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

In the opinion of Bond Counsel, interest on the 2010B Bonds 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 2010B Bonds is not subject to the federal alternative minimum tax imposed on individuals and corporations. Interest on the 2010C Bonds and 2010D Bonds is includable in the gross income of the holders thereof for purposes of federal income taxation. In addition, under existing statutes, interest on the 2010 Bonds is exempt from personal and corporate income taxes imposed by the State of Delaware. For a more complete discussion, see "Tax Matters" herein.

$310,665,000
THE STATE OF DELAWARE
General Obligation Bonds – Series 2010
consisting of:

$135,310,000	$115,775,000	$59,580,000
General Obligation Bonds Series 2010B	**General Obligation Bonds Series 2010C (Federally Taxable – Build America Bonds)**	**General Obligation Bonds Series 2010D (Federally Taxable – Qualified School Construction Bonds)**

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

The Bonds consist of the $135,310,000 General Obligation Bonds, Series 2010B (the "2010B Bonds"), $115,775,000 General Obligation Bonds, Series 2010C (Federally Taxable – Build America Bonds) (the "2010C Bonds") and the $59,580,000 General Obligation Bonds, Series 2010D (Federally Taxable – Qualified School Construction Bonds) (the "2010D Bonds" and, together with the 2010B Bonds and 2010C Bonds, the "Bonds" or the "2010 Bonds"). The 2010 Bonds are general obligations of the State. The full faith and credit of the State will be pledged for the payment of the principal of and interest on the 2010 Bonds. The 2010C Bonds are being issued as "Build America Bonds" as defined in Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code") and the State will irrevocably elect to receive periodic interest subsidy payments from the United States Treasury on each interest payment date equal to 35% of the amount of interest payable on the 2010C Bonds on such date. See "DESCRIPTION OF THE BONDS – 2010C Bonds As Build America Bonds." The 2010D Bonds are being issued as "Qualified School Construction Bonds" as defined in the Code. Pursuant to Section 6431 of the Code, the State will irrevocably elect to receive periodic interest subsidy payments from the United States Treasury on each interest payment date in an amount equal to the lesser of: (i) the amount of interest payable on the 2010D Bonds on such date; or (ii) the amount of interest that would have been payable on the 2010D Bonds on such date if the interest were determined at the applicable tax credit rate for the 2010D Bonds pursuant to Section 54A(b)(3) of the Code published by the United States Treasury on the sale date of the 2010D Bonds. See "DESCRIPTION OF THE BONDS – 2010D Bonds As Qualified School Construction Bonds."

Interest on the 2010 Bonds is payable semiannually on January 1 and July 1 of each year commencing January 1, 2011.

The 2010B Bonds are not subject to redemption prior to maturity. The 2010C Bonds and 2010D Bonds are subject to optional redemption and extraordinary optional redemption prior to maturity as more fully described herein.

The 2010 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 2010 Bonds and the investors should look for payment to the institution from which their 2010 Bonds were purchased.

The 2010 Bonds are offered when, as and if issued and received by the Underwriters 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 2010B Bonds by their counsel Ballard Spahr LLP, Wilmington, Delaware. 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 October 28, 2010.

J.P. MORGAN **CITI**

BofA MERRILL LYNCH **MORGAN STANLEY** **EDWARD JONES** **FIDELITY CAPITAL MARKETS** **JEFFERIES & COMPANY**

The date of this Official Statement is October 21, 2010.

MATURITIES, AMOUNTS, RATES, YIELDS, PRICES & CUSIP NUMBERS

2010B Bonds[1]

Maturity (July 1)	Principal Amount ($)	Interest Rate (%)	Yield (%)	Price ($)	CUSIP Number[3] (246380)
2011	10,530,000	2.000	0.280	101.158	6D6
2012	4,210,000	2.000	0.430	102.617	6E4
2012	6,320,000	5.000	0.430	107.618	6T1
2013	1,945,000	2.000	0.640	103.600	6F1
2013	8,585,000	5.000	0.640	111.544	6U8
2014	1,025,000	3.000	0.890	107.611	6G9
2014	9,585,000	5.000	0.890	114.826	6V6
2015	2,170,000	3.000	1.140	108.443	6H7
2015	9,355,000	5.000	1.140	117.522	6W4
2016	2,710,000	3.000	1.410	108.641	6J3
2016	8,050,000	5.000	1.410	119.511	6X2
2017	4,110,000	2.000	1.670	102.075	6K0
2017	9,460,000	5.000	1.670	120.948	6Y0
2018	1,285,000	4.000	1.910	114.852	6L8
2018	12,270,000	5.000	1.910	121.959	6Z7
2019	2,470,000	3.000	2.160	106.610	6M6
2019	560,000	5.000	2.160	122.353	7D5
2020	3,015,000	4.000	2.350	114.202	6N4
2021	135,000	4.000	2.560	113.373	6P9
2021	11,275,000	5.000	2.560	122.661	7A1
2022	1,225,000	4.000	2.740	112.513	6Q7
2022	10,265,000	5.000	2.740	122.447	7B9
2023	1,705,000	3.000	2.850	101.583	6R5
2023	9,845,000	5.000	2.850	122.733	7C7
2024	3,205,000	3.000	2.880	101.346	6S3

2010C Bonds[2]

Maturity (July 1)	Principal Amount ($)	Interest Rate (%)	Yield (%)	Price ($)	CUSIP Number[3] (246380)
2019	10,525,000	3.100	3.110	99.921	7E3
2020	10,525,000	3.250	3.260	99.914	7F0
2021	10,525,000	3.400	3.410	99.907	7G8
2022	10,525,000	3.500	3.510	99.901	7H6
2023	10,525,000	3.550	3.560	99.895	7J2
2024	10,525,000	3.650	3.660	99.889	7K9
2025	10,525,000	3.900	3.910	99.884	7L7
2026	10,525,000	4.100	4.110	99.880	7M5
2027	10,525,000	4.300	4.300	100.00	7N3
2028	10,525,000	4.450	4.450	100.00	7P8
2030	10,525,000	4.600	4.600	100.00	7Q6

2010D BONDS[2]

Maturity (July 1)	Principal Amount ($)	Interest Rate (%)	Yield (%)	Price ($)	CUSIP Number[3] (246380)
2029	59,580,000	4.550	4.550	100.00	7R4

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1. The 2010B Bonds have been sold to investors through a negotiated sale with a group of underwriters represented by J.P. Morgan Securities LLC, with Citigroup Global Markets Inc. as co-senior manager, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, Edward Jones, Fidelity Capital Markets and Jefferies & Company, Inc as co-managers.
2. The 2010C Bonds and 2010D Bonds have been awarded to Barclays Capital through a competitive sale.
3. Copyright 2006, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the State nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity.

No dealer, broker, salesperson or other person has been authorized by The State of Delaware 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 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

$310,665,000
General Obligation Bonds – Series 2010
consisting of:

$135,310,000 General Obligation Bonds Series 2010B	$115,775,000 General Obligation Bonds Series 2010C (Federally Taxable – Build America Bonds)	$59,580,000 General Obligation Bonds Series 2010D (Federally Taxable – Qualified School Construction Bonds)

INTRODUCTION

This Official Statement (the "Official Statement"), which includes the cover page and the appendices, has been prepared by The State of Delaware (the "State") and provides certain information about the State and its $310,665,000 General Obligation Bonds-Series 2010 consisting of $135,310,000 General Obligation Bonds, Series 2010B (the "2010B Bonds"), $115,775,000 General Obligation Bonds, Series 2010C (Federally Taxable – Build America Bonds) (the "2010C Bonds") and the $59,580,000 General Obligation Bonds, Series 2010D (Federally Taxable – Qualified School Construction Bonds) (the "2010D Bonds" and, together with the 2010B Bonds and the 2010C Bonds, the "Bonds" or the "2010 Bonds"). The 2010B Bonds are issued as tax-exempt obligations of the State under the Internal Revenue Code of 1986, as amended (the "Code"). The 2010C Bonds and 2010D Bonds are issued as taxable obligations of the State, and the State is electing to treat the 2010C Bonds as direct pay "Build America Bonds" under Section 54AA of the Code and the 2010D Bonds as direct pay "Qualified School Construction Bonds" under Sections 54F and 6431(f) of 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 2010B Bonds are general obligations of the State to be issued pursuant to a resolution adopted on October 21, 2010 (the "2010B Resolution") by the Governor, the Secretary of Finance, the Secretary of State and the State Treasurer (the "Issuing Officers"). The 2010C Bonds and 2010D Bonds are general obligations of the State to be issued pursuant to a resolution adopted on October 21, 2010 (the "2010C and 2010D Resolution," and together with the 2010B Resolution, the "Resolutions") by 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.

2010C Bonds As Taxable Build America Bonds

Sections 54AA and 6341 of the Code permit the State to issue the 2010C Bonds as "Build America Bonds" to finance capital expenditures for which it could issue tax-exempt bonds, and to elect to receive periodic payments from the United States Treasury on each interest payment date equal to 35% of the corresponding interest payable on such 2010C Bonds (the "BAB Subsidy Payments"). Such BAB Subsidy Payments are not pledged to the payment of the 2010C Bonds. BAB Subsidy Payments for the 2010C Bonds will be paid to the State and therefore the holders of 2010C Bonds are not entitled to a tax credit related thereto, and interest paid to holders of 2010C Bonds is subject to federal income tax.

In certain circumstances, the BAB Subsidy Payments to be made to the State may be reduced (offset) by amounts determined to be applicable under the Code and Treasury Regulations. For example, offsets may occur by reason of any past-due, legally enforceable debt of the State to any Federal agency. The amount of any such offset is not predictable, and the State does not currently expect that any such offsets will apply to the BAB Subsidy Payments the State expects to receive. Any such offset does not alter the State's obligation to pay principal and interest due on the 2010C Bonds.

The BAB Subsidy Payments do not constitute a full faith and credit guarantee of the United States of America, but are required to be paid by the United States Treasury under the Code. Future action of the United States Congress could reduce or eliminate the BAB Subsidy Payments.

2010D Bonds As Taxable Qualified School Construction Bonds

Pursuant to Sections 54A, 54F and 6341(f) of the Code, the State is permitted to issue the 2010D Bonds as "Qualified School Construction Bonds" 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 and to elect 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 2010D Bonds on such date; or (ii) the amount of interest that would have been payable on the 2010D 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 the 2010D Bonds (the "QSCB Subsidy Payments"). Such QSCB Subsidy Payments are not pledged to the payment of the 2010D Bonds. QSCB Subsidy Payments for the 2010D Bonds will be paid to the State and therefore the holders of 2010D Bonds are not entitled to a tax credit related thereto, and interest paid to holders of 2010D Bonds is subject to federal income tax.

The total amount of Qualified School Construction Bonds that may be issued nationally in calendar year 2010 is limited by the Code to $11.0 billion, and the United States Treasury Department has allocated a portion of such limit to the State for calendar year 2010 (the "2010 QSCB Allocation") in the amount of $29,797,000. In addition, the State received a Qualified School Construction Bond allocation for calendar year 2009 in the amount of $29,784,000 (the "2009 QSCB Allocation") and has carried forward the entire amount of the State's 2009 QSCB Allocation.

In certain circumstances, the QSCB Subsidy Payments to be made to the State may be reduced (offset) by amounts determined to be applicable under the Code and Treasury Regulations. For example, offsets may occur by reason of any past-due, legally enforceable debt of the State to any Federal agency. The amount of any such offset is not predictable, and the State does not currently expect that any such offsets will apply to the QSCB Subsidy Payments the State expects to receive. Any such offset does not alter the State's obligation to pay principal and interest due on the 2010D Bonds.

The QSCB Subsidy Payments do not constitute a full faith and credit guarantee of the United States of America, but are required to be paid by the United States Treasury under the Code. Future action of the United States Congress could reduce or eliminate the QSCB Subsidy Payments.

Redemption

The 2010B Bonds are not subject to redemption prior to maturity.

Optional Redemption (Make-Whole Call) – 2010C Bonds and 2010D Bonds

The 2010C Bonds and the 2010D Bonds are subject to redemption prior to maturity at the option of the State, in whole or in part (by lot within a maturity), on any Business Day, at a redemption price (the "Make-Whole Optional Redemption Price") equal to the greater of (i) 100% of the principal amount of the 2010C Bonds or the 2010D Bonds, as the case may be, to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2010C Bonds or the 2010D Bonds, as the case may be, to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010C Bonds or the 2010D Bonds, as the case may be, are to be redeemed, discounted to the date on which the 2010C Bonds or the 2010D Bonds, as the case may be, are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 30 basis points; plus, in each case, accrued and unpaid interest on the 2010C Bonds or the 2010D Bonds, as the case may be, to the redemption date.

Extraordinary Optional Redemption – 2010C Bonds and 2010D Bonds

The 2010C Bonds and the 2010D Bonds are subject to redemption prior to maturity at the option of the State, in whole or in part (by lot within a maturity), upon the occurrence of an Extraordinary Event, at a redemption price (the "Extraordinary Optional Redemption Price") equal to the greater of (i) 100% of the principal amount of the 2010C Bonds or the 2010D Bonds, as the case may be, to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2010C Bonds or the 2010D Bonds, as the case may be, to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010C Bonds or the 2010D Bonds, as the case may be, are to be redeemed, discounted to the date on which the 2010C Bonds or the 2010D Bonds, as the case may be, are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 100 basis points; plus, in each case, accrued and unpaid interest on the 2010C Bonds or the 2010D Bonds, as the case may be, to the redemption date.

An "Extraordinary Event" will have occurred if Section 54AA or 6431 of the Code is modified, amended or interpreted in a manner pursuant to which (i) in the case of the 2010C Bonds, the State's 35% BAB Subsidy Payments from the United States Treasury are reduced or eliminated, or (ii) in the case of the 2010D Bonds, the QSCB Subsidy Payments are reduced or eliminated. The redemption price of the 2010C Bonds or the 2010D Bonds, as the case may be, to be redeemed at the option of the State will be determined in good faith by the State and such determination shall be binding and conclusive on the owners of the 2010C Bonds and the 2010D Bonds, as applicable.

The "Treasury Rate" is, as of any redemption date of any 2010C Bonds or 2010D Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to such redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to the maturity date of such 2010C Bonds or 2010D Bonds; provided, however, that if the period from such redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

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 Resolutions. 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	2022 through 2024, inclusive	$ 11,025,000	01/01/2012	100%
2005A	2014 through 2025, inclusive	$ 15,300,000	02/01/2013	100%
2005B	2018 through 2024, inclusive	$ 14,520,000	02/01/2013	100%
2005D	2021 through 2023, inclusive	$ 13,800,000	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 (the "Escrow Agent") pursuant to an Escrow Agreement to be dated as of October 1, 2010 (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:	**2010B Bonds**	**2010C Bonds**	**2010D Bonds**	**Total**
Par Amount of Bonds:	$ 135,310,000.00	$ 115,775,000.00	$ 59,580,000.00	$ 310,665,000.00
Net Original Issue Premium/Discount	19,908,489.05	(85,147.25)	0.00	19,823,341.80
Total Sources:	$ 155,218,489.05	$ 115,689,852.75	$ 59,580,000.00	$ 330,488,341.80
Uses:				
Capital Projects	$ 94,975,391.66	$ 115,473,353.50	$ 59,413,176.00	$ 269,861,921.16
Deposit to Escrow Fund	59,652,772.91	-	-	59,652,772.91
Underwriters' Discount	455,324.48	216,499.25	166,824.00	838,647.73
Other Financing Expenses	135,000.00	-	-	135,000.00
Total Uses:	$ 155,218,489.05	$ 115,689,852.75	$ 59,580,000.00	$ 330,488,341.80

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. The State has always 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)

	Prior to Issuance of the Bonds				After Issuance of the Bonds			
Fiscal Year Ending June 30	Principal	Interest	Total Debt Service	Principal Outstanding	Principal	Interest	Total Debt Service	Principal Outstanding
6/30/2011	$140.8	$64.6	$205.3	$1,356.6	$140.8	$65.7	$206.5	$1,612.6
6/30/2012	129.1	62.8	191.9	1,227.5	139.7	73.3	213.0	1,473.0
6/30/2013	134.1	56.1	190.2	1,093.3	144.7	66.4	211.0	1,328.3
6/30/2014	133.1	47.8	180.9	960.3	142.7	57.6	200.3	1,185.6
6/30/2015	120.6	42.0	162.6	839.7	128.7	51.3	180.0	1,056.9
6/30/2016	112.3	36.4	148.6	727.4	122.7	45.3	168.0	934.1
6/30/2017	107.1	31.2	138.3	620.2	117.6	39.6	157.2	816.6
6/30/2018	94.8	26.4	121.2	525.4	105.3	34.4	139.6	711.3
6/30/2019	77.5	22.7	100.2	447.9	87.9	30.2	118.1	623.4
6/30/2020	60.1	19.7	79.8	387.8	70.5	26.7	97.3	552.9
6/30/2021	58.0	17.0	75.0	329.9	68.4	23.7	92.1	484.5
6/30/2022	57.7	14.5	72.2	272.2	68.2	20.8	89.0	416.3
6/30/2023	55.6	12.1	67.7	216.5	66.3	17.9	84.2	350.0
6/30/2024	48.7	9.6	58.3	167.8	59.4	15.0	74.3	290.6
6/30/2025	42.0	7.4	49.5	125.8	52.7	12.5	65.2	238.0
6/30/2026	38.9	5.5	44.4	86.9	49.4	10.3	59.7	188.6
6/30/2027	33.7	3.8	37.5	53.2	44.2	8.1	52.3	144.4
6/30/2028	24.0	2.3	26.3	29.2	34.5	6.2	40.7	109.8
6/30/2029	16.9	1.2	18.1	12.4	27.4	4.7	32.0	82.5
6/30/2030	12.4	0.3	12.7	-	71.9	2.2	74.1	10.5
6/30/2031					10.5	0.2	10.8	-
TOTAL	**$1,497.4**	**$483.5**	**$1,980.8**		**$1,753.4**	**$612.1**	**$2,365.5**	

(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. Other than bonds issued in fiscal years 2010 and 2011, 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 Constitutional debt limit of the State.

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 2010 estimate of net general fund revenues for fiscal year 2011 was $3,338.2 million, thus a total of $166.9 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 is set out in the following table. The fiscal year 2011 is based on Senate Joint Resolution No. 6 which provides fiscal 2011 official revenue, refund and unencumbered fund estimates. The revenue estimates for fiscal years 2012 through 2015 are estimated from the September 20, 2010 meeting of the Delaware Economic and Financial Advisory Council ("DEFAC"). See "STATE FINANCIAL OPERATIONS – Revenue Summary-Fiscal 2011E – Fiscal 2013E" herein. 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 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Estimated Net Budgetary General Fund Revenue......................	$ 3,338.2	$ 3,428.0	$ 3,557.7	$ 3,636.0	$ 3,604.0
Projected New Tax-Supported Debt Authorizations..........	$ 166.9	$ 171.4	$ 177.9	$ 181.8	$ 180.2

Second, no "tax-supported obligations of the State" and no "Transportation Trust Fund ("Trust Fund" or "TTF") debt obligations" (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"). The Bonds comply with this test, as illustrated in the following table:

The 15% Test
(in millions)

	Fiscal 2012(1)
General Obligation Debt Service	$ 213.0
Less: Excluded Debt Service (2)	(62.8)
Other Tax-Supported Debt Service (3)	24.8
Total Tax-Supported Debt Service	$ 175.0
Delaware Transportation Authority (TTF) Debt Service..................................	$ 117.9
Total Debt Service	$ 292.9
Estimated Aggregate Budgetary General Fund and TTF Revenue (4)................	$3,865.4
Total Debt Service as Percent of Total Revenue	7.6%

(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, the Trust Fund and the Delaware State Housing Authority.
(3) Includes projected payments on lease obligations of the State.
(4) Based upon September 20, 2010 revenue projections of DEFAC for fiscal 2012. See "STATE FINANCIAL OPERATIONS - Revenue and Expenditure Forecasting."

