu thereof, when available, unaudited financial statements for the relevant fiscal year.

(e) The Issuer shall promptly provide written notice of any change in its fiscal year to the MSRB and to each Repository.

Section 4. Content of Annual Reports.

(a) The Issuer's Annual Report shall contain or incorporate by reference the information listed in Exhibit A with respect to the relevant fiscal year.

(b) Any or all of the items listed as Annual Financial Information may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to any Repository or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

(c) If any Annual Financial Information can no longer be generated because the operations to which such information relates have been materially changed or discontinued, a statement to that effect shall satisfy the obligations of the Issuer under this Section 4, provided however that the Issuer shall, to the greatest extent feasible, provide in lieu thereof similar information with respect to any substitute or replacement operations.

Section 5. Reporting of Notice Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non payment-related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of Holder, if material;

8. Bond calls (other than mandatory sinking fund redemptions), if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of any Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer (for the purposes of the event identified in subsection 5(a)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer);
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material; and
15. Failure to provide annual financial information as required.

(b) Upon the occurrence of a Notice Event, the Issuer shall file, or cause the Dissemination Agent to file, a notice of such occurrence with the MSRB via EMMA in a timely manner not in excess of ten (10) Business Days after the occurrence of the Notice Event.

Section 6. Accounting Standards. The financial statements described in Section 4(a)(i) above shall be audited in accordance with generally accepted accounting principles applicable in the preparation of financial statements of the Issuer as promulgated by the Financial Accounting Standards Board, the Governmental Accounting Standards Board, or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body, as applicable ("GAAP"), and shall also comply with applicable federal and state auditing statutes, regulations, standards and/or guidelines. The Issuer may from time-to-time modify its accounting principles to the extent necessary or desirable to comply with changes in either GAAP or applicable federal and state statutes, regulations, standards and/or guidelines. Any such modification of accounting standards or principles to conform to changes in either GAAP or applicable federal or state auditing statutes, regulations, standards or guidelines shall not constitute an amendment to this Disclosure Agreement within the meaning of Section 9 hereof, but such modifications shall be disclosed in the first Annual Report to be provided subsequent to such modifications.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon (a) the legal defeasance, prior redemption or payment in full of all of the Bonds, or (b) the assumption by a successor Obligated Person of all of the obligations of the prior Obligated Person both hereunder and under the Bonds. The prior Issuer shall provide timely written notice to each Repository of any termination of its obligations hereunder.

Section 8. Dissemination Agent. The Issuer may, from time-to-time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such agent, with or without appointing a successor Dissemination Agent.

Section 9. Amendments. (a) Notwithstanding any other provision of this Disclosure Agreement, the Issuer may modify or amend this Disclosure Agreement. The Issuer acknowledges and agrees that the current SEC interpretation of the Rule requires satisfaction of the following preconditions for any amendment:

(i) the modification or amendment is being made in connection with a change of circumstances that arises from a change in legal requirements, change in law, change in the identity, nature or status of the Issuer, or change in the type of business conducted by the Issuer;

(ii) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule as of the date of issuance of the relevant Bonds, after taking into account any amendment or interpretations of the Rule, as well as any change in circumstances; and

(iii) the modification or amendment does not materially adversely affect the interests of Holders, as determined either by a party unaffiliated with the Issuer (such as the Paying Agent or nationally recognized bond counsel) or by an approving vote of a majority of Holders.

(b) The Issuer shall report any modification or amendment of this Disclosure Agreement as required by the Rule. To the extent required by the Rule, the Issuer shall include as a component of the first Annual Report to be provided subsequent to the relevant amendment, a copy of the amendment, together with a notice explaining in narrative form both (i) the reasons for the amendment and (ii) the impact of the change in the type of operating data or financial information being provided. To the extent required by the Rule, if the amendment relates to changes in accounting principles to be followed in preparing financial statements, the first Annual Report to be provided subsequent to the relevant amendment shall also include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles and a qualitative (and to the extent reasonably feasible, quantitative) discussion of the differences in the accounting principles and the impact of the change in the accounting principles upon the presentation of the financial information. Written notice of any such change in accounting principles shall be provided in a timely fashion to each Repository.

(c) Neither a supplement to this Disclosure Agreement to declare that it is applicable to Additional Bonds or a modification of accounting principles or standards pursuant to Section 6 shall be considered an amendment for purposes of this Section 9.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including disclaimers or any other information in any Annual Report or notice of occurrence of a Notice Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Notice Event in addition to that which is specifically required by this

Disclosure Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Notice Event.

Section 11. Submission of Information to the MSRB. The information required to be disclosed pursuant to this Disclosure Agreement shall be submitted to the MSRB through EMMA. Subject to future changes in submission rules and regulations, such submissions shall be provided to the MSRB, through EMMA, in portable document format ("PDF") files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. Such PDF files shall be word-searchable (allowing the user to search for specific terms used within the document through a search or find function available in a software package).

Subject to future changes in submission rules and regulations, at the time that such information is submitted through EMMA, the Issuer, or any Dissemination Agent engaged by the Issuer, shall also provide to the MSRB information necessary to accurately identify the category of information being provided and other identifying descriptions required by MSRB rules and regulations.

Section 12. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, the Paying Agent, any Participating Underwriter or any Holder may take such actions as may be necessary and appropriate, including seeking a writ of mandamus or specific performance by court order to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Bonds or any document relating to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance; provided however that nothing herein shall limit any Holder's rights under applicable federal securities law.

Section 13. Severability. In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision or the Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time by construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

Section 14. Entire Agreement. This Disclosure Agreement contains the entire agreement of the Issuer with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto, provided however that this Disclosure Agreement shall be interpreted and construed with reference to and in pari materia with the Rule.

Section 15. Captions. The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

Section 16. Beneficiaries. This Disclosure Agreement is being entered into solely for the benefit of the Participating Underwriters and Holders from time-to-time of the Bonds, and nothing in this Disclosure Agreement expressed or implied is intended to or shall be construed to give to any other person or entity any legal or equitable right, remedy or claim under or in respect of this Disclosure Agreement or any covenants, conditions or provisions contained herein.

Section 17. Governing Law. This Disclosure Agreement shall be deemed to be a contract made under the laws of the State of Delaware, and all provisions hereof shall be governed and construed in accordance with the laws of the State of Delaware, without reference to the choice of law principles thereof.

IN WITNESS WHEREOF, THE STATE OF DELAWARE, has caused this Disclosure Agreement to be executed by the Secretary of Finance as of the day and year first above written.

THE STATE OF DELAWARE

By:______________________________________

Thomas J. Cook
Secretary of Finance

EXHIBIT A

CONTENTS OF ANNUAL REPORT

The Annual Report shall contain the following:

1. Audited financial statements for the prior fiscal year in form and content substantially the same as those appended to the State's Official Statement with respect to the 2011 Bonds.

2. A Summary of the Cash Basis Financial Statements for the prior fiscal year in form and content substantially the same as those appended to the State's Official Statement with respect to the 2011 Bonds.

3. An update of the type of information included in the below-listed tables and sections in the Official Statement to the extent not included in Item Nos. 1 or 2 above:

(a) Debt Service Requirements (p. 4) - updated for the issuance of general obligation debt through the prior fiscal year.

(b) The 5% Rule (p. 6) - updated for the current fiscal year.

(c) The 15% Test (p. 6) and the Cash Balances Test (p. 7) - updated for the current fiscal year.

(d) DEFAC Budgetary General Fund Revenue Projections (p. 32) - updated for the prior fiscal year.

(e) Budgetary General Fund Revenue (p. 33) - updated for the prior fiscal year.

(f) Budgetary General Fund Expenditures and Adjusted Budgetary General Fund Expenditures (p. 35) - updated for the prior fiscal year.