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 2012 [1]
General Obligation Debt Service	$ 213.0
Less: Excluded Debt Service [2]	(62.8)
Net General Obligation Debt Service	$ 150.2
Projected Cumulative Cash Balances [3]	$ 654.5

(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, the Trust Fund and the Delaware State Housing Authority.
(3) As estimated by the Secretary of Finance based upon September 20, 2010 budgetary General Fund revenue projections by DEFAC for fiscal year 2012.

"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.

General Obligation Debt

On June 30, 2010, 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	$430.0
School Facilities (State Share)	549.7
Subtotal	$979.7

General Obligation Debt Supported by Budgetary Special Funds

Highways and Other Transportation Improvements	$ 1.5
School Facilities (Local Share)	516.0
Housing Authority Loans	0.3
Subtotal	$ 517.7
Total General Obligation Debt Outstanding	$1,497.4 [(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, 2010, $1.5 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 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.

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

Authorized but Unissued General Obligation Debt

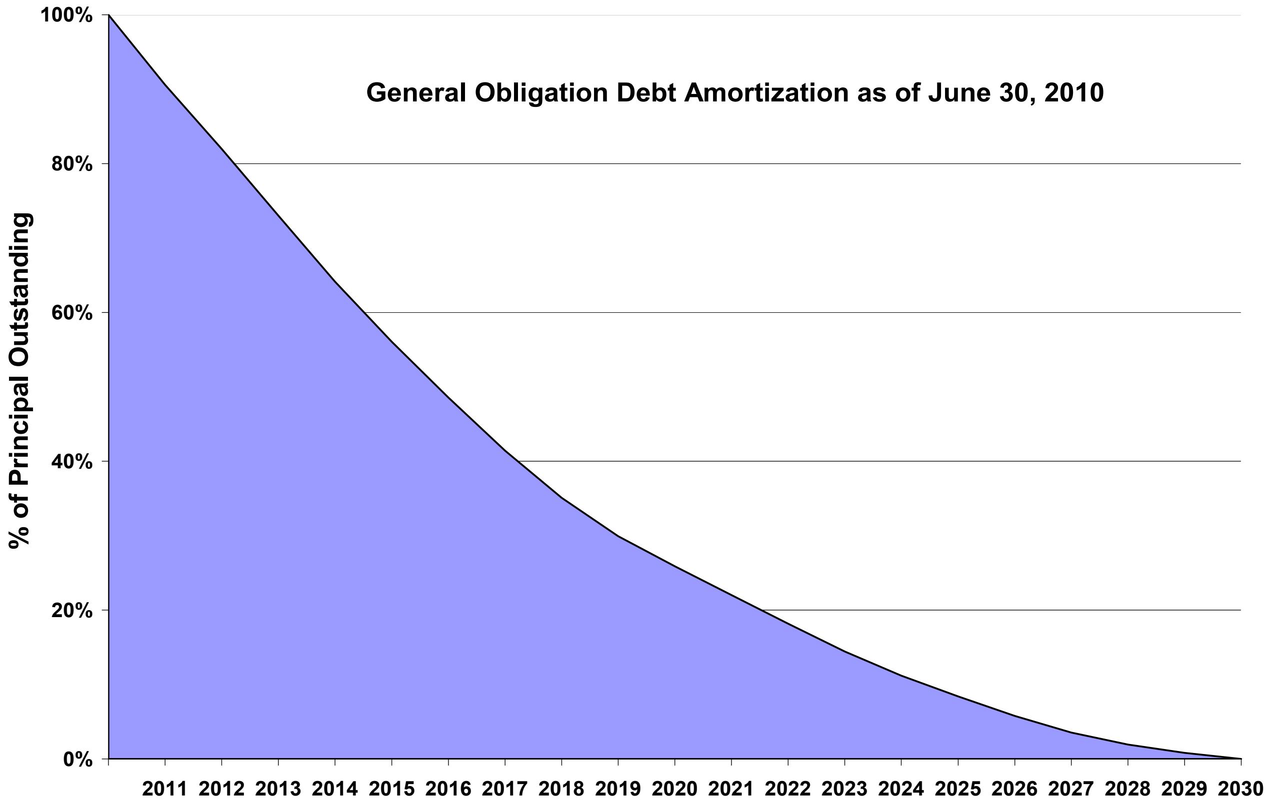
Prior to the issuance of the Bonds, statutory authorization exists for the issuance of additional general obligation debt of the State in the principal amount of $450 million.

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 $1,497.4 million on June 30, 2010 with approximately 76% 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 $1,497.4 million of debt outstanding as of June 30, 2010, $516.0 million or 34.5% 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 76% 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.

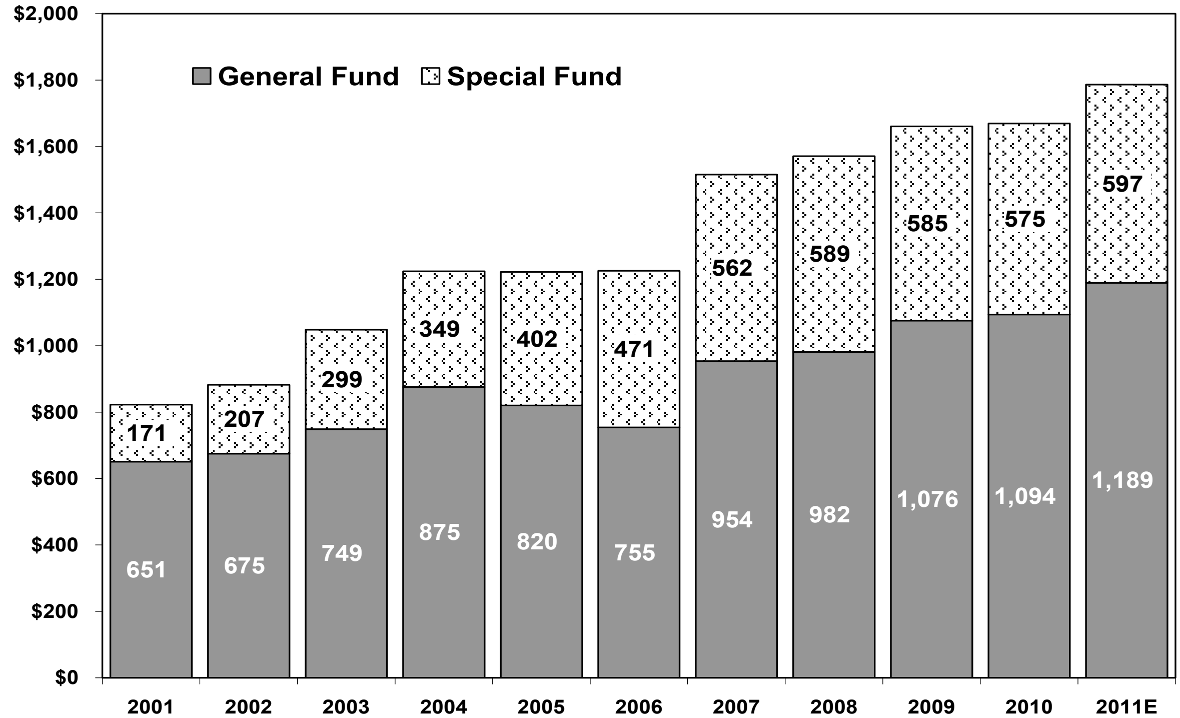
- **Significant "Pay-As-You-Go" Financing**: Over the years, the State has appropriated surplus cash for "pay-as-you-go" financing. Revenue surpluses between fiscal years 1993 to 2001 allowed the State to appropriate cash on average at a rate of 52.6% of capital expenditures. With more modest revenue growth, cash contributions in fiscal 2002 and 2003 were reduced. However, between fiscal 2004 and 2010, the cash funding exceeded $1 billion or 27.1% 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. 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; and in fiscal 2010, savings of $26.4 million were realized after the State refunded $460.6 million of its general obligation bonds. With the issuance of the 2010B Bonds, the State will realize net present value savings of approximately $3.45 million after refunding $54.645 million of its general obligation bonds. The State continues to monitor opportunities to refund its outstanding bonds to lower future debt service requirements.

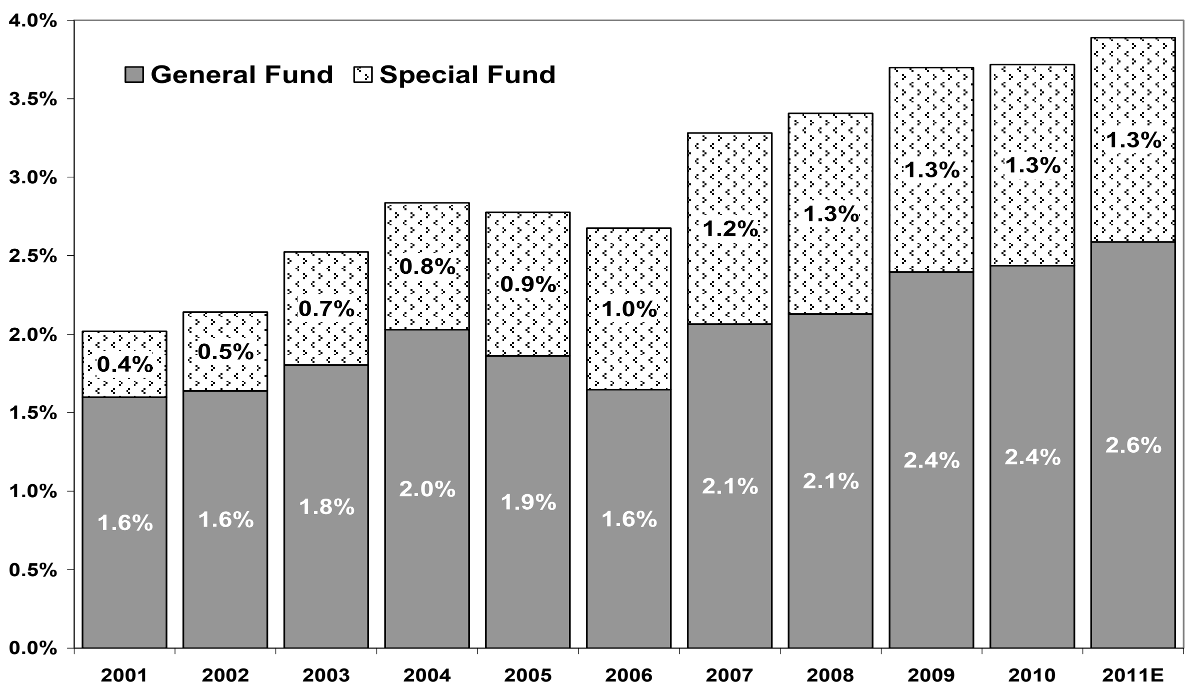
The result of these initiatives has been to reduce the rate of growth in Delaware's debt burden, as depicted on a fiscal year basis in the following three charts.

Debt Per Capita at June 30

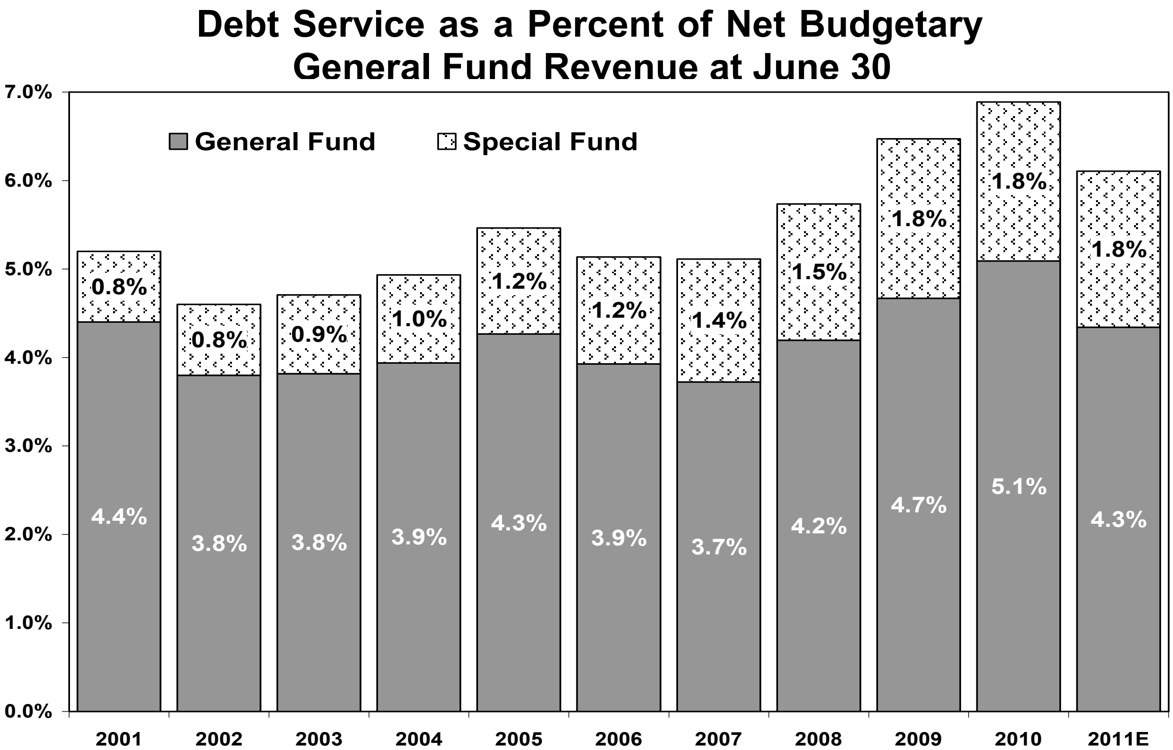


Notes: Shaded area represents portion of general obligation debt funded by the budgetary General Fund. The remainder is funded by budgetary Special Funds.
2011 data assumes a population growth rate of 1.1%.

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.



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

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, 2009, aggregate remaining lease payments total approximately $186.5 million with $107.9 million payable through fiscal 2013. Real estate rentals account for 80.9% 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, UNIVERSITY OF DELAWARE 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, 2010, the Delaware Transportation Authority had outstanding $1,069.9 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 Senior Bonds or secured on parity with the Junior 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, 2010, $785.3 million of tax-exempt revenue bonds and $178.9 million of taxable revenue bonds. Approximately $955.6 million of the outstanding bonds were issued to finance the purchase of single-family homes, and $8.6 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".

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 the DSHA's capital reserve fund if such fund is drawn upon to meet debt service payments on certain of the DSHA's 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 $1.113 billion in economic development revenue bonds on June 30, 2010, 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, 2010, the Authority had $129.0 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, 2010, there were outstanding $540.5 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.

Delaware State University

There were outstanding on June 30, 2010, $55.1 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, 2010, $244.0 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 is outlined in the table which follows, as of June 30, 2010.

General Obligation Debt of Political Subdivisions
(in millions)

New Castle County	$ 342.9
Sussex County	170.7
Kent County	26.8
Wilmington	252.3[(1)]
Other Cities and Towns	164.8[(2)]
School Districts	516.0[(3)]
Total	$1,473.5

(1) Of this total, $10.2 million in principal is supported by payments from the Diamond State Port Corporation, an instrumentality of the State. Excludes $27.5 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 been mixed relative to national trends. While Delaware's income growth has largely matched that of the United States, the State's employment growth has failed to keep pace with national trends. 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, see "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 and JP Morgan Chase, for example, continue to maintain a major presence in the State. At the same time, relative new comers, like ING and Barclays, demonstrate that Delaware should maintain its position as a financial center.

Delaware's long-established manufacturing sectors, automobiles and fibers have also suffered as a result of the worst economic downturn since World War II. With both of the State's automobile assembly plants and its sole oil refinery no longer in operation, the State's blue collar employment has suffered. 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. Initial signs point to a spring 2011 reopening of the facility, which is expected to provide 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 power vehicle.

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

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 that is funded under the American Recovery and Reinvestment Act to reward states for aggressively reforming their education systems. The State will receive over $100 million in Race to the Top funding which will be paid out over the next four years.

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 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 on May 3, 2010 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 are expected to enhance Delaware's position in an increasingly competitive gaming market, increase employment, and add revenue 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 LLCs and LPs.

Population

Between 2008 and 2009, Delaware's population was estimated to have increased by 1.0 percent, to 885,122 inhabitants. In comparison, there was 0.4 percent growth in the region and 0.9 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 2004 through 2009.

Population
(in thousands)

	Delaware		Mid-Atlantic Region [1]		United States	
	Population	Change	Population	Change	Population	Change
2004	827	1.4%	46,667	0.4%	292,045	0.9%
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

(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 2008 estimated population count of 72,592; Dover, the State capital and the site of a major U.S. Air Force base, with a 2008 estimated population count of 36,107 residents; and Newark, the site of the University of Delaware, with a 2008 estimated population count of 29,886.

The following table shows the population of the State's three counties for the years 2004 through 2009. 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, approximately twice that experienced by New Castle County.

Population by County

	New Castle	Change	Kent	Change	Sussex	Change
2004	516,887	0.8%	138,382	3.1%	171,370	2.1%
2005	520,918	0.8	143,294	3.5	175,694	2.5
2006	524,473	0.7	148,041	3.3	180,508	2.7
2007	527,786	0.6	152,090	2.7	185,020	2.5
2008	531,057	0.6	155,492	2.2	189,662	2.5
2009	534,634	0.7	157,741	1.4	192,747	1.6

Source: U.S. Census Bureau.

Personal Income

Personal income is the income received by all persons from all sources. The State's total personal income fell by 0.4 percent from calendar 2008 to 2009, compared with declines of 1.8 percent for the mid-Atlantic region and 1.7 percent for the nation. Total State personal income in calendar 2009 was $35.2 billion.

The following table provides per capita personal income comparisons for calendar 2002 through 2009. (Per capita personal income is the annual total personal income of State residents divided by the population.) Per capita personal income of Delaware residents fell by 1.4 percent from calendar 2008 to 2009. It fell by 2.2 percent in the mid-Atlantic region and 2.6 percent in the U.S. over the same period. State per capita personal income was 102 percent of U.S. per capita personal income in calendar 2009.

Per Capita Personal Income

	Delaware	Change	Mid-Atlantic Region(1)	Change	United States	Change	Delaware as Percent of the United States
2002	$33,197		$35,365		$31,462		106%
2003	33,852	2.0%	36,150	2.2%	32,271	2.6%	105
2004	35,712	5.5	38,117	5.4	33,881	5.0	105
2005	37,001	3.6	39,901	4.7	35,424	4.6	104
2006	39,046	5.5	42,882	7.5	37,698	6.4	104
2007 ……….	39,932	2.5	45,539	6.2	39,392	4.5	101
2008	40,375	1.1	46,657	2.5	40,166	2.0	101
2009	39,817	(1.4)	45,639	(2.2)	39,138	(2.6)	102

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 2009 rose to 8.1 percent from 4.9 percent in 2008. The region had an overall average unemployment rate of 8.3 percent in 2009, up from 5.2 percent in 2008. The following table presents the average annual unemployment rates for Delaware, the region, and the U.S. from 2003 through 2009.

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	8.1	8.3	9.3

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 the most recent month for which data are available, July 2010, Delaware's unemployment rate of 8.4 percent was 25th lowest in the nation. In the surrounding states, Maryland was 13th lowest at 7.1 percent, New York was tied for 22nd at 8.2 percent, Pennsylvania was 32nd at 9.3 percent and New Jersey tied for 34th at 9.7 percent.

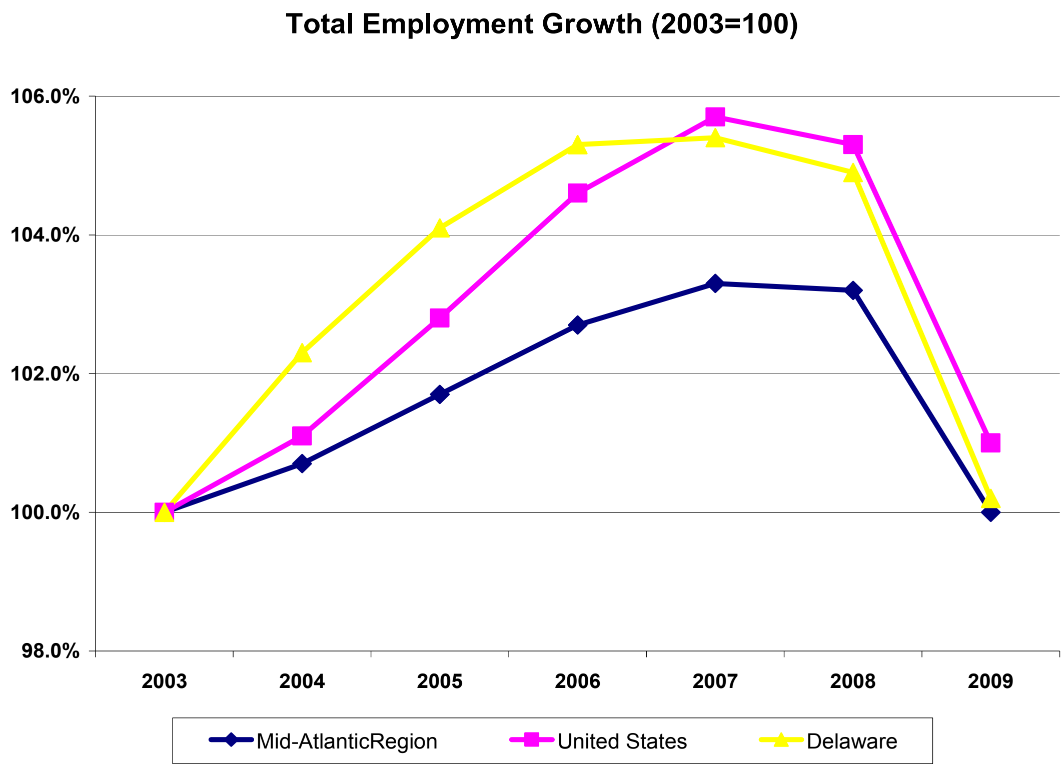
Employment

The rate of non-agricultural job growth in Delaware slowed to negative 4.7 percent in 2009, below the national rate of job growth of negative 4.3 percent. Growth in the surrounding states dropped to negative 3.2 percent.

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)	(0.4)
2009	(4.7)	(3.2)	(4.3)

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 2009. Total employment across all federal, state and local government entities averaged 62,200 over the year, an increase of 100 jobs over 2008. Among private industry sectors, Health Care and Social Assistance remained as the State's largest industry sector with 56,500 jobs; Retail Trade was again the second-largest with 49,600.

Health Care and Social Assistance was the only private industry sector to add 1,300 jobs for a growth rate of 2.4 percent. The only other sector adding jobs was Government, which grew by 100 jobs, or 0.2 percent.

Employment by Industry Sector
(in thousands)

	2004	2005	2006	2007	2008	2009
Construction	26.3	27.9	29.3	27.7	25.1	19.9
Manufacturing	34.6	33.2	33.5	33.4	31.7	28.0
Wholesale Trade	14.7	14.9	15.1	14.9	14.6	13.2
Retail Trade	52.5	53.5	53.6	54.3	53.0	49.6
Transportation, Warehousing and Utilities[1]	13.5	13.3	13.8	14.0	13.6	12.5
Information	7.1	6.7	6.7	6.9	7.0	6.6
Finance and Insurance	38.3	38.7	38.2	38.8	39.0	37.9
Professional, Scientific and Tech. Services	26.7	27.0	25.8	25.1	25.7	24.2
Management of Companies	12.5	12.5	12.0	11.5	10.8	10.2
Administrative and Support Services	22.6	23.0	23.4	23.4	23.1	21.5
Educational Services	6.8	6.8	7.3	7.4	7.4	7.2
Health Care and Social Assistance	46.6	48.8	50.6	52.6	55.2	56.5
Arts, Entertainment and Recreation	8.8	8.8	8.8	8.2	8.1	7.9
Accommodation and Food Services	31.2	31.8	32.2	32.5	33.0	32.7
Other Services	18.9	19.8	20.3	20.4	20.3	19.9
Government	57.7	59.4	60.6	61.2	62.1	62.2
Total Nonfarm Employment	425.1	432.7	437.8	438.3	436.1	415.8

[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 an historical 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.

In Delaware the chemistry industry 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 $31 billion in annual sales in 2008, 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. In 2005, DuPont announced that it would invest $80 million in its research and development center near Wilmington with a rich pipeline of products and more projects underway than ever before. The company's growth and productivity strategies for increasing shareholder value are expected to continue to generate strong results.

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 beginning to see 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. Emerging markets will, however, continue to grow at healthy rates especially sustainability-based production and products.

Ashland Inc. (NYSE: ASH) created a leading specialty chemicals company with the acquisition of Hercules and now serves many of the world's most essential needs and industries. 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.

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

Air Liquide (OTC: AIQUY) is a worldwide leader in industrial and medical gases and related services. Founded in 1902, Air Liquide operates in more than 65 countries through 125 subsidiaries. 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's (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 95,000 employees and posted sales of almost EUR 62.3 billion in 2008. BASF shares are traded on the stock exchanges in Frankfurt (BAS), London (BFA) and Zurich (AN). 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.

INEOS Films, a division of INEOS Group, the third largest chemical company in the world, opened its new rigid films production site in Delaware. Beginning in 2004, INEOS Group purchased a site and building in Delaware City, Delaware and established INEOS Films North American headquarters. Plant renovations began in May 2005 and were completed in phases, culminating with the full production of high quality rigid films now underway. The investment in the new facility was in excess of $30 million.

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 just 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.

Testing Machines, Inc. a leading supplier of material testing equipment recently announced it would relocate its headquarters and manufacturing operations from New York to Delaware.

Chesapeake Green Fuels purchased a defunct biodiesel operation and is putting in capital to get it up and running again. Their chemical process will utilize a different feedstock than the original design, and production volumes are expected to be 5 million gallons annually.

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 opened the DuPont Innovation Center, a building designed through a partnership with the State. FMC Biopolymers has invested nearly $8 million to upgrade its operations after selecting the Delaware site over its foreign-based facilities.

Life Sciences

Delaware 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 Sciences Alliance.

Delaware Health Sciences 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 within the State.

Other private industry investments help drive Delaware's leadership in life sciences, such as AstraZeneca, DuPont, Agilent Technologies and Siemens. DuPont Company 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 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 US research facilities, this addition is one of four new AZ drug discovery research facilities of its kind worldwide.

In April 2007, the State and Siemens Healthcare announced the company's new Customer Solutions Center in Newark, Delaware. As a significant global player in electronics and electrical engineering, Siemens is known for 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 Technologies, the world's largest maker of scientific equipment, opened an 8,000 square foot state-of-the-art demonstration laboratory in Delaware. At Agilent's new Center of Excellence, potential and existing clients will have an opportunity to see its latest machines, run sample tests on them and have a one-on-one opportunity to discuss them 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.

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 first 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 rank Delaware 4th overall in the 2008 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 6 states in the nation for high-wage traded services, foreign direct investment, gazelle jobs, 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 fostering entrepreneurial ventures. The State provides a variety of technology resource programs and innovative business development support to enhance commercialization opportunities, such as Delaware's Patent Portfolio. Delaware, through the Delaware Emerging Technology Center (DE ETC), maintains a portfolio of 258 technologies donated from DuPont and former Hercules Corporations for new business creation and expansion. Additionally, the DE ETC offers a Service Provider Network, a Global Resource Information Directory, a Forum, a regional business calendar and twice a year, a Boot Camp and Business Plan Competition, as part of its service offerings to emerging technology entrepreneurs, innovators and small businesses throughout the region.

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 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 NIH, collectively, Nemours Biomedical Research would rank 16th in overall awards to 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 57 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.

Biotechnology

The Delaware Biotechnology Institute (DBI), located in the Delaware Technology Park, 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 170 faculty and student researchers and features 38 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, Pharmaleads (now AthenaBio), 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.

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 National Institutes of Health (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, and 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 official Historically Black College/University is another proud contributor to Delaware's biotechnology research and technology transfer. In 2009, DSU launched the Center for Integrated Biological and Environmental Research (CIBER) 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.

On March 31,2009, the University of Delaware reported that the combined efforts have helped enable about 12,000 new jobs in life science in 20 new companies between 1998 and 2007. Over $200 million has been invested and $250 million of grants have been won by DTP companies and DBI.

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 25,500 employees as of December 2009, according to the Delaware Department of Labor. Credit cards are a major industry. Prominent credit card issuers in Delaware include Bank of America, Chase Bank (USA), Discover Bank and Barclays Bank Delaware. Other major bank employers include Wilmington Trust, PNC, ING Direct, Citigroup and HSBC. During the fiscal year ending June 30, 2010, the bank franchise tax contributed $54.0 million, about 1.7% of the State's total revenues.

Construction

During 2009, Delaware's housing production totaled 3,467 units. The following table outlines total housing production in the State by county for 2005 through 2009. Housing production includes single and multifamily, public and private housing, as well as mobile homes. In 2009, single family housing (including condominiums) represented 89% of total production, and multifamily units represented 11%.

Production of Housing Units

	2005	2006	2007	2008	2009
New Castle County	2,209	1,752	1,314	822	794
Kent County	2,270	1,840	1,282	988	774
Sussex County..............................	4,050	3,086	2,347	1,536	1,555
Mobile Homes*............................	1,302	1,203	752	524	344
Total	9,831	7,881	5,695	3,870	3,467

* 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 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 the "Nina", a family sedan that sells for $39,900 after federal tax redits. Fisker expects to build as many as 100,000 electric hybrid sedans and also plans to shift production of its $87,900 Karma coupe, now made in Finland, to Boxwood Road in 2012. The plant is expected to employ 2,500 workers by 2012, with 650 on the job in 2011.

Incorporations

As of December 2009, the total number of business entities registered with the Delaware Division of Corporations exceeded 887,000. More than 102,000 new business entities were formed in Delaware in 2009. 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.

Since 1985, significant changes have been made to Delaware's corporate laws, specifically in such important areas as directors' liability and corporate takeovers. 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. These changes, combined with a well-developed body of case law; prompt resolution of commercial and corporate disputes by Delaware's Court of Chancery; and efficient, friendly 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. A 2003 law extends 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. Laws passed in 2004 and 2005 provide incentives for businesses to locate headquarter services or captive insurance operations in Delaware. Recent laws simplify the process of 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 fiscal year 2010, the Division of Corporations processed 422,000 UCC filings and searches. General fund revenue from UCC transactions totaled $14.1 million in fiscal year 2010 and is projected to increase to $14.5 million in fiscal year 2011.

The Division of Corporations collects and disburses certain recording, courthouse municipality, statutory trust and UCC fees on behalf of the State's three counties (New Castle County, Kent County and Sussex County) and three county seats (City of Wilmington, City of Dover and Town of Georgetown). In fiscal year 2010, the Division disbursed $10.4 million of such fees to the State's three counties and three county seats. Such revenues are set aside and are not counted within the State's general fund figures.

Agriculture

Agriculture is a very significant industry in Delaware. In 2009, 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 2009, the total market value of agricultural land and buildings was $4.36 billion, and the average value per farm was $1,758,000. The average market value per acre of farmland and buildings in Delaware is $8,900, four times the national average of $2,100. Only four states had a higher value per acre of farm real estate. The average value per acre dropped $1,400 per acre from 2008.

In 2009, the value of agricultural sector production was $1.17 billion and Delaware agricultural farmers cash receipts were $1.01 billion for all commodities. Cash receipts were below the record high set in 2008 of $1.04 billion.

Delaware's 2009 net farm income increased 3% from the 2008 level of $188 million to $194 million. Production increases in various crops and revenues from services were responsible for the in net farm income.

In 2009, Delaware ranked 1st in the United States in both the agricultural production value per farm ($472,788) and per acre ($2,393) as well as cash receipts per acre at $2,061 and net farm income per acre at $394. 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 2005-2009 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
2005	786	152	938	2.6	240.8	1.2
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	318.3	10.3
2009	771	239	1,010	(3.0)	283.4	(11.0)

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 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. As of June 30, 2010 the total debt service of the DSPC (principal and interest) is $45.3 million.

In fiscal 2009, a total of 4.2 million tons of cargo passed through the Port's facilities, an increase of 9% over the total tons handled in fiscal 2008. Increases in break bulk (juice, steel, fruit) and dry bulk revenues were greater than the revenue reductions from vehicles, lumber and containers such that operating revenue increased by $2.4 million to $29.2 million for fiscal 2009, compared to $26.8 million in fiscal 2008. Lease revenue increased from $4.7 million in fiscal 2008 to $5.1 million in fiscal 2009. Over $165 million has been provided by the State through fiscal 2009 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 B - 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 – 3,405 active duty, 1,900 reservists, and 1,085 civilians – who work at the Base. It is estimated that, as of September 30, 2009, the economic impact of the Base on the local economy is $528.8 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, 2009, Basic Financial Statements as set forth in APPENDIX B, were prepared in accordance with accounting principals 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 20, 2010.

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 "BONDED INDEBTEDNESS OF THE STATE - 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, Global Insight, Inc. (formerly DRI-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)

	2006	2007	2008	2009	2010
18 Months Before Fiscal Year-End	$2,882.6	$3,140.4	$3,367.8	$3,524.1	$2,937.7
9 Months Before Fiscal Year-End	3,019.7	3,280.3	3,390.0	3,411.7	3,143.1
Actual Fiscal Year-End Revenue.........	3,169.9	3,290.2	3,356.7	3,148.0	3,235.1

Economic Projections

Based upon national forecasts by Global Insight, Inc. in September 2010, 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 2011 through 2013 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 2011	Fiscal 2012	Fiscal 2013	Fiscal 2011	Fiscal 2012	Fiscal 2013
Population Growth..........................	1.4%	1.4%	1.4%	1.0%	1.0%	1.0%
Employment Growth........................	0.0	1.5	2.4	0.5	1.6	2.4
Personal Income Growth.................	2.9	3.4	4.3	3.2	3.5	4.6

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

Revenue Summary - Fiscal 2011E - Fiscal 2013E

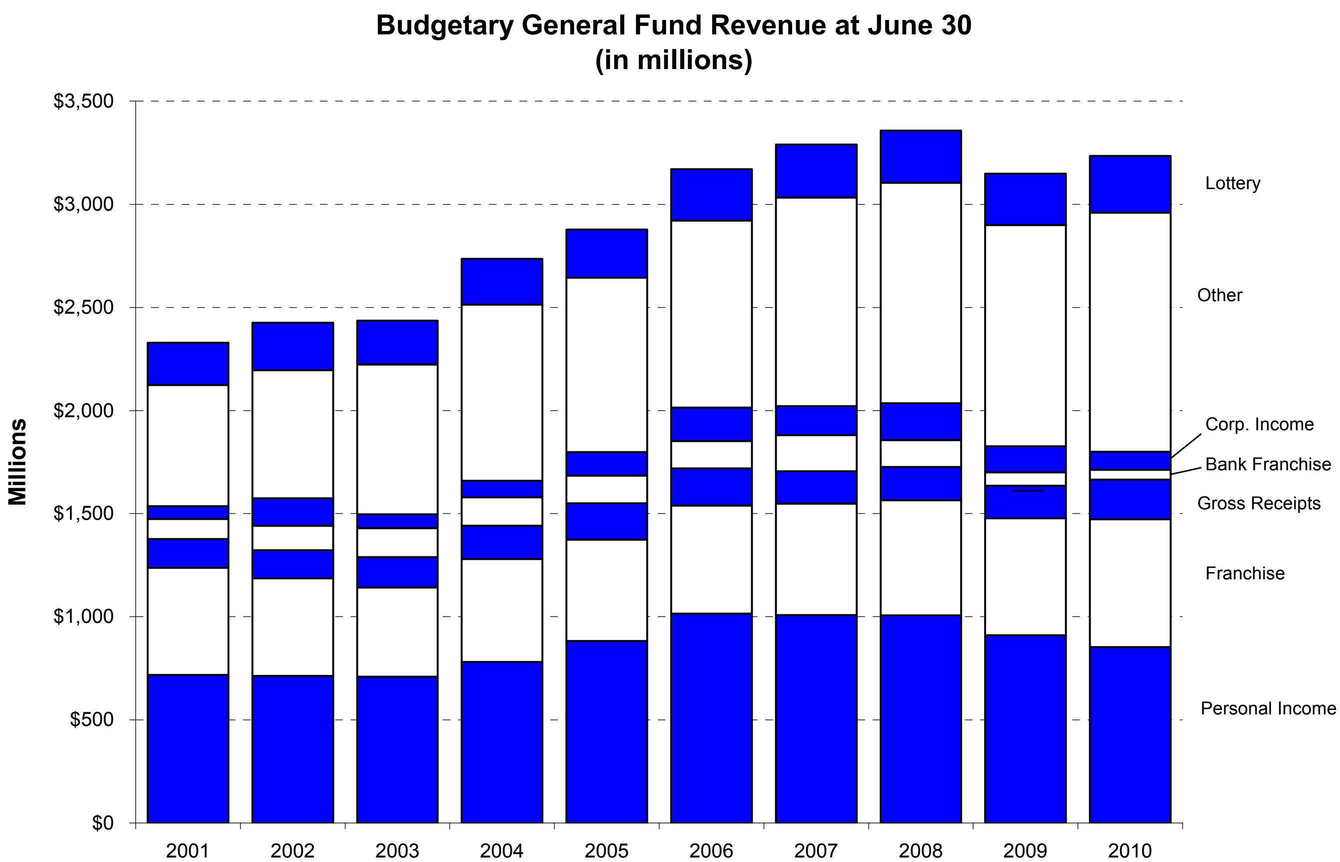
The following table and chart include DEFAC's forecast of budgetary General Fund revenue from all sources as of September 20, 2010, for fiscal 2011, fiscal 2012 and fiscal 2013. DEFAC forecasts General Fund revenue growth of 4.0%, 1.9% and 3.8% for fiscal years 2011, 2012 and 2013, respectively. After adjusting for tax law changes and other nonrecurring items, however, the estimates reflect underlying growth rates of 3.0%, 4.8% and 4.0%, respectively, for fiscal years 2011, 2012 and 2013. See "Fiscal Year Ending June 30, 2011".

Budgetary General Fund Revenue
(in millions)

	DEFAC Forecasts as of September 20, 2010					
	Fiscal 2011		Fiscal 2012		Fiscal 2013	
	Forecast	Change	Forecast	Change	Forecast	Change
Personal Income Tax	1,145.1	7.9%	1,221.1	6.6%	1,286.9	5.4%
Less: Refunds	(190.0)	-8.8%	(191.4)	0.7%	(200.9)	5.0%
PIT Less Refunds	955.1	12.0%	1,029.7	7.8%	1,086.0	5.5%
Franchise Tax	612.5	-3.3%	624.7	2.0%	637.2	2.0%
Limited Partnerships & LLC's	154.9	6.8%	165.7	7.0%	177.3	7.0%
Subtotal Franchise Tax and Limited Partnerships & LLCs	767.4	-1.4%	790.4	3.0%	814.5	3.0%
Less: Refunds	(12.0)	-7.7%	(12.0)	0.0%	(12.0)	0.0%
Net Franchise Tax and Limited Partnerships & LLCs	755.4	-1.3%	778.4	3.0%	802.5	3.1%
Business Entity Fees	76.8	2.6%	78.7	2.5%	80.7	2.5%
Uniform Commercial Code	14.5	2.6%	14.9	2.8%	15.4	3.4%
Corporation Income Tax	149.8	19.3%	162.9	8.7%	169.4	4.0%
Less: Refunds	(35.0)	-7.2%	(36.8)	5.1%	(38.6)	4.9%
CIT Less Refunds	114.8	30.6%	126.1	9.8%	130.8	3.7%
Bank Franchise Tax	82.4	52.6%	82.8	0.5%	87.0	5.1%
Gross Receipts Tax	195.0	0.2%	214.5	10.0%	225.2	5.0%
Lottery	254.8	-7.5%	235.9	-7.4%	245.0	3.9%
Abandoned Property	424.0	-14.0%	390.0	-8.0%	390.0	0.0%
Hospital Board and Treatment	71.9	-3.7%	73.7	2.5%	75.7	2.7%
Dividends and Interest	11.0	0.9%	12.1	10.0%	13.5	11.6%
Realty Transfer Tax	45.0	-4.0%	33.6	-25.3%	35.3	5.1%
Estate Tax	25.0	8,403.4%	26.5	6.0%	28.0	5.7%
Insurance Taxes	50.5	-2.6%	53.1	5.1%	55.8	5.1%
Public Utility Tax	59.5	4.9%	62.5	5.0%	65.6	5.0%
Cigarette Taxes	136.9	3.5%	136.9	0.0%	136.9	0.0%
Other Revenues	125.1	44.7%	110.6	-11.6%	117.1	5.9%
Less: Other Refunds	(34.7)	-6.9%	(32.0)	-7.8%	(32.8)	2.5%
Total(1)(2)	$3,363.0	4.0%	$3,428.0	1.9%	$3,557.7	3.8%

(1) May not equal the sum of its components due to the rounding of actual amount.
(2) When adjusted for legislative changes and non-recurring events, the total growth rates are 3.0%, 4.8% and 4.0% for fiscal 2011, 2012 and 2013, respectively.

The following chart shows both the growth in and source of budgetary General Fund revenues since 2001.



Expenditure Summary - Fiscal 2008- Fiscal 2011E

The following table compares total budgetary General Fund expenditures by major departments for the past three fiscal years ending with fiscal 2010 and estimated expenditures for fiscal 2011. 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 2008	Change	Fiscal 2009	Change	Fiscal 2010	Change	Fiscal 2011E(1)	Change
Correction	$263.2	4.4%	$256.6	(2.5)%	$238.0	(7.2)%	$243.5	2.3%
Health and Social Services	918.7	7.8	832.9	(9.3)	821.4	(1.4)	891.6	8.5
Higher Education	253.0	(0.3)	252.4	(0.2)	227.3	(9.9)	212.5	(6.5)
Public Education	1,132.6	4.0	1,163.1	2.7	1,116.9	(4.0)	1,044.2	(6.5)
Safety & Homeland Security	126.5	4.7	124.2	(1.8)	117.9	(5.1)	123.9	5.1
Services to Children, Youth & Their Families	135.3	2.8	127.1	(6.1)	118.2	(7.0)	125.5	6.2
Other Expenditures	592.3	(14.1)	539.2	(9.0)	436.8	(19.0)	664.1	52.0
Total	$3,421.6	0.9%	$3,295.5	(3.7)%	$3,076.5	(6.6)	$3,305.3	7.4

(1) Based on fiscal 2011budget.

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)

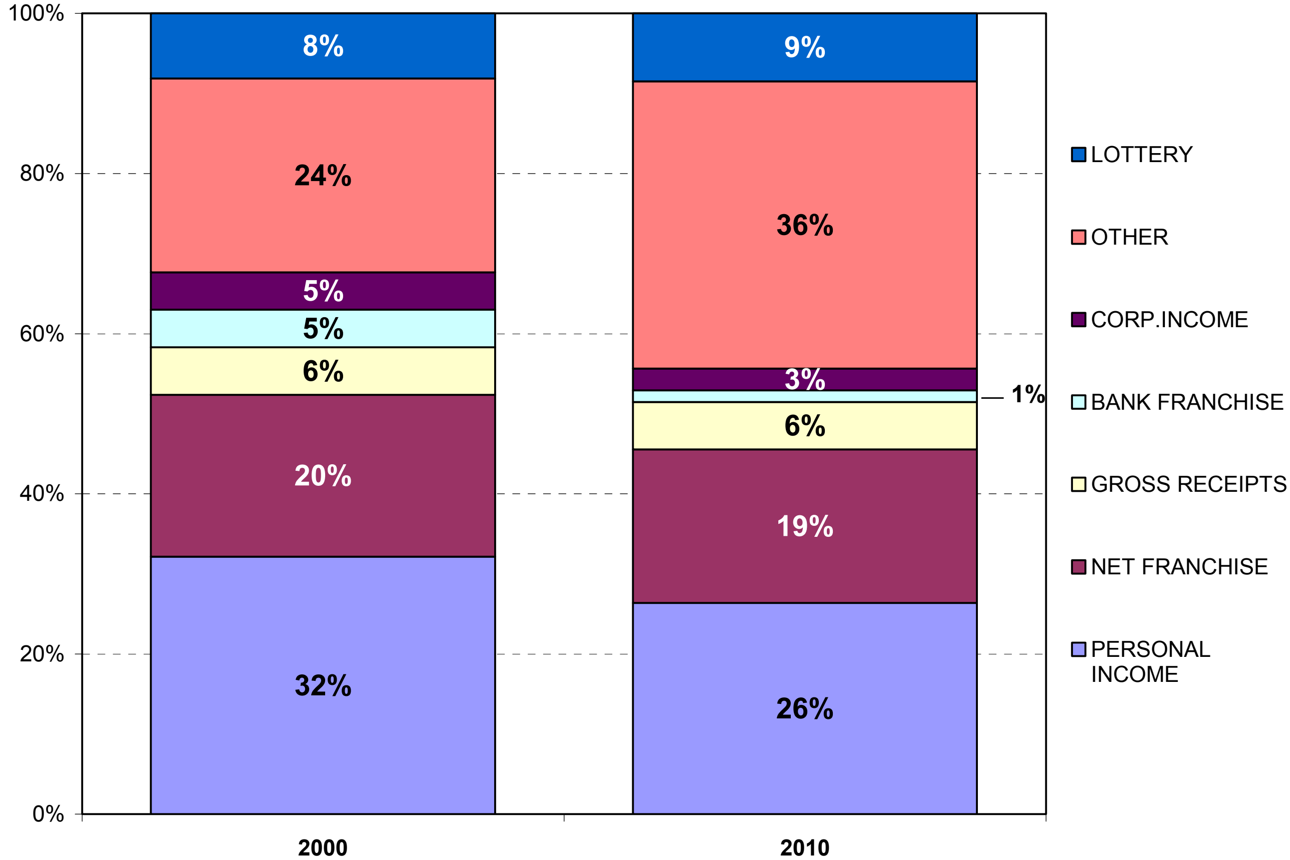
	2008	Change	2009	Change	2010	Change	2011E	Change
Base Budget	$ 3,141.8	5.9%	$ 3,066.9	(2.4)%	$ 3,091.5	8.0%	$ 3,305.3	6.9%
Supplemental Appropriations	81.7	(60.9)%	76.2	(6.7)%	35.4	(53.5)%	126.2	256.5
Prior Year Carryover	198.1	(7.5)%	152.4	(23.1)%	(50.3)	(133.0)%	(115.2)	129.0
Total	$ 3,421.6	.94%	$ 3,295.5	(3.7)%	$ 3,076.6(1)	(6.6)%	$ 3,316.3(1)	7.8

(1) Per September 20, 2010 DEFAC revenue and expenditures projections.
Note: Totals may not add due to rounding.

Sources and Uses of State Funds

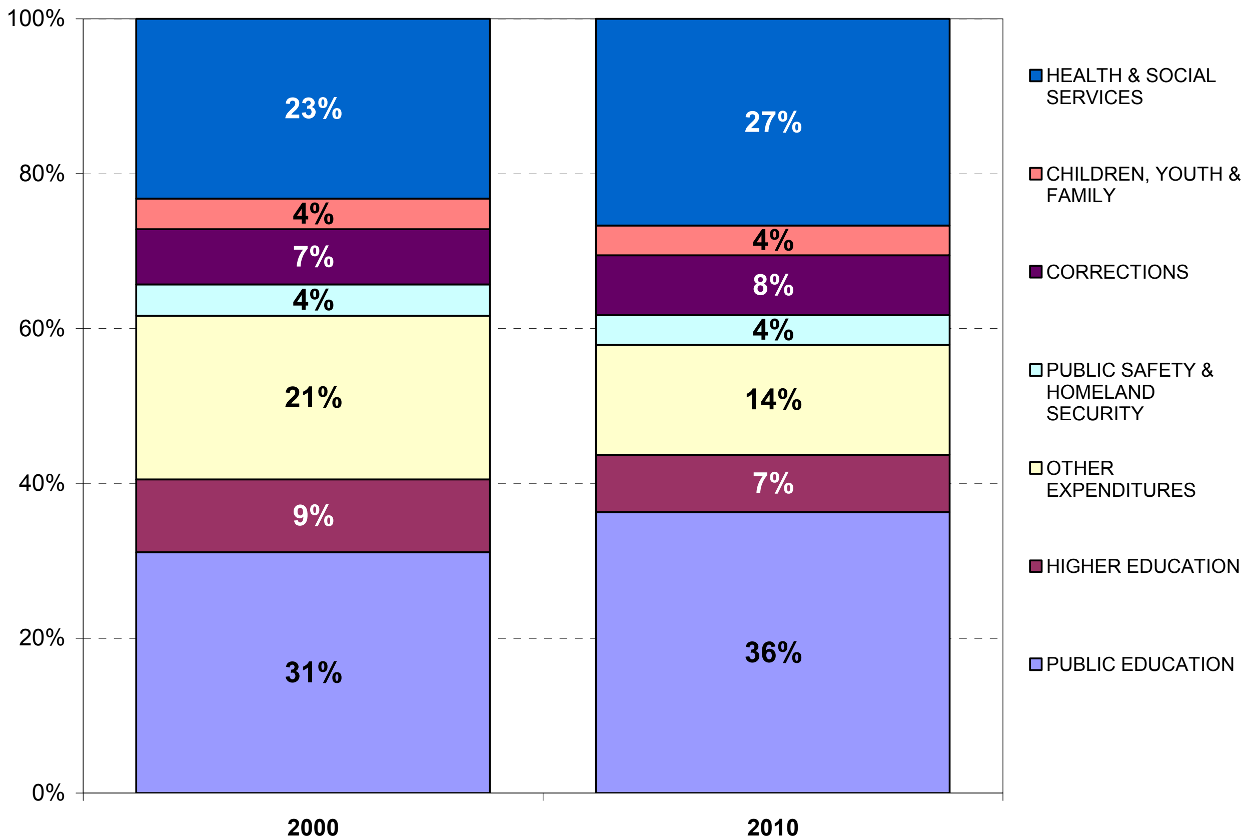
The distribution of budgetary General Fund revenues and appropriations is shown in the following bar charts, which compare fiscal 2010 with ten years earlier.

SOURCES



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

USES

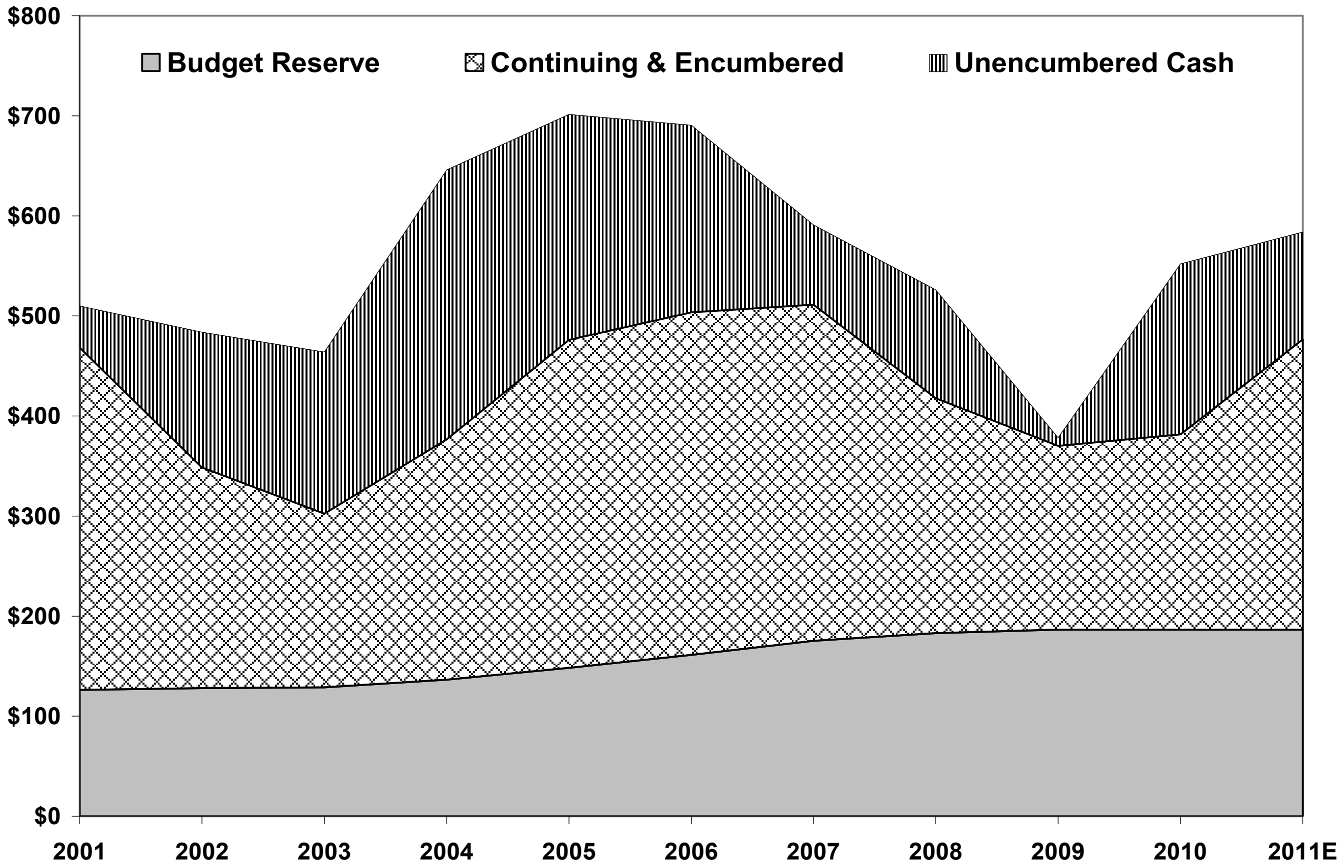


(1) Other uses include administrative services, fire prevention, National Guard, natural resources and environmental control, other elective offices, legislative and executive branches, and agriculture.

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 2001 to fiscal 2011.

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



FISCAL YEAR ENDED JUNE 30, 2009

The State ended fiscal 2009 with a cumulative cash balance of $378.5 million. This balance represented 11.5% 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 $183.7 million was set aside for continuing and encumbered appropriations resulting in an unencumbered cash balance on June 30, 2009 of $8.4 million.

Revenue

Net budgetary General Fund revenue for fiscal 2009 totaled $3,148.0 million, a 6.2% decrease from fiscal 2008.

Personal income taxes, after refunds, were $910.6 million, a decrease of 9.6% from fiscal 2008.

Franchise and Limited Partnership/LLC taxes, after refunds, were $704.3 million, of which $567.2 million relates to Franchise Taxes, a 1.7% increase over fiscal 2008.

Business entity fees were $50.8 million, a 19.8% decrease from fiscal 2008.

Corporate income taxes, after refunds, totaled $126.5 million, a 29.1% decrease from fiscal 2008.

Bank franchise taxes totaled $81.9 million, a 36.85% decrease from fiscal 2008.

Business and occupational gross receipts taxes were $157.9 million, a 2.6% decrease from fiscal 2008. Fiscal 2009 included a gross receipts tax increase which became effective on January 1, 2009.

Lottery revenue totaled $248.0 million, down 1.8% from fiscal 2008.

Abandoned property revenue totaled $392.1 million, a 4.4% increase over fiscal 2008.

Expenditures

Budgetary General Fund expenditures for fiscal 2009 totaled $3,295.5 million, a 3.7% decrease from fiscal 2008. The fiscal 2009 budgetary General Fund operating budget totaled $3,362.9 million, a 2.4% increase over fiscal 2008. Grants-in-aid appropriations of $45.2 million and the budgetary General Fund contribution to the capital budget of $83.4 million brought total appropriations to $3,491.5 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 2009.

Budgetary General Fund Balances - Fiscal 2009
(in millions)

Revenue				$3,148.0
Expenditures				
Budget	$3,362.9			
Grants	45.2			
Supplemental	83.4			
Total appropriations		$3,491.5		
Continued and encumbered (prior years)		234.8		
Total spending authorizations			$3,726.3	
Less: Continued and encumbered (present year)			(183.7)	
Less: Reversions			(247.0)	
Total expenditures				$3,295.5
Operating balance				(147.5)
Prior year cash balance				526.0
Cumulative cash balance				$378.5
Less: Continued and encumbered (present year)				(183.7)
Less: Budget Reserve Account				(186.4)
Unencumbered cash balance				$ 8.4

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 6.5% 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 ENDING JUNE 30, 2011

Based upon the September 20, 2010, DEFAC revenue forecasts, net budgetary General Fund revenue for fiscal 2011 is projected to total $3,363.0 million, a 4.0% increase over fiscal 2010. Legislative changes adopted after DEFAC's June 17, 2010 meeting are expected to add $38.0 million to the fiscal 2012 General Fund total.

Revenue

Personal income taxes, after refunds, are projected to total $955.1 million, a 12.0% 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, are projected to total $755.4 million, a 1.3% decrease from fiscal 2010. The fiscal 2011 estimate includes the impact of a full year franchise tax increase that took effect on January 1, 2009.

Business entity fees are projected to reach $76.8 million, a 2.6% increase over fiscal 2010.

Corporate income taxes, after refunds, are estimated at $114.8 million, a 30.6% increase over fiscal 2010.

Bank franchise taxes are projected to total $82.4 million, a 52.6% increase over fiscal 2010.

Business and occupational gross receipts taxes are projected to total $195.0 million, a 0.2% increase over fiscal 2010. Fiscal 2011 includes a full year of a tax increase, which took effect on January 1, 2010.

Lottery revenue is projected to total $254.8 million, a 7.5% decrease from fiscal 2010. Fiscal 2011 includes the first full-year impact of both the sports lottery and table games.

Abandoned property revenue is projected to total $424.0 million, a 14.0% decrease from fiscal 2010. Legislation adopted subsequent to DEFAC's June 17, 2010 meeting will add $24 million to expected General Fund abandoned property collections.

Appropriations

The fiscal 2011 budgetary General Fund operating budget totaled $3,305.3 million, a 6.9% increase over the fiscal 2010 operating budget. Grants-in-aid appropriations of $35.2 million bring total appropriations to $3,340.5 million. This appropriation package is within the constitutionally-prescribed limit of 98% of estimated revenues.

The fiscal 2011 capital budget totals $389.7 million. Of that amount, $262.8 million is allocated for general obligation capital projects, $127.0 million is allocated for the capital program of the Department of Transportation funded through the Transportation Trust Fund. General Fund cash of $91.0 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 2011.

Projected Budgetary General Fund Balances - Fiscal 2011
(in millions)

Revenue				$3,363.0 [1]
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			$3,616.3	
Less: Continued and encumbered (present year)			(290.0)	
Less: Reversions			(10.0)	
Total expenditures				$ 3,316.3 [1]
Operating balance				46.7
Prior year cash balance				537.1
Cumulative cash balance				$583.8
Less: Continued and encumbered (present year)				(290.0)
Less: Budget Reserve Account				(186.4)
Unencumbered cash balance				$107.4 [2]

(1) Revenue estimates are per DEFAC's September 20, 2010 forecast.
(2) 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, ARRA funding is expected to be $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.

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 is expected to result 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 June 30, 2010, approximately $304.4 million has been received by the State from participating manufacturers. At June 30, 2010, the balance in the Delaware Health Fund was $45.0 million, of which $19.4 million was appropriated through the fiscal 2011 budget process to various health related programs. The remainder has been established as an endowment fund to continue to support such health related programs in the event of future reductions in tobacco payments.

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 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 the Office of Management and Budget and the Delaware State Clearinghouse Committee for Federal Aid Coordination. The Committee is comprised of 10 members, including the Secretary of Finance, Director of the Office of Management and Budget, Director of the Delaware Economic Development Office, the Controller General, and six legislators.

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 2010, the General Assembly authorized appropriations of $3,431.5 million for fiscal 2011, 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 Office of Management and Budget 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.
Velda Jones-Potter	State Treasurer
Harold Slatcher	President & CEO, County Bank

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, 2010, Delaware's rates on taxable income range from zero on the first $2,000 of net taxable income, to 6.95% 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, 2010, tax rates include 0.6739% for contractors (with a monthly deduction from gross receipts of $80,000); 0.4147% for wholesalers (with a monthly deduction of $80,000); 0.1944% for manufacturers (with a monthly deduction of $1,000,000); 0.2074% for food processors (with a monthly deduction of $80,000); 0.1037% 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 $80,000); 0.6739% for restaurants (with a monthly deduction of $80,000); and 0.4147% of aggregate gross receipts on most occupational licenses (with a monthly deduction of $80,000). A use tax on leases of tangible personal property is levied on the lessee at the rate of 2.0736% of lease rentals and on the lessor at the rate of 0.3110% of rental payments received. Lessors are allowed a quarterly deduction of $240,000. Automobile manufacturers pay a 0.1458% tax (with a monthly deduction of $1,000,000).

Under current law, tax rates will fall by 7.4% effective for tax periods starting on or after January 1, 2014.

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 5.00%. Several exemptions/reductions apply. Receipts from sales of electricity to manufacturers, and agribusiness/food processors are taxed at 2.35%. 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 minimum tax is $2.0 million with additional liability ranging from 0.015% on the value of assets not in excess of $5.0 billion to 0.005% on assets in excess of $20 billion but not in excess of $100 billion. The maximum Location Benefits Tax is $8.25 million.

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, which is expected to enter the video lottery market in stages beginning in the autumn of 2010.

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, which are expected to enhance the State's position in an increasingly competitive gaming market, increase employment and add revenue to the State's coffers, were operational early in fiscal 2011. For fiscal 2011, table games are expected to generate $40.5 million in new 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, 2006 through 2010. See "STATE FINANCIAL OPERATIONS – "Expenditure Summary – Fiscal 2006–Fiscal 2010" for a detailed explanation of the expenditure figures.

Budgetary General Fund Disbursements
(in millions)

	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010
Salaries	$1,108.3	$1,167.2	$1,222.9	$1,225.5	$1,154.7
Debt Service	132.5	131.2	151.1	156.4	174.3
Contractual Services	252.2	289.5	296.7	286.8	255.5
Fringe Benefits, except Pensions	298.4	323.5	332.7	332.9	331.0
Pensions	180.7	201.5	218.6	211.1	196.7
Welfare and Assistance Grants	473.1	535.7	591.4	504.7	509.8
Other Grants	403.1	365.1	259.1	265.8	195.4
Other	332.2	376.2	349.1	312.3	259.1
Total Disbursements	$3,180.5	$3,389.9	$3,421.6	$3,295.5	$3,076.5

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 2006, the U.S. Department of Education, National Center for Educational Statistics, Institute for Education Sciences reported that Delaware was exceeded only by four other states 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 2009-2010 school year, the average State-local funded classroom teacher's salary was $55,860, of which $38,063 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 2009 totaled $1,163.1 million. Appropriations of $1,121.1 million have been made for fiscal 2010.

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

Public School Enrollment(1)

	Enrollment	Change
2000	113,699	0.9%
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

(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 55,210 students in the 2009-2010 academic school year based upon Fall 2009 student headcount (44,617 on a full time equivalent ("FTE") basis). The three State-supported institutions are Delaware Technical and Community College which enrolled 15,681 students (12,118 FTE); Delaware State University, a land grant college located in Dover which enrolled approximately 3,609 students (2,892 FTE); and the University of Delaware, a land grant college located in Newark, which enrolled 21,138 students (20,691 FTE). The five privately supported institutions of higher education in the State enrolled an additional 14,782 students in 2009-2010 (10,517 FTE).

Budgetary General Fund expenditures for higher education in fiscal 2010 were $234.7 million. The State provides approximately 16% of the operating budget of the University of Delaware, 44% of the budget of Delaware Technical and Community College, and 38% of the budget of Delaware State University. Appropriations of $217.7 million have been made for fiscal 2011, including $117.8 million for the University of Delaware, $66.1 million for Delaware Technical and Community College and $33.7 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%. However, during the period from April 1, 2003 through June 30, 2004, the FFP was increased to 52.95% pursuant to Title IV of the Jobs and Growth Tax Relief Reconciliation Act of 2003. From October 1, 2004 through September 30, 2005, the FFP was 50.38%. During the period from

October 1, 2005 through September 30, 2006, the FFP was 50.09%. Beginning with the period of October 1, 2006 through September 30, 2008, the FFP was 50.0%. With the passage of the America Recovery and Reinvestment Act of 2009 (ARRA), effective October 1, 2008 through June 30, 2011, Delaware was entitled to an increased FFP. This rate was 60.19% from October 1, 2008 through June 30, 2009, increasing to 61.59% from July 1, 2009 through September 30, 2009. It further increased to 61.78% effective October 1, 2009 and remains at that rate currently.

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 2004 through fiscal 2010.

Social Services Expenditures
(dollars in millions)

	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010
TANF							
Number of Recipients/month ...	14,237	14,062	13,876	11,382	10,307	11,312	13,027
Total Expenditures/year	$19.1	$19.0	$18.7	$16.2	$15.3	$16.7	$21.8
State Share................................	$2.9	$3.4	$3.5	$2.7	$11.1	$16.5	$16.3
GENERAL ASSISTANCE							
Number of Recipients/month ...	2,335	2,481	2,620	2,818	3,008	3,352	3,739
Total Expenditures/year	$3.3	$3.5	$3.8	$3.9	$4.2	$4.7	$5.2
State Share................................	$3.3	$3.5	$3.8	$3.9	$4.2	$4.7	$5.2
SSI							
Number of State Subsidized Recipients/month....................	745	805	838	804	820	845	830
State Share................................	$1.1	$1.2	$1.1	$1.1	$1.1	$1.2	$1.1
FOSTER CARE (DSCYF)							
Number of Children/month	627	651	748	843	857	740	640
Total Expenditures/year	$9.8	$11.8	$15.1	$19.2	$20.4	$18.2	$16.5
State Share................................	$8.4	$10.2	$13.1	$16.8	$17.6	$15.9	$13.5
DAY CARE							
Number of Children/month	13,813	13,839	14,266	15,039	14,009	13,496	13,668
Total Expenditures/year	$40.0	$37.5	$46.6	$53.6	$49.0	$44.6	$38.5
State Share................................	$23.7	$24.9	$28.7	$38.0	$26.0	$10.5	$10.9
MEDICAID							
Number of Eligibles/month......	130,411	138,884	142,548	143,386	148,827	160,018	173,771
Total Expenditures/year	$730.3	$826.4	$861.6	$990.0	$1,052.0	$1,201.6	$1,315.5
State Share................................	$345.9	$397.2	$428.0	$495.0	$519.7	$499.4	$505.3
COMMUNITY HEALTH							
State Expenditures/year............	$23.8	$25.1	$26.5	$35.6	$39.8	$41.0	$33.5

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 22,539 clients in FY 2010, some of these clients were shared by each of the three divisions. The Family Services division spent $46.3 million in fiscal 2008, $43.9 million in fiscal 2009, $25.5 million in fiscal 2010 and has budgeted $42.4 million in fiscal 2011. 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 $44.0 million in fiscal 2008, $40.4 million in fiscal 2009, $36.6 million in fiscal 2010 and has budgeted $39.3 million for fiscal 2011. The Division of Child Mental Health (CMH) Services provides programs for the mentally ill and the emotionally disturbed. The CMH spent $27.4 million in fiscal 2008, $26.2 million in fiscal 2009, $40.5 million in fiscal 2010 and has budgeted $27.7 million for fiscal 2010.

Corrections

The Department of Corrections ("DOC") is the only government operated correction agency in the State. Delaware runs what is called 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 I (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 2010 were $238.0 million. The budget for fiscal 2011 is $243.5 million. As of June 30, 2010, the incarcerated population in the custody of the Department is approximately 6,580, of which about 3,897 are prisoners. The jail population of approximately 2,683 is divided between offenders sentenced to less than 1 year of incarceration (1,291) and offenders held pending trial (1,392). Over 16,500 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, 2009.

Real Property Valuations
(in millions)

County	Assessed Valuation[1]	Estimated Full Valuation
New Castle..........................	$ 18,249.5[2]	$71,841.5
Kent....................................	3,395.6[3]	18,733.0
Sussex	2,787.5 [4]	42,852.5
Total	$24,432.6	$133,427.0

(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 August 31, 2010, the Unemployment Compensation Fund reflected a cumulative advance of $2,901,505.48

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 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010
Health & Social Services	57.5%	58.6%	61.6%	59.6%	61.0%	57.2%
Transportation	10.4%	10.2%	9.0%	12.3%	13.9%	13.0%
Public Education	12.4%	12.4%	12.0%	11.1%	10.3%	13.1%
Housing Authority	3.7%	3.6%	4.1%	3.9%	3.2%	3.9%
Labor	3.5%	3.2%	3.1%	2.8%	2.6%	2.3%
Higher Education	2.7%	2.5%	2.5%	2.6%	2.5%	3.1%
Natural Resources	2.8%	2.6%	2.9%	2.6%	2.3%	2.3%
Other	7.0%	6.9%	4.8%	5.1%	4.2%	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 Legislature for fiscal years 2009 and 2010 and will remain suspended for fiscal year 2011.

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 35,217 active employees and approximately 21,676 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 3 active officers and 547 retirees, the new State Police Pension Plan which covers the 651 officers hired after July 1, 1980 and 113 retirees, and the State Judiciary Pension Plan which covers 55 active employees and 42 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 the Office of Management & Budget 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 2010 was 14.1% compared to 14.4% 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.

Benefit payments are computed using the average monthly compensation for the 36 months of highest monthly compensation. This 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. on an annual basis. The most recent valuation (as of June 30, 2010) was completed in September 2010. As of January 1, 1998, all employees contribute 3% 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 cost 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 $287.4 million as of June 30, 2010.

Unfunded Accrued Liability
(in millions)

June 30, 2005	($87.3)
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

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 $14.9 million as of June 30, 2010. The State Judiciary Pension Plan showed an unfunded accrued liability on June 30, 2010 of $8.5 million. 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, 2010, this plan had an unfunded accrued liability of $297.0 million.

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 2010 was $101.4 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 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009
Income					
Employee Contributions	$37.9	$ 41.1	$ 42.8	$ 45.7	$ 45.9
State Contributions(1) (budgetary General Fund and budgetary Special Funds)..........	104.5	129.3	142.1	148.5	135.4
Investment Income.......................	500.5	666.7	942.7	(110.5)	(1,048.3)
Total Income	$642.9	$837.1	$1,127.6	$83.7	$(867.0)
Disbursements					
Pension Benefits Paid	$271.3	$300.3	$327.8	$348.1	$369.2
Refunds	2.4	2.9	3.2	3.0	3.1
Other Disbursements....................	8.7	9.3	9.1	10.3	11.1
Total Disbursements	$282.4	$312.5	$340.1	$361.4	$383.4
Excess of Income over Disbursements...........................	$360.5	$524.6	$787.5	($277.7)	($1250.4)
Total Plan Assets..........................	$5,608.5	$6,133.1	$6,920.6	$6,642.9	$5,396.5

(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, 2010, 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 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 fiscal 2010, the State contributed $10 million in abandoned property revenue in excess of $374.0 million transferring those funds in late April. Another $10 million of abandoned property revenues in excess of $424.0 has been similarly appropriated for fiscal 2011. The State has established an irrevocable trust and had accumulated $95 million in assets at August 31, 2010, which represents a funding ratio of less than 2%. The State's fiscal 2010 annual required contribution ("ARC") was $480.0 million of which 36% was met through cash contributions and paid benefits, and its fiscal 2011 ARC is estimated at $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.

EMPLOYEE RELATIONS

The State currently has 31,027 full-time equivalent (FTE) positions budgeted for fiscal year 2011, a decrease of 319 FTEs from fiscal 2010. This includes 13,526 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 16,764 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 the Office of Management and Budget 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 with the Governor's signature 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	Velda Jones-Potter
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	Carolann Wicks

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 $7.2 million as of September 30, 2010.

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 will be deposited with DTC.

DTC, the world's largest 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 highest rating: AAA. 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 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

2010B Bonds

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 2010B Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2010B 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 2010B 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 on the 2010B 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 2010B 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 2010B Bonds to be so includable in gross income retroactive to the date of issuance of the 2010B Bonds. The State has covenanted to comply with all such requirements. Interest on the 2010B Bonds is not subject to the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel expresses no opinion regarding other federal tax consequences relating to the 2010B 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 Amortizable Bond Premium and Amortizable Bond Premium" below.

Alternative Minimum Tax

Interest on the 2010B Bonds is not subject to the federal alternative minimum tax imposed on individuals and corporations.

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 2010B 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 2010B 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 2010B 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 2010B Bonds, denies the interest deduction for indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the 2010B 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 2010B 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 Amortizable Bond Premium

The 2010B Bonds maturing on July 1, 2011 to July 1, 2024, inclusive (each maturity of the 2010B Bonds) 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.

2010C Bonds & 2010D Bonds

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the 2010C Bonds and/or 2010D Bonds as the case may be. The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change or possible differing interpretations. This summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. This summary focuses primarily on investors who will hold the 2010C Bonds and/or 2010D Bonds as "capital assets" (generally, property held for investment within the meaning of Code Section 1221), but much of the discussion is applicable to other investors. Potential purchasers of the 2010C Bonds and/or 2010D Bonds, as the case may be, should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the 2010C Bonds and/or 2010D Bonds.

Taxability of Stated Interest and Principal

In general, interest payable to holders of the 2010C Bonds and 2010D Bonds, as the case may be, who are not exempt from federal income tax will be treated as ordinary income in the year paid, in the case of cash basis taxpayers, or the year accrued, in the case of accrual basis taxpayers. Principal payments on the 2010C Bonds and 2010D Bonds, respectively, other than those attributable to any market discount, will be treated as a return of capital.

Acquisition Premium

The purchaser of a 2010C Bond and/or 2010D Bond, as the case may be, will be treated as having amortizable bond premium to the extent (if any) by which the purchaser's initial basis in the 2010C Bond and/or 2010D Bond exceeds the outstanding principal amount of the 2010C Bond and/or 2010D Bond, respectively. Provided that the purchaser makes an election under Section 171(c) of the Code (or made such an election after October 22, 1986), the amount of any amortizable bond premium may be amortized over the term of the 2010C Bond and/or 2010D Bond and treated as a reduction of the 2010C Bondholder's and/or 2010D Bondholder's taxable interest income from the 2010C Bond and/or 2010D Bond each year, respectively.

The election under Section 171(c) of the Code to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by a holder of a 2010C Bond and/or 2010D Bond, and may be revoked only with the consent of the Internal Revenue Service.

OWNERS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE ADVISABILITY OF MAKING AN ELECTION TO DEDUCT AMORTIZABLE BOND PREMIUM AND THE APPROPRIATE METHOD OF MAKING SUCH AN ELECTION.

Sale or Redemption of the 2010C Bonds and 2010D Bonds

A holder's tax basis for a 2010C Bond and/or 2010D Bond, as the case may be, is the price such holder pays for the 2010C Bond and/or 2010D Bond, respectively, reduced by (a) payments received other than "qualified periodic interest" and (b) amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a 2010C Bond and/or 2010D Bond, measured by the difference between the amount realized and the 2010C Bond's and/or 2010D Bond's basis as so adjusted, will generally give rise to capital gain or loss if the 2010C Bond and/or 2010D Bond is held as a capital asset. In the case of a subsequent purchaser, a portion of any gain will generally be treated as ordinary income to the extent of any market discount accrued to the date of disposition which was not previously reported as ordinary income.

Backup Withholding

A holder of a 2010C Bond and/or 2010D Bond may, under certain circumstances, be subject to "backup withholding" at the applicable rate prescribed by the Code with respect to interest on the 2010C Bonds and/or 2010D Bonds, as the case may be. This withholding generally applies if the holder of a 2010C Bond and/or 2010D Bond (a) fails to furnish the State with its taxpayer identification number ("TIN"); (b) furnishes the State an incorrect TIN; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code, or (d) under certain circumstances, fails to provide the State or its securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is his correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to payments made to certain holders of the 2010C Bonds and/or 2010D Bonds, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Holders of the 2010C Bonds and/or 2010D Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

The State will report to the holders of the 2010C Bonds and/or 2010D Bonds, as the case may be, and to the IRS for each calendar year the amount of any "reportable payments" during such year and the amount of tax withheld, if any, with respect to payments on the 2010C Bonds and/or 2010D Bonds.

Foreign Bondholders

Under the Code, interest with respect to 2010C Bonds and/or 2010D Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons ("Nonresidents") generally will not be subject to the thirty percent (30%) United States withholding tax if the State (or other person who would otherwise be required to withhold tax from such payments), is provided with an appropriate statement that the beneficial owner of a 2010C Bond and/or 2010D Bond is a nonresident. The withholding tax, if applicable, may be reduced or eliminated by an applicable tax treaty. However, interest that is effectively connected with a United States business conducted by a Nonresident holder of a 2010C Bond and/or 2010D Bond will generally be subject to the regular United States income tax.

INVESTORS WHO ARE NONRESIDENTS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE SPECIFIC TAX CONSEQUENCES TO THEM OF OWNING 2010C BONDS AND/OR 2010D BONDS.

THE FOREGOING SUMMARY AS TO 2010C BONDS AND/OR 2010D BONDS IS NOT INTENDED AS AN EXHAUSTIVE RECITAL OF THE POTENTIAL TAX CONSEQUENCES OF HOLDING THE 2010C BONDS AND/OR 2010D BONDS. PROSPECTIVE PURCHASERS OF THE 2010C BONDS AND/OR 2010D BONDS SHOULD CONSULT THEIR TAX ADVISORS WITH

RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF THE OWNERSHIP OF THE 2010C BONDS AND/OR 2010D BONDS. BOND COUNSEL WILL NOT RENDER ANY OPINION WITH RESPECT TO ANY FEDERAL TAX CONSEQUENCES OF OWNERSHIP OF THE 2010C BONDS AND/OR 2010D BONDS AND WILL NOT RENDER ANY OPINION AS TO STATE OR LOCAL TAX.

Delaware State Tax Opinion

In the opinion of Bond Counsel under existing statutes interest on the 2010 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, 2009, 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 2010B Bonds are being purchased by J.P. Morgan Securities LLC, as representative of a group of underwriters (the "Underwriters"). The Underwriters have agreed to purchase said 2010B Bonds at a purchase price of $154,763,164.57 (which is equal to the aggregate principal amount of $135,310,000 plus original issue premium of $19,908,489.05 less underwriters' discount of $455,324.48). 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.

Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, each an underwriter of the 2010B Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated 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 Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC. for its selling efforts in connection with their respective allocations of 2010B Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2010B Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the 2010B Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase 2010B Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2010B Bonds that such firm sells.

The 2010C Bonds and the 2010D Bonds are being purchased by Barclays Capital (the "2010C and 2010D Underwriter"). The 2010C and 2010D Underwriter has agreed to purchase said 2010C Bonds and 2010D Bonds at a purchase price of $174,886,529.50 (which is equal to the aggregate principal amount of $115,775,000 for the 2010C Bonds and $59,580,000 for the 2010D Bonds less original issue discount of $85,147.25 for the 2010C Bonds less combined underwriters' discount of $383,323.25). The 2010C and 2010D Underwriter's obligation to make such purchase is subject to the approval of certain legal matters by Bond Counsel and certain other conditions.

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 2010B 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

Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, (the "Rule") prohibits an underwriter from purchasing or selling municipal securities, such as the Bonds, unless it has determined that the issuer of such securities and/or other persons deemed to be "obligated persons" have committed to provide (i) on an annual basis, certain financial information, including financial information and operating data ("Annual Reports"), to the Municipal Securities Rulemaking Board (the "MSRB") via the Electronic Municipal Market Access System ("EMMA"), and (ii) notice of various events described in the Rule, if material ("Event Notices"), to the MSRB via EMMA.

The State will agree with the purchasers of the Bonds, by executing a supplement to the Continuing Disclosure Agreement executed in connection with the issuance of its General Obligation Bonds - Series 1996A (the "Continuing Disclosure Agreement") prior to the issuance of the Bonds, to provide Annual Reports with respect to itself to MSRB via EMMA and to any Delaware information repository that is formed. The State has determined that there currently is not any other obligated person for the purposes of the Rule. The State will provide Event Notices to the MSRB via EMMA and to any Delaware information repository. The Continuing Disclosure Agreement, which appears as APPENDIX C to this Official Statement, has been supplemented to reflect that as of July 1, 2009, the Securities and Exchange Commission has appointed EMMA to act as the sole National Repository. Under the provisions of the State's Continuing Disclosure Agreement, the State is required to provide its Annual Report by May 1 of each year. The State has complied with all of its obligations under the Continuing Disclosure Agreement 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

VELDA POTTER-JONES,
State Treasurer

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APPENDIX A

SUMMARY OF CASH BASIS FINANCIAL STATEMENTS
For Fiscal Years 2006 Through 2010

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

	Fiscal Years Ended June 30				
	2006[1]	2007[1]	2008[1]	2009[1]	2010[1]
Receipts					
Tax Revenue					
Personal Income	$1,163,277	$1,186,579	$1,198,756	$1,105,248	$1,061,486
Franchise	526,364	540,447	566,308	574,213	633,108
Corporation Income	182,729	177,061	227,791	162,134	125,575
Gross Receipts	179,264	157,312	162,117	164,079	194,594
Public Utility	39,354	46,156	48,106	55,857	56,694
Cigarette	88,526	88,289	125,338	125,681	132,278
Pari-Mutual	166	147	143	121	116
Inheritance and Estate	4,900	366	334	78	293
Realty Transfer	116,875	90,934	75,967	44,586	46,875
Alcoholic Beverage	14,238	14,801	14,736	15,519	16,446
Insurance Taxes	59,196	88,254	80,828	77,271	51,838
Bank Franchise	132,726	175,161	129,704	81,783	54,005
All Other	418,269	466,420	493,910	539,152	648,803
Total Taxes	2,925,884	3,031,927	3,124,038	2,945,722	3,022,111
Revenue Refunds	203,192	244,676	291,777	298,220	296,348
Net Taxes	2,722,692	2,787,251	2,832,261	2,647,502	2,725,763
Other Revenue					
Fees	105,300	109,386	107,690	90,494	114,091
Interest Earnings	13,497	25,266	32,948	8,892	10,900
Sales[2]	308,783	320,476	323,847	325,053	350,483
Grants, Donations & Special Income	44	0	0	0	0
Licenses	10,994	15,902	11,666	15,832	11,775
Other Revenue	3,110	9,030	6,188	3,332	8,916
Non-revenue and Transfers	5,495	22,901	42,141	56,922	13,214
Total Other Revenue	447,223	502,961	524,480	500,525	509,379
Total Receipts	**$3,169,915**	**$3,290,212**	**$3,356,741**	**$3,148,027**	**$3,235,142**
Disbursements					
Legislative	$ 12,916	$ 13,174	$ 14,015	$ 12,886	$ 11,768
Judicial	84,956	89,391	92,279	88,921	86,357
Executive	272,865	275,008	161,064	150,286	89,887
Technology and Information	36,813	37,647	36,926	37,066	32,258
Other Elective Offices	55,280	56,542	79,380	54,367	54,173
Legal	37,010	41,614	44,759	43,770	41,289
Dept. of State	19,292	25,592	31,890	38,060	27,396
Dept. of Finance	66,065	45,628	33,382	26,597	24,332
Dept. of Administrative Services	-	-	-	-	-
Dept. of Health & Social Services	783,771	852,546	918,685	832,935	821,414
Dept. of Children, Youth & Their Families	116,700	131,660	135,344	127,140	118,206
Dept. of Correction	227,496	252,143	263,196	256,627	237,987
Dept. of Natural Resources & Env. Control	57,631	70,495	66,750	56,900	44,137
Dept. of Safety & Homeland Security	114,963	120,875	126,543	124,196	117,906
Dept. of Transportation	12,027	1,981	3	-	-
Dept. of Labor	7,068	7,330	8,110	7,360	6,178
Other	20,437	25,793	23,652	22,923	18,951
Total Departments	1,925,290	2,047,419	2,035,978	1,880,034	1,732,239
Higher Education	239,291	253,820	253,029	252,403	227,323
Public Education	1,015,959	1,088,657	1,132,639	1,163,102	1,116,947
Total Education	1,255,250	1,342,477	1,385,668	1,415,505	1,344,270
Total Disbursements	**$3,180,540**	**$3,389,896**	**$3,421,646**	**$3,295,539**	**$3,076,509**
Receipts Over (Under) Disbursements	(10,625)	(99,684)	(64,905)	(147,512)	158,633
Cash Balance-Beginning of Period	701,197	690,572	590,888	525,983	378,471
General Fund Advances to Other Funds	-	-	-	-	-
Cash Balance	**$ 690,572**	**$ 590,888**	**$ 525,983**	**$ 378,471**	**$ 537,104**

(1) Unaudited. The State has audited GAAP financial statements for the fiscal years ending June 30, 2006 through June 30, 2009.
(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				
	2006(1)	2007(1)	2008(1)	2009(1)	2010(1)
Receipts					
Taxes					
Insurance	$ 24,107	$ 27,241	$ 30,494	$ 26,209	$ 24,321
Local School Property	349,193	386,832	416,881	427,014	435,961
All Other	289,476	363,852	372,447	425,131	356,336
Total Taxes	662,776	777,925	819,822	878,354	816,618
Other Revenue					
Federal Grants and Reimbursements	1,204,152	1,186,399	1,291,847	1,521,071	1,884,666
Pension Fund Receipts	162,595	170,100	181,024	176,382	180,576
Interest Earnings	33,931	52,737	51,361	25,328	16,661
All Other	801,823	881,799	965,447	981,174	983,269
Total Other Revenue	2,202,501	2,291,035	2,489,679	2,703,955	3,065,172
Non-Revenue and Transfer					
Sale of Bonds	136,850	392,030	210,666	252,202	211,693
Receipts from Pension Fund	562,820	564,015	535,836	558,052	575,419
All Other	845,323	797,030	857,656	860,229	873,255
Total Non-Revenue and Transfer	1,544,993	1,753,075	1,604,158	1,670,483	1,660,367
Total Receipts	4,410,270	4,822,035	4,913,659	5,252,792	5,542,157
Total Disbursements	4,384,805	4,557,734	4,923,979	5,164,419	5,643,645
Receipts Over (Under) Disbursements	25,464	264,301	(10,320)	88,373	(101,488)
Operating Cash Balance-Beginning of Period	1,012,112	1,036,762	1,298,653	1,291,554	1,379,132
Operating Cash Balance-End of Period	**$1,037,576**	**$1,301,063**	**$1,288,333**	**$1,379,927**	**$1,277,644**
Other Cash					
Payables(2)	(814)	(2,411)	3,221	(795)	23
Cash Balance	**$1,036,762**	**$1,298,653**	**$1,291,554**	**$1,379,132**	**$1,277,667**

(1) Unaudited. The State has audited GAAP financial statements for the fiscal years ending June 30, 2006 through June 30, 2009.
(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				
	2006(1)	**2007**(1)	**2008**(1)	**2009**(1)	**2010**(1)
Receipts					
Net Taxes	$ 3,385,512	$ 3,565,176	$ 3,637,083	$ 3,525,849	$ 3,546,383
Interest Earnings	47,428	78,003	84,309	34,220	27,561
Grants, Donations and Special Income	1,156,096	1,143,028	1,241,077	1,451,838	1,800,487
Licenses	14,523	20,517	16,485	23,523	18,268
Fees	247,263	246,886	260,996	233,779	274,355
Sales	373,403	401,066	413,913	417,857	448,708
Other Revenue	964,005	1,030,570	1,121,125	1,144,708	1,166,632
Total Revenue	6,188,229	6,485,246	6,774,988	6,831,774	7,282,394
Non-Revenue and Transfers	1,391,954	1,627,002	1,495,415	1,569,041	1,494,905
Total Receipts	7,580,184	8,112,248	8,270,403	8,400,815	8,777,299
Total Disbursements	7,565,345	7,947,629	8,345,624	8,459,958	8,720,154
Receipts Over (Under) Disbursements	14,838	164,619	(75,221)	(59,143)	57,145
Cash Balance-Beginning of Period	1,713,309	1,727,333	1,889,541	1,817,541	1,757,603
General Fund Advances to Other Funds	-	-	-	-	-
Operating Cash Balance-End of Period	**$1,728,147**	**$1,891,952**	**$1,814,320**	**$1,758,398**	**$1,814,748**
Other Cash					
Payables(2)	(814)	(2,411)	3,221	(795)	23
Cash Balance	**$1,713,309**	**$1,727,333**	**$1,889,541**	**$1,757,603**	**$1,814,771**

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(1) Unaudited. The State has audited GAAP financial statements for the fiscal years ending June 30, 2006 through June 30, 2009.

(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, 2009

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STATE OF DELAWARE
Basic Financial Statements
June 30, 2009
(With Independent Auditors' Report Thereon)

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STATE OF DELAWARE

Table of Contents

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Delaware (the State), as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. The financial statements of these entities were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2009, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

KPMG LLP

December 30, 2009

Management's Discussion and Analysis

The following is a discussion and analysis of the State of Delaware's (the State's) financial activities as of and for the fiscal year ended June 30, 2009. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages i-vi of this report, and the State's financial statements, which follow this section.

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

Financial Highlights

- The assets of the State exceeded its liabilities at the close of the most recent fiscal year by $5,204.7 million (net assets). Component units reported net assets of $768.9 million, an increase of $17.2 million from the previous year.

- As a result of its operations, the primary government's total net assets decreased by $486.3 million (8.5%) in fiscal year 2009 when compared to the previous year's restated ending net assets. Net assets of governmental activities decreased by $367.5 million (14.2%) from the previous year, while net assets of the business-type activities decreased $118.7 million (3.8%) from the previous year.

- The State's governmental funds reported combined ending fund balances of $1,311.1 million, a decrease of $177.4 million (11.9%) in comparison with the prior year.

- At the end of the current fiscal year, the unreserved fund balance for the general fund was $744.4 million, which was 18.9% of total general fund expenditures. Some of the unreserved fund balance is not available for new spending as such funds have been committed based on State statutes that can only be amended by legislation.

- The State's total general obligation debt increased $93.3 million (6.8%) during fiscal year 2009 to $1,469.3 million. Of the State's outstanding debt, $514.9 million (35.0%) has been issued on behalf of local school districts, which are supported by the property tax revenues of those districts.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include not only the State (known as the primary government), but also legally separate entities for which the State is financially accountable. These entities include the Delaware State Housing Authority, the Diamond State Port Corporation, the Riverfront Development Corporation, the Delaware State University, the Delaware Technical and Community College Educational Foundation and 18 charter schools. Financial information for these component units is reported separately from the financial information presented for the primary government. The government-wide financial statements can be found on pages 21-23 of this report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Statewide Financial Analysis

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

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

Condensed Financial Information - Primary Government
As of June 30, 2009
(Expressed in Thousands)

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

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

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

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

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

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

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

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

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

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

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

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

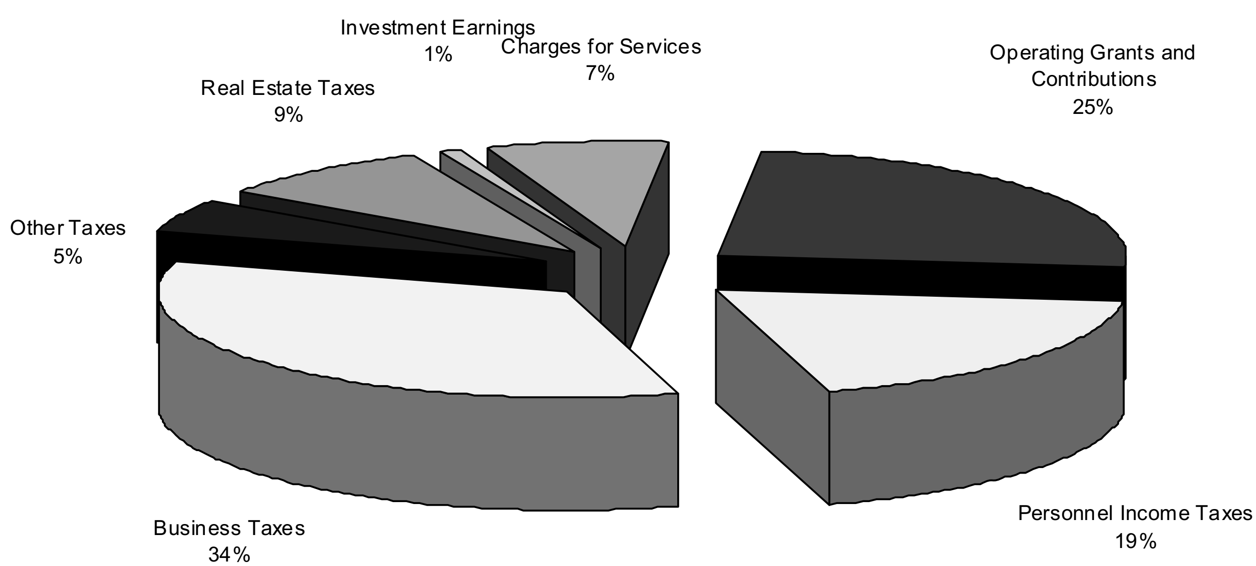
	Governmental Activities 2009	Governmental Activities 2008	Business-type Activities 2009	Business-type Activities 2008	Total Primary Government 2009	Total Primary Government 2008
Revenues:						
Program revenues:						
Charges for services	$ 344,153	$ 400,943	$ 1,206,962	$ 1,245,890	$ 1,551,115	$ 1,646,833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

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

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

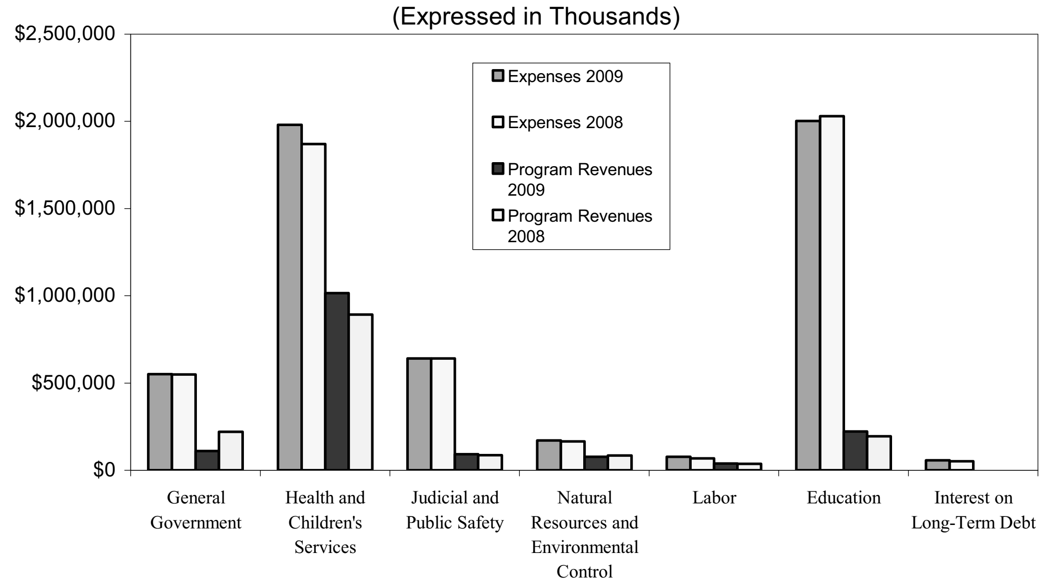
Program revenues increased by $42.4 million (2.8%) from the prior year. Charges for services decreased by $56.8 million. Operating grants increased by $105.4 million. Of this amount, $135.8 million primarily relates to increased federal revenues at Health and Children's Services as a result of increased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

Revenues by Source – Governmental Activities



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

Expenses and Program Revenues- Governmental Activities



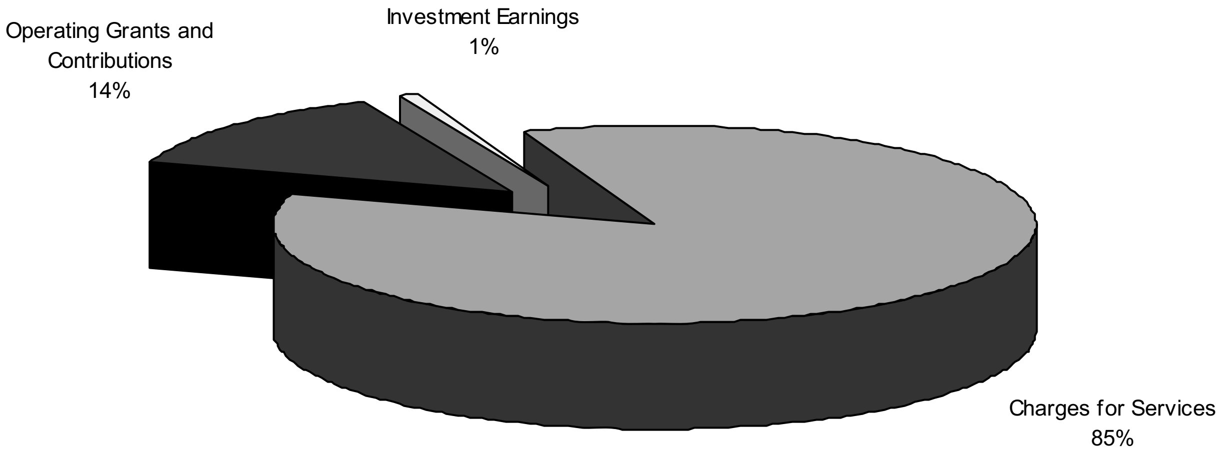
Business-type activities The net assets for business-type activities decreased by $118.7 million since fiscal year 2008. This decrease is comprised of a $2.4 million increase in net assets for DelDOT, a $121.4 million decrease in the Unemployment Insurance Trust Fund, and a less than $0.2 million increase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

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

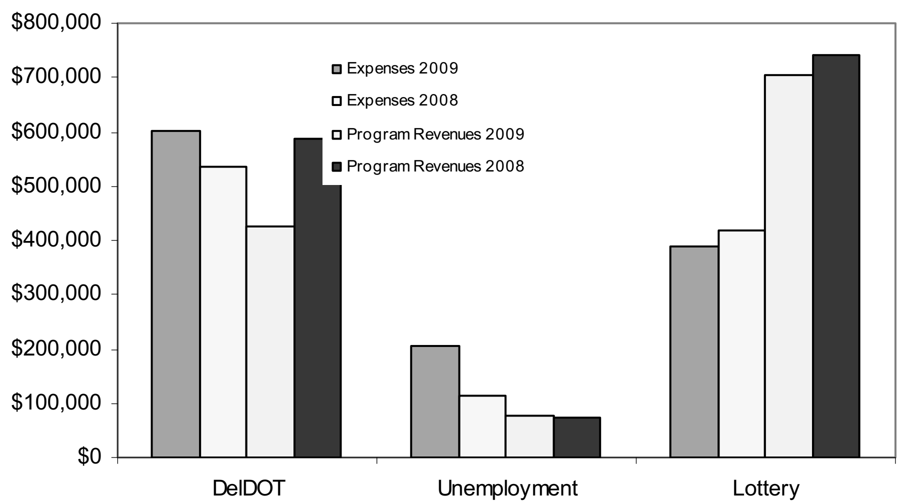
The DelDOT's net assets at June 30, 2009 were $2.4 million higher than the June 30, 2008 restated ending net assets. DelDOT's total operating revenues decreased by $2.6 million (0.6%) while operating expenses increased by $64.9 million (13.1%). The October 1, 2008 toll and fee increases were the main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

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

Revenues by Source – Business-type Activities



Expenses and Program Revenues – Business-type Activities



Financial Analysis of the State's Funds

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

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

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

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

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

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

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

At the end of the current fiscal year, unreserved fund balance of the general fund was $744.4 million, while total fund balance reached $1,056.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 18.9% of total general fund expenditures, while total fund balance represents 26.8% of total fund expenditures or 98 days of operations.

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

Local School funds These funds are used to account for activities relating to the State's local school districts, which are funded by locally raised real estate taxes and other revenues. The fund balance increased by $49.1 million to $227.4 million. Spending increased because of operating costs of new schools and supplies for increased student population.

Capital Project funds Capital Project funds are used to account for the construction and acquisition of capital assets of the primary government. Capital outlay expenditures totaled $270.8 million in fiscal year 2009, a decrease of $6.9 million. State legislation authorizes certain capital project expenditures prior to the issuance of bonds in an aggregate amount not to exceed 3% of general fund revenue.

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

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

General Fund Budgetary Highlights

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

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

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

The original budget authorizes current fiscal year operating and administrative expenditures. Included in the final budget are the original budget, prior year encumbrances, multi-year project budgetary carry-forwards from the prior fiscal years, and all modifications to the original budget. The most significant components are the original budget and carry-forwards of prior fiscal year. The unused appropriations from a prior year will carry forward to the final budget for authorized capital projects and grants until the funds are spent. During fiscal year 2009, the original budget was modified to provide decreased spending in services in education, health and children's services, self-insurance for health care, expenditures for beach and farmland preservation, land and water conservation, and minor capital renovations in facilities management.

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

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

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

Capital Assets and Debt Administration

Capital assets The State's investment in capital assets for its governmental and business-type activities, as of June 30, 2009, amounted to $6,982.3 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles and equipment, easements, roads, highways, and bridges. The total increase in capital assets for governmental activities was $249.6 million (8.6%) and the increase for business-type activities was $85.5 million (2.3%).

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

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

As allowed by GASB Statement No. 34, *Basic Financial Statements and-Management's Discussion and Analysis for-State and Local Governments*, the State has adopted an alternative process for recording expense related to selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include 4,447 center line miles of roads and 1,509 bridges that the State is responsible to maintain.

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

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

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

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

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

State of Delaware Capital Assets as of June 30, 2009
Net of Depreciation
(Expressed in Thousands)

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

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

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

- A 5% test restricts new debt authorization to 5% of budgetary general fund revenue as projected on June 30th for the next fiscal year. Should actual revenue collections increase during the year, no additional authorizations are made. For fiscal year 2009, debt issuance was limited to $157.4 million.
- A 15% test restricts debt issuance if the annual payments on all outstanding debt exceed 15% of estimated budgetary general fund and Transportation Trust Fund Revenue for the next fiscal year. Currently, these annual payments represent between approximately 8% and 9% of estimated general fund and Transportation Trust Fund revenues.
- Finally, a cash balance test restricts debt issuance if the debt service payment in any year exceeds the estimated cumulative cash balance for the following fiscal year. For fiscal year 2009, the projected cash balance exceeded debt service.

Due to the State's statutory debt limits and its fiscal management, three principal rating agencies, Moody's Investor's Service, Fitch Ratings and Standard & Poor's, reaffirmed their triple-A ratings on the State's general obligation bonds during fiscal year 2009. In January 2009, the

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

Debt issued by the Delaware Transportation Authority (the Authority) does not constitute a debt of the State or a pledge of its general taxing power or of its full faith and credit. Rather, the outstanding revenue bonds are obligations of the Authority payable solely from and secured by a pledge and assignment of certain tolls and revenues such as motor fuel tax revenues, motor vehicle document fees and motor vehicle registrations. The Authority has revenue bonds outstanding of $1,144.3 million as of June 30, 2009, of which $12.4 million were junior revenue bonds which were retired on July 1, 2009. In June 2009, the Authority issued $105.3 million in Transportation System Senior Revenue Bonds to support its ongoing capital transportation program.

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

Other Post-Employment Benefits

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

Economic Factors and Next Year's Budgets and Rates

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

The fiscal year 2010 operating and capital budgets meet budgetary spending limitations imposed by law. The fiscal year 2010 operating budget is $3,091.5 million, 8.1% less than fiscal year 2009. It includes $243.9 million in revenue packages adopted at the conclusion of the 2009 legislative session as well as $53.0 million in additional lottery revenue as a result of legislation adopted in May of 2009. The fiscal year 2010 budget included no supplemental appropriations (historically in the form of cash allocated to the capital budget), a reduction from fiscal year 2009's $83.4 million.

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

Financial Management

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

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

These ratings were reaffirmed in October 2009.

Requests for Information

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

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

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

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

See Accompanying Notes to the Financial Statements

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

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

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

Change in net assets

Net assets - beginning of year (as restated)
Net assets - end of year

See Accompanying Notes to the Financial Statements

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

See Accompanying Notes to the Financial Statements

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

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

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

Total Fund Balances - Governmental Funds		$ 1,311,067
Amounts reported for governmental activities in the statement of net assets are different because:		
Net capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 456,328	
Land improvements	72,325	
Buildings	2,034,439	
Easements	166,715	
Equipment and vehicles	40,069	
Construction in progress	387,938	
		3,157,814
Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		320,401
Some liabilities net of related assets are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Interest payable	$ (25,817)	
Claims and judgments (current and long-term)	(120,360)	
Compensated absences (current and long-term)	(146,595)	
Other post employment benefits	(608,494)	
Pollution remediation obligations (current and long-term)	(16,502)	
Pension obligation	(112,652)	
General obligation long-term debt and related accounts	(1,534,275)	
Notes payable (current and long-term)	(3,006)	
Other long-term obligations	(3,355)	
		(2,571,056)
Net assets of governmental activities		$ 2,218,226

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

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

See Accompanying Notes to the Financial Statements

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

Net Changes in Fund Balances		$ (177,401)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlays	331,768	
Depreciation expense	(82,168)	
		249,600
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(10,679)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Components of the debt related adjustments consist of:		
Debt service principal repayments	$ 142,069	
New debt issued (face value)	(236,000)	
Premium received	(17,044)	
Issuance costs	841	
Amortization of premium/issuance costs	4,902	
		(105,232)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, the changes in these liabilities are not reported as expenditures in the governmental funds:		
Accrued interest expense		(1,624)
Claims and judgments		(13,228)
Notes payable		5,557
Compensated absences		191
Pension obligation		(3,829)
Other post employment benefits		(342,893)
Escheat liability		32,000
Other liabilities		2
Change in Net Assets of Governmental Activities		$ (367,536)

See Accompanying Notes to the Financial Statements

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

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

See Accompanying Notes to the Financial Statements

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

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

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

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

See Accompanying Notes to the Financial Statements

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

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

See Accompanying Notes to the Financial Statements

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

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

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

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

* Fiscal year-end December 31, 2008

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

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

General revenues:

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

Total general revenues

Change in net assets

Net assets - beginning of year (as restated)

Net assets - end of year

* Fiscal year ended December 31, 2008

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
$ 18,405						$ 18,405
	$ 1,664					1,664
		$ (6,268)				(6,268)
			$ (25,167)			(25,167)
				$ 64		64
					$ (71,634)	(71,634)
						(82,936)
-	-	-	29,412	-	70,727	100,139
6,525	(1,188)	380	(3,012)	(1,834)	522	1,393
-	(9)	(781)	-	-	-	(790)
-	-	-	(990)	-	340	(650)
6,525	(1,197)	(401)	25,410	(1,834)	71,589	100,092
24,930	467	(6,669)	243	(1,770)	(45)	17,156
285,056	148,629	130,186	145,260	17,077	25,491	751,699
$ 309,986	$ 149,096	$ 123,517	$ 145,503	$ 15,307	$ 25,446	$ 768,855

See Accompanying Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

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

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

Blended Component Units

The Delaware Public Employees' Retirement System (DPERS) is a public employee retirement system, which covers substantially all State employees. The DPERS is a legally separate entity; however, as it provides services and benefits almost exclusively to the primary government, the DPERS is considered a blended component unit and is shown in the financial statements as part of the primary government as a pension trust fund. The financial report of DPERS for the year ended June 30, 2009 may be obtained in writing to the State Board of Pension Trustees and Office of the Pensions, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

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

Discretely Presented Component Units

The following component units are entities that are legally separate from the State, but are financially accountable to the State for reporting purposes or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The component unit's column of the basic financial statements includes the financial data of these entities. Except for the Delaware Technical and Community College Educational Foundation, which has a fiscal year-end of December 31, 2008, each discretely presented component unit has a June 30, 2009 fiscal year-end.

Delaware State Housing Authority

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

Diamond State Port Corporation

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

Riverfront Development Corporation

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

Delaware State University

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

Delaware Technical and Community College Educational Foundation

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

Delaware Charter Schools

Delaware's 18 Charter Schools are public schools funded primarily through State appropriations. Additional funding is derived from federal grants passed through from the primary government, private donations and funds received from local school districts on a tax portion per child basis. Charter schools are each managed by a board of directors, which operate independently, under a charter granted by the State Department of Education with the approval of the State Board of Education. Charters are granted for an initial period of three years and renewable every five years thereafter. Financial information for Delaware Charter Schools is presented in the aggregate as they are individually immaterial.

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

Related Organizations

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

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

Jointly Governed Organization

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

Government-Wide and Fund Financial Statements

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

The statement of net assets measures not just current assets and liabilities, but also long-term assets and liabilities such as capital assets (including infrastructure assets) and general long-term debt. The difference between the State's assets and its liabilities is its net assets. Net assets are displayed in three components – invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. There are no net assets that are restricted by enabling legislation at June 30, 2009. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

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

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

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

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

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

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

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

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

Governmental Funds

The State reports the following major governmental funds:

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

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

Local School District Fund – The local school district fund accounts for activities relating to the State's local school districts funded by locally raised real estate taxes and other revenue.

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

Proprietary Funds

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

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

The Lottery fund recognizes revenue from on-line games the day of the drawing. Revenue from the sale of instant tickets is recognized when the book has been activated and 85% of the related prizes of an activated book are paid. Revenue from video lottery sales is recognized, net of prizes paid, at the time the public plays the game.

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

The State reports the following major proprietary funds:

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

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

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

Fiduciary Funds

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

The State reports the following fiduciary funds:

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

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

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

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

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

New Accounting Pronouncements

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

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

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

Impact of Future Accounting Pronouncements

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

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

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

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

Deposits and Investments

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

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

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

Receivables and Payables

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

Inventories and Prepaid Items

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

Restricted Assets

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

The State has the following restricted assets:

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

The component units have the following restricted assets:

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

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

Capital Assets

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

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

All land and buildings are capitalized, regardless of cost. Equipment and vehicles are capitalized when the cost of individual items exceeds $25,000. Building and land improvements are capitalized when the cost of the project exceeds $100,000. Infrastructure and software are capitalized when the costs of individual items or projects exceed $1 million. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

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

Compensated Absences

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

Long-Term Obligations

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

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

Fund Equity

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

The State Constitution provides that certain excess unencumbered budgetary general funds at the end of a fiscal year must be placed in a reserve account (the "Budgetary Reserve Account"). This account, designed to provide a cushion against unanticipated deficits, may not exceed 5% of the estimated general fund revenue for the ensuing fiscal year. Total funding of the budgetary reserve account was $186.4 million at June 30, 2009. In the government-wide financial statements, restricted net assets represent balances that are subject to external restrictions or were created by enabling legislation. Per the Delaware Constitution, the General Assembly, by three-fifths vote of the members elected to each House, may appropriate from the budgetary reserve account. Should the State attempt to use this reserve for other purposes, such could be challenged by citizens.

(d) Grants

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

(e) Litigation Revenue

In 1997, several states began litigation against defendant tobacco product manufacturers to recover certain amounts the states expended to provide health care to the users of tobacco products. In 1998, a settlement was reached which provided that the states cease litigation against the manufacturers. As part of the Master Settlement Agreement, certain manufacturers agreed to remit periodic payments to the states until 2025. The State's share of the estimated $200 billion settlement amounted to $774.5 million. Amounts to be remitted are calculated based on a variety of specific settlement provisions. Future tobacco product sales are one key factor used in determining periodic payment amounts. A receivable of $13.6 million has been recorded pursuant to the settlement. The Master Settlement agreement receipts of $34.0 million are recorded in the general fund as part of other revenue and as miscellaneous general revenue on the government-wide statement of activities. Expenditures of monies received under the Master Settlement Agreement are authorized by legislation and are dedicated to health care and related programs.

NOTE 2 CASH, INVESTMENTS AND RESTRICTED ASSETS

Cash Management Policy and Investment Guidelines

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

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

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

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

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

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

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

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

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

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

Additional permissible investments for special purpose accounts only:

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

The primary government's accounts are categorized as "authority accounts". At June 30, 2009, investments of the primary government are primarily in commercial paper, corporate obligations, government agency bonds and notes, and municipal obligations. All of these meet the objectives defined by the Policy.

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

Risks

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

Custodial Credit Risk

Deposits

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

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

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

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

At June 30, 2009, the carrying amount of the primary government’s deposits was $471.3 million and the bank balance was $547.0 million. Of the $547.0 million bank balance, $89.8 million was fully insured; $75.9 million represents unemployment insurance taxes collected from Delaware employers that are held in escrow by the U.S. Treasury; and the remaining $381.3 million was subject to custodial credit risk because they were uninsured and uncollateralized. Included in the primary government’s deposits are agency funds. The carrying amount of the agency fund’s deposits was $27.1 million and the bank balance was $33.1 million. Of the $33.1 million bank balance, $27.9 million was fully insured and the remaining $5.2 million was subject to custodial credit risk because the deposits were not covered by depository insurance or the deposits were uncollateralized, collateralized with securities held by the pledging financial institutions, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the government’s name. State law permits the Treasurer to deposit in a financial institution in the State in which the Treasurer has custody if the deposit is interest bearing; the financial institution provides collateral that has a market value that exceeds the amount by which a deposit exceeds the deposit insurance, and a custodian holds the collateral.

<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, 2009, the primary government's investments were $1,733.0 million. Of the primary government's investments, $357.3 million was fully insured and collateralized. Included in the primary government's investments of $1,733.0 million are agency funds. The amount of the agency funds' investments was $18.5 million.

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

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

Interest Rate Risk

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

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

The following table presents the fair value and effective duration of the primary government and agency fund investments by investment type at June 30, 2009:

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

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

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

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

Investment Maturity
(Expressed in Thousands)

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

Credit Risk

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

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

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, 2009. The ratings are presented using S & P's rating scale:

Credit Risk - Quality Ratings
(Expressed in Thousands)

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

TSY = Treasury

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

NR = Non-Rated Pooled accounts

Concentration of Credit Risk

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

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

A. U.S. Government - no restrictions.

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

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

   1. Domestic - No additional restrictions.
   2. Non-domestic - 25%, 5% in any one issuer.
   3. Delaware domiciled – Not more than the lesser of $10 million or 25% of an issuer's total equity capital, may be invested in any one issuer. (Investments due to mature in one business day may be excluded from the computation of this percentage.)

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

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

E. Repurchase agreements - 50% total.

F. Reverse repurchase agreements - 25% total.

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

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

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

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

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

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

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

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

Foreign Currency Risk

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

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

Commitments

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

Securities Lending

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit Risk - Quality Ratings
(Expressed in Thousands)

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

OPEB Fund Trust (OPEB Trust)

Investment Policy

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

Delaware Public Employees' Retirement System (DPERS or System)

Investment Policy

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

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

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

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

Securities Lending

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

Investments

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

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

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

Interest Rate Risk

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

Credit Risk

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

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

*Assets held in pooled investments – specific investment

Custodial Credit Risk

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

Investment Concentration Risk

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

Management Fees

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

Investment Commitments

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

Foreign Investments

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

Investment Types
(Expressed in Thousands)

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

Derivatives

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

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

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; portfolio duration; enhance return
Exchange traded options contracts	Enhance return; reduce transaction costs
Asset backed securities	Enhance return
Total return equity swaps	Hedge equity market risk exposure

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

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

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

Risk and Uncertainty

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

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

COMPONENT UNITS

Diamond State Port Corporation (DSPC)

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

Riverfront Development Corporation (RDC)

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

Delaware State University (DSU)

At June 30, 2009, the carrying value and bank balance of DSU's deposits were $14.5 million and $20.1 million, respectively. Of the bank balances, $1.0 million is insured by the FDIC and $19.1 million is subject to custodial credit because it is uninsured and uncollateralized. The deposits are held at financial institutions that satisfied the State's collateralization requirements and do not require collateralization. An additional $5.6 million of cash and cash equivalents related to unexpended State appropriations are held at the State Treasurer's office. The credit risk for these deposits depends on the investment decisions made by the State Treasurer's office.

Delaware Technical and Community College Educational Foundation (DTCC Foundation)

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

Delaware Charter Schools

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

Delaware State Housing Authority (DSHA)

Investment Policies

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

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

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

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

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

Investments

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

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

Interest Rate Risk

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

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

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

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

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

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

Credit Risk

DSHA's general investment policy is to make investments with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as, the probable income to be derived. DSHA's investment policy limits its investment choices as mentioned above under Investments. For the DSHA's Single and Multi-Family Programs, the investment rating must be equal or exceed the bond rating. The DSHA's Operating Reserve Account has a specific credit quality requirement. Corporate debt obligations and shares of money market mutual funds shall have a long-term rating of AA and/or Aa, respectively by Standard & Poor's (S&P) and Moody's at the time of purchase. As of June 30, 2009, DSHA's investments were rated as follows:

Ratings (S & P)
(Expressed in Thousands)

Investment Type	AAA	AA+	AA-	A+	A	BBB+	NR
U.S. Agencies	$ 5,942	$ -	$ -	$ -	$ -	$ -	$ -
Corporate Notes	255	433	510	658	1,369	250	-
Commercial Paper	495	-	-	-	-	-	78
Total	$ 6,692	$ 433	$ 510	$ 658	$ 1,369	$ 250	$ 78

Custodial Credit Risk

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

Riverfront Development Corporation (RDC)

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

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

Delaware State University (DSU)

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

Delaware Technical and Community College Educational Foundation (DTCC Foundation)

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

NOTE 3 RECEIVABLES

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

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

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

Receivables - Primary Government
Governmental Activities
(Expressed in Thousands)

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

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

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

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

Receivables
Component Unit Activities
(Expressed in Thousands)

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

Deferred Revenues

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

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

Deferred Revenues
(Expressed in Thousands)

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

NOTE 4 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

(a) Due From/Due to Other Funds

Receivables reported as "due from other funds" and the related payables reported as "due to other funds" represent amounts owed to State organizations by other organizations within the State reporting entity. Amounts receivable from or payable to other levels of government are reported as intergovernmental receivables or payables. The composition of due from/due to balances at June 30, 2009, expressed in thousands, is as follows:

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

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

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

(b) Transfers In From/Out To Other Funds

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

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

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

NOTE 5 GENERAL OBLIGATION BONDS

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

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

On January 14, 2009, the State issued $236.0 million in general obligation bonds. These serial bonds mature between January 1, 2010 and January 1, 2029. The Series A Bonds totaling $115.0 million were sold to retail investors and bear coupons of 2.5% to 5%. The Series B Bonds totaling $121.0 million were sold competitively to institutional investors and bear coupons of 3.0% to 5%. The proceeds of these bonds were used to provide financing for capital projects.

Bonds issued and outstanding totaled $1,469.3 million at June 30, 2009. Of this amount, $514.9 million is supported by property taxes collected by the local school districts. During fiscal year 2009, the local school district funds transferred $56.7 million of property tax revenue to the State to meet the required debt service on their share of the debt.

The State is authorized to issue an additional $254.7 million of general obligation bonds at June 30, 2009. Interest rates and maturities of the outstanding general obligation bonds are detailed as follows:

General Obligation Bonds
(Expressed in Thousands)

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

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

Total General Obligation Bonds
(Expressed in Thousands)

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

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

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

NOTE 6 REVENUE BONDS

Revenue Bonds

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

Primary Government

DelDOT Fund

Delaware Transportation Authority

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

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

The Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and is therefore not reported as a liability. At June 30, 2009, the amount of defeased debt outstanding amounted to $151.6 million.

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

Delaware Transportation Authority Revenue Bonds
(Expressed in Thousands)

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

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

Delaware Transportation Authority Revenue Bonds
(Expressed in Thousands)

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

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

Condensed Balance Sheets
(Expressed in Thousands)

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

Condensed Statements of Revenues,
Expense and Changes in Net Assets
(Expressed in Thousands)

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

Condensed Statements of Cash Flows
(Expressed in Thousands)

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

Component Units

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

Delaware State Housing Authority (DSHA)

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

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

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

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

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

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

Delaware State Housing Authority Revenue Bonds
(Expressed in Thousands)

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

Riverfront Development Corporation (RDC)

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

Riverfront Development Corporation Revenue Bonds
(Expressed in Thousands)

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

Delaware State University (DSU)

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

Delaware State University
Revenue Bonds Payable
(Expressed in Thousands)

Revenue Refunding Bonds	$ 8,229
Revenue Bonds	47,878
Student Housing Foundation Bonds	51,616
Total	$ 107,723

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

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

Delaware State University Revenue Refunding Bonds
(Expressed In Thousands)

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

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

Delaware State University Revenue Bonds

(Expressed In Thousands)

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

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

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

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

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

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

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

Delaware State University
Student Housing Foundation
Revenue Bonds
(Expressed in Thousands)

Year Ending June 30	**Tax-exempt**
2010	$ 935
2011	1,040
2012	1,090
2013	1,140
2014	1,185
2015 - 2019	6,775
2020- 2024	8,490
2025 - 2029	10,705
2030 - 2034	13,495
2035 - 2037	7,325
Subtotal	$ 52,180
Less: bond discount (net of accumulated amortization)	(564)
Total	$ 51,616

NOTE 7 LOANS AND NOTES PAYABLE

Component Units

Delaware State Housing Authority (DSHA)

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

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

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

Diamond State Port Corporation (DSPC)

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

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

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

Transportation Trust Fund Loan

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

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

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

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

Transportation Trust Fund Loan
(Expressed in Thousands)

Year Ending June 30	**Principal**	**Interest**	**Total**
2010	$ (812)	$ 812	$ -
2011	789	839	1,628
2012	821	807	1,628
2013	854	774	1,628
2014	888	740	1,628
2015-2019	5,002	3,136	8,138
2020-2024	6,090	2,049	8,139
2025-2029	6,599	726	7,325
Total	$ 20,231	$ 9,883	$ 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, the DSPC issued to the City two separate notes consisting of a Port Deferred Payment Note in the amount of $39.9 million and Port Debt Service Notes with an original face amount of $51.0 million. These notes are secured by a first lien on substantially all of the DSPC's assets. These notes obligate the DSPC to pay the City amounts that generally represent the outstanding principal balance of certain DSPC-related City general obligation bonds. The interest rates on the City bonds range from 3.2% to 6.4%.

On October 20, 2001, the City issued $22.2 million of general obligation bonds with an average interest rate of 3.7% to advance refund $21.3 million of outstanding 1992 A, B, and C Series general obligation bonds with an average interest rate of 6.16%. The DSPC related portions of the new bonds issued and old bonds redeemed were $7.2 million and $6.9 million, respectively, passed through to the Corporation. Although the effect of the City's advance refunding on the Port Debt Service Note resulted in a deferred accounting loss of $261,619 for the year ended June 30, 2002, it reduced the Corporation's debt service payments by $281,293 over eleven years resulting in an economic gain. The deferred loss on the refunding is accreted over the eleven year life of the debt. The deferred loss balance as of June 30, 2009 was $20,008.

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

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

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

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

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

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

Port Debt Service Note
(Expressed in Thousands)

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

Delaware River and Bay Authority (DRBA) Obligation

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

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

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

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

Delaware River and Bay Authority Obligation
(Expressed in Thousands)

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

Wilmington Trust Company (WTC) Loan

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

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

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

Wilmington Trust Company Loan
(Expressed in Thousands)

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

Bank of America Master (BOA) Lease

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

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

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

Bank of America Master Lease
(Expressed in Thousands)

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

Riverfront Development Corporation (RDC)

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

Riverfront Development Mortgage Debt
(Expressed in Thousands)

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

NOTE 8 LEASE COMMITMENTS

Primary Government

The State has entered into various property and equipment operating leases (terms in excess of one year) with aggregate future rentals approximating $186.5 million, of which $150.9 million relates to property leases and $35.6 million relates to equipment leases. Operating leases contain various renewal options. Any escalation clauses, sublease rentals and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures of the related fund when paid. Lease payments for fiscal year 2009 were approximately $35.9 million, of which $24.3 million was for office space and $11.6 million was for equipment. The equipment leases held by the State consists mainly of computers, data processing equipment and fleet vehicles.

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

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

Lease Commitments
(Expressed in Thousands)

Year Ending June 30	**Operating Leases**
2010	$ 32,829
2011	29,066
2012	24,768
2013	21,218
2014	16,085
2015-2019	39,149
2020-2024	16,481
2025-2029	5,554
2030-2039	1,309
Total	$ 186,459

NOTE 9 OTHER LONG-TERM OBLIGATIONS

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

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

The State has incurred obligations relating to scholarship and physician loan repayment programs, resulting in an additional long-term obligation of $4.5 million, of which $1.2 million was recorded as the current portion.

NOTE 10 CHANGES IN LONG-TERM OBLIGATIONS

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

Changes in Long-Term Obligations
Primary Government
(Expressed in Millions)

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

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

Changes in Long-Term Obligations
Component Units
(Expressed in Millions)

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

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

The State, by action of the General Assembly, created various authorities for the express purpose of providing private entities with an available low cost source of capital financing for construction of facilities deemed to be in the public interest. The bonds of the authorities represent limited obligations payable solely from payments made by the borrowing entities. The majority of the bonds are secured by the property financed. Upon repayment of a bond, ownership of acquired property transfers to the entity served by the bond issuance. The State has no obligation for this debt. Accordingly, these bonds are not reflected in the accompanying financial statements. These bonds are issued through the Delaware Economic Development Authority and the Delaware Health Facilities Authority. The principal amount of bonds outstanding at June 30, 2009 for these entities amounted to $1,590.3 million and $438.0 million, respectively.

NOTE 12 CAPITAL ASSETS

(a) Primary Government

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

Capital Assets
(Expressed in Thousands)

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

Capital Assets
(Expressed in Thousands)

Business-type Activities 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	(1,390)	(1)	-	(1,391)
Total capital assets, being depreciated, net	$ 5	$ (1)	$ -	$ 4

Capital Assets
(Expressed in Thousands)

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

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

Depreciation Expense
(Expressed in Thousands)

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

(b) Component Units

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

Component Units
(Expressed in Thousands)

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

NOTE 13 RISK MANAGEMENT

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

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

The management of the State estimates that the amount of actual or potential claims against the State at June 30, 2009, for workers' compensation, automobile accident and health-care claim liabilities is $152.5 million. The claim liabilities relating to health-care totaling $35.0 million have been recorded as accrued liabilities in governmental activities. The liability for workers' compensation and automobile accident liabilities totaling $117.5 million has been recorded in governmental activities as claims and judgments. The current portion of these claims totals $31.3 million. Other claim liabilities relating to police professional malpractice and property and casualty were not recorded at June 30, 2009 as the total of these liabilities were not material to the financial statements. Changes in the balances of claim liabilities during fiscal years 2009 and 2008 were as follows:

Changes in Claim Liabilities
(Expressed in Thousands)

Fiscal Year	Beginning Balance July 1	Current Year Claims and Changes in Estimates	Actual Claim Payments	Ending Balance June 30
2008	$ 135,481	$ 482,689	$ (478,657)	$ 139,513
2009	139,513	534,696	(521,705)	152,504

DelDOT

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

NOTE 14 OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

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

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

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

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, 2009, the State provided health insurance options through several providers.

Spouse and Survivor Coverage:

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

Employee Contributions:

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

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

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

Funding Policy

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

Contributions

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

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

Annual OPEB Cost and Net OPEB Obligation

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

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

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

* This column includes DTC's OPEB activity.

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

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

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

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

Delaware Transit Corporation (DTC)

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

Plan Description

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

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

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

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

Funding Policy

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

Annual OPEB Cost and Net Obligation

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

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

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

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

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

Funded Status and Funding Progress

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

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

Actuarial Methods and Assumptions

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

In the May 1, 2008 actuarial valuation, the projected unit credit method was used with linear proration to assumed benefit commencement. The actuarial assumptions included a 4% investment rate of return, 4% payroll growth rate, a 3.2% inflation rate, and a healthcare cost trend rate of 9% initially, reduced be decrements to 7.1% after 10 years. The ultimate healthcare cost trend rate will remain constant at 5.2% after 2080. The unfunded liability is being amortized as a level percentage of payroll over a 30-year amortization period.

NOTE 15 PENSIONS

Primary Government

Pension Plans

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

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

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

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

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

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

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

Non-DPERS Fund Descriptions and Contributions

County & Municipal Police and Firefighters' COLA Fund

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

Post-Retirement Increase Fund (PRI)

The State passed legislation which established a mechanism for funding ad hoc post-retirement increases granted by the General Assembly to members retired under the State Employees' Plan, the New State Police Plan, and the Judiciary Plans (Closed and Revised) beginning in fiscal year 1994. The mechanism allows the State to appropriate actuarially determined employer contributions to a separate PRI fund managed by the Board. When the Legislature grants an ad hoc post-retirement adjustment, funds are transferred from this PRI fund on a monthly basis based on a five-year actuarial funding schedule to the appropriate pension plan from which the additional benefits are disbursed. For the fiscal year ended June 30, 2009, $39.3 million was transferred to the appropriate plans in DPERS.

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

Fiscal Year	**(Expressed in Thousands)**
2010	$ 26,457
2011	13,825
Total	$ 40,282

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

Local Government Retirement Investment Pool

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

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

Plan Membership, Benefit and Contribution Provisions

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

State Employees' Pension Plan

Plan Description and Eligibility:

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

Service Benefits:	Final average monthly compensation multiplied by 2.0% and multiplied by years of credited service prior to January 1, 1997, plus final average compensation multiplied by 1.85% and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For this plan, final average monthly compensation is the monthly average of the highest three years of compensation.
Vesting;	5 years of credited service.

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

Disability Benefits: Same as Service Benefits. Employee must have 5 years of credited service. In lieu of disability pension benefits, over 90% of the members of this plan opted into a disability insurance program offered by the State effective January 1, 2006.

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

Contributions:

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

Burial Benefit: $7,000 per member.

Special Fund

Plan Description and Eligibility:

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

Service Benefits: Defined by special legislation.

Vesting: Defined by special legislation.

Retirement: Defined by special legislation.

Disability Benefits: Defined by special legislation.

Survivor Benefits: Same as State Employees' Plan.

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

Burial Benefit: $7,000 per member.

New State Police Pension Plan

Plan Description and Eligibility:

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

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

Vesting: 10 years of credited service at age 62.

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

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

Non-Duty – same as Service Benefits.

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

Contributions:

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

Burial Benefit: $7,000 per member.

Judiciary Pension Plans (Closed and Revised)

Plan Description and Eligibility:

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

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

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

Service Benefits:

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

Revised - 1/24th of final average monthly compensation multiplied by years of service up to 12 years, plus 1/48th of final average monthly compensation, multiplied by years of service from 13 to 24 years, subject to maximum limitations.

For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

Vesting: 12 years of credited service.

Retirement:

Closed - Age 65 with 12 years of credited service, or any age with 24 years of credited service.

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

Disability Benefits: Same as Service Benefits.

Survivor Benefits:

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

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

Contributions:

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

Burial Benefit: Not applicable.

County & Municipal Police and Firefighters' Pension 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: 10 years of credited service.

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

Disability Benefits:

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

Non-Duty - Same as Service Benefits.

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

Contributions:

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

Burial Benefit: Not applicable.

County and Municipal Other Employees' Pension 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, 2009, 2008, and 2007 are as follows:

Net Pension Obligation (NPO)
(Expressed in Thousands)

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

Three-Year Trend Information
(Expressed in Thousands)

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

Delaware Transportation Authority

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

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

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

Three-Year Trend Information
(Expressed in Dollars)

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

Deferred Compensation Plan

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

NOTE 16 AFFILIATED ORGANIZATIONS

State Lottery

Multi-State Lottery Association

The State Lottery is a member of the Multi-State Lottery Association (MUSL), which operates on-line games on behalf of participating state lotteries. Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the member's share of the estimated grand prize liability. Each MUSL member pays lesser prizes directly to the winners. The MUSL operates the Powerball games, as well as the Powerplay feature associated with Powerball. Participating lotteries are required to maintain deposits with MUSL for contingency reserves to protect MUSL from unforeseen prize liabilities. The money in this reserve fund is refundable to MUSL members if the MUSL disbands or if a member leaves the MUSL Board.

The amount the Lottery had on deposit with MUSL as of June 30, 2009, was $2.3 million. This amount is reported by the Lottery as a liability on its balance sheet because it represents the amount to be paid to the State upon separation from the MUSL if the MUSL is not required to use a portion of the Lottery's reserves held by the MUSL.

Complete separate financial statements for the MUSL may be obtained at the Multi-State Lottery Association, 1701 48th Street, Suite 210, West Des Moines, IA 50266-6723.

NOTE 17 COMMITMENTS

Primary Government

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

Component Units

Diamond State Port Corporation (DSPC)

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

Riverfront Development Corporation (RDC)

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

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

NOTE 18 CONTINGENCIES

Primary Government

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

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

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

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

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

Site investigation, planning and design, cleanup and site monitoring are typical remediation activities underway across the State. Several State organizations have dedicated programs, rules and regulations that routinely deal with remediation related issues; others become aware of pollution conditions in the fulfillment of their missions. The State has the knowledge and expertise to estimate the remediation obligations presented herein based upon prior experience in identifying and funding similar remediation activities. The standard requires the State to calculate pollution remediation liabilities using the expected cash flow technique. Where the State cannot reasonably estimate a pollution remediation obligation, it does not report a liability; however, the State has not identified any of these situations.

The remediation obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State's obligation. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

At June 30, 2009, the State had a total pollution remediation liability of $19.4 million, with an estimated potential recovery of $4.5 million from the U.S. Environmental Protection Agency.

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

Component Units

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

NOTE 19 SUBSEQUENT EVENTS

Primary Government

On October 22, 2009, the State issued $493.0 million of general obligation bonds maturing between October 1, 2011 and October 1, 2029. Of the $313.7 million bonds issued as Series 2009C, $283.0 million in principal was issued to refund higher priced bonds resulting in a net present value savings of $15.3 million, or 5% of the principal refunded. The Series 2009C bonds were sold to retail and institutional investors and bore coupons between 2% and 5%. The Series 2009D bonds, at $179.3 million in principal, were designated as taxable "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009. The State has elected to receive a cash subsidy from the U.S. Treasury of 35% of the interest payable on the Series 2009D bonds. Series 2009D coupons range from 3.7% to 5.6%.

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

Component Units

Delaware State Housing Authority (DSHA)

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

Delaware State University

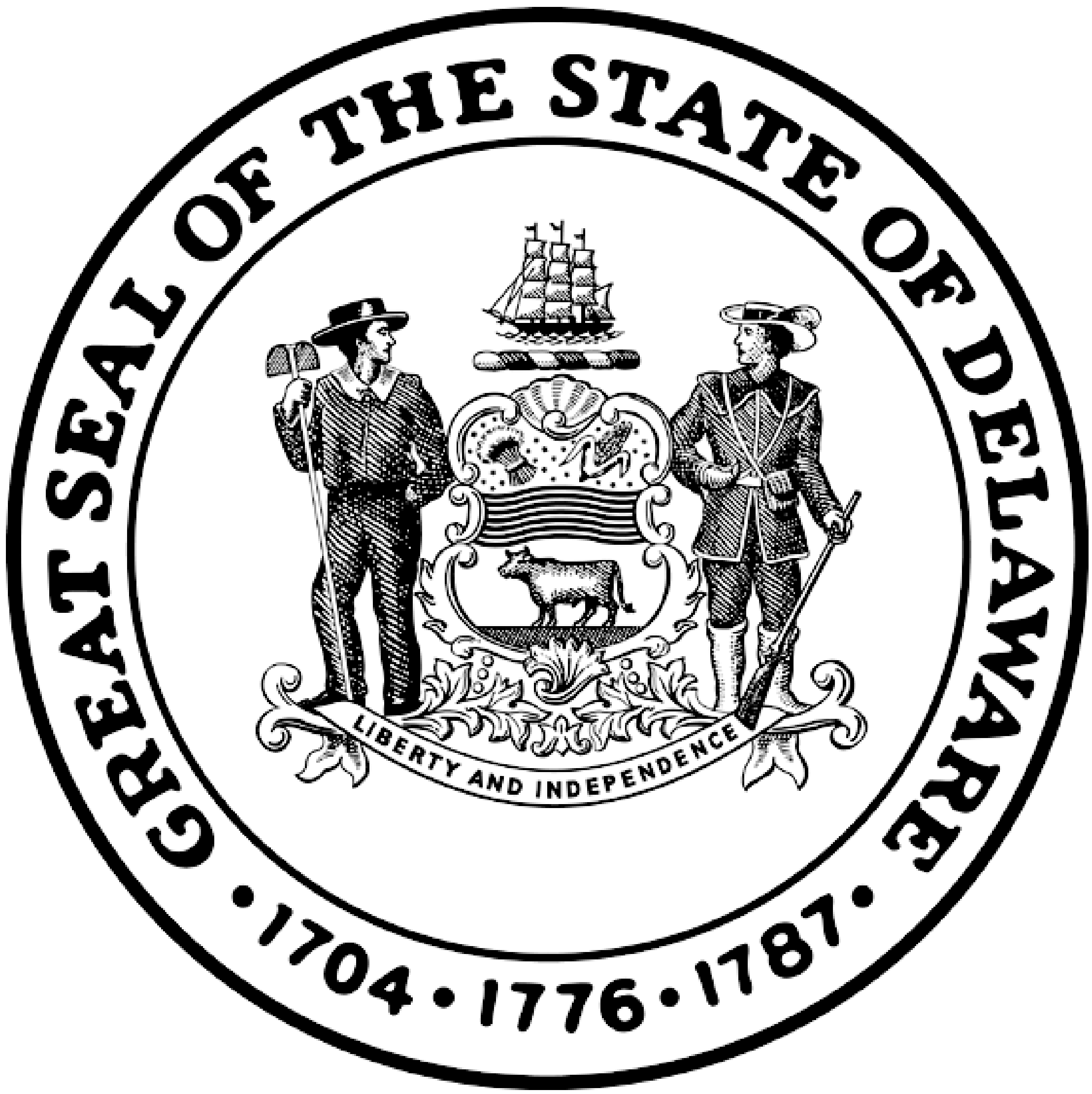
Based on updated correspondence received from legal counsel on December 17, 2009, Delaware State University was informed that a recent U.S. Department of Education (DoE) preliminary program review resulted in a probable future settlement of $750,000. The preliminary program review report seeks information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

NOTE 20 PRIOR PERIOD ADJUSTMENTS

Component Units

Delaware Technical and Community College Education Foundation

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


GREAT SEAL OF THE STATE OF DELAWARE
LIBERTY AND INDEPENDENCE
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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY REPORTING

BUDGETARY BASIS VS. GAAP

While GAAP requires the use of the fund structure described in Note 1(b), the State's budget system uses only a general fund and a special fund, each of which uses the basis of accounting described below. Additionally, the activities of certain component units of the State, which are not substantially supported by tax revenues, are not included in the budget data. Reconciliation of the accrual adjustments necessary to convert budgetary basis information to GAAP basis is presented in Required Supplementary Information.

The State Constitution requires the Governor to prepare and submit to the General Assembly a State budget for the ensuing year. The State budgets and controls its financial activities on the cash basis of accounting. In compliance with State law, the State records its financial transactions in either of two major categories – the general fund or the special fund