(g) Sources and Uses of State Funds (pp. 36 and 37) - updated to compare the prior fiscal year to the fiscal year ten years prior.

(h) Budgetary General Fund Disbursements (p. 53) - updated for the prior fiscal year.

(i) Public School Enrollment (p. 54) - updated for the prior year.

(j) Social Services Expenditures (p. 56) - updated for the prior fiscal year.

(k) Ratio of Federal Funds Expended by Department (p. 59) - updated for the prior fiscal year.

4. An update of the type of information included in the text and tables under the heading “Bonded Indebtedness of the State” beginning with the subsection “General Obligation Debt” through “State Revenue Debt” (p. 5) for the prior fiscal year. The information under the heading “Lease Obligations” shall be updated to cover the five fiscal year period beginning with the prior fiscal year.

5. An update of the type of information included in the text under the heading “Indebtedness of Authorities, Universities and Political Subdivisions - Authorities - Delaware Transportation Authority”

(p. 14) for the prior fiscal year; and "- Delaware State Housing Authority" (p. 15) updated for the prior fiscal year.

6. An update of the type of information included in the text and tables under the heading "Fiscal Year Ended June 30, 2011" (p. 41) for the prior fiscal year.

7. An update of the type of information included in the text and tables under the heading "State Pension Plan" (p. 60) for the prior fiscal year.

8. An update of the text appearing in the first paragraph under the heading "Employee Relations" (p. 63) for the prior fiscal year.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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[FORM OF OPINION OF BOND COUNSEL]

November __, 2011

OPINION OF BOND COUNSEL

RE: The State of Delaware
$275,425,000 General Obligation Bonds, Series 2011

TO THE PURCHASERS OF THE ABOVE-CAPTIONED BONDS:

We have acted as bond counsel in connection with the issuance of $275,425,000 General Obligation Bonds, Series 2011 (the "Bonds") by The State of Delaware (the "State") on the date hereof. The Bonds are issued as fully registered Bonds as provided in the Bonds and in the resolution of the Issuing Officers of the State adopted on November 1, 2011 (the "Resolution").

The Bonds are issued pursuant to the Constitution and laws of the State including Chapter 74, Title 29, Delaware Code, as amended, and the Resolution.

As Bond Counsel, we have examined certified copies of the Resolution and the form of the Bonds. We have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies.

We have relied on a certificate of the State as to the due execution and delivery of, and payment for, the Bonds. As to any facts material to our opinion we have, when such facts were not independently established, relied upon the aforesaid instruments, certificates and documents including the State's Federal Tax Certificate dated the date of issuance of the Bonds, and the statement of reasonable expectations of future events set forth in such certificate.

We have not verified the accuracy, completeness or fairness of the information set forth in any offering statement or other similar documents of the State delivered to the purchasers or prospective purchasers of the Bonds, and we take no responsibility therefor.

Based on the foregoing, we are of the opinion as of the date hereof and under existing law that:

1. The Bonds have been duly authorized, executed and delivered and constitute legal and valid general obligations of the State.

2. The State has pledged its faith and credit for the payment of the principal of and interest on the Bonds. The Constitution of the State does not contain any limitation upon the rate or amount of taxes which may be levied by the State for the payment of principal of and interest on the Bonds with the exception that any law which shall have the effect of increasing the rates of taxation on

personal income for any year or part thereof prior to the date of the enactment thereof, or for any year or years prior to the year in which the law is enacted, would be void.

3. Interest (including accrued original issue discount) on the Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the State complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. The State has covenanted to comply with all such requirements. Interest on the Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum taxes; however, we call to your attention that under the Code, to the extent that interest on the Bonds is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the corporate alternative minimum tax. We express no opinion regarding other federal tax consequences relating to the Bonds or the receipt of interest thereon.

4. Under existing statutes, interest on the Bonds is exempt from personal and corporate income taxes imposed by the State of Delaware.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

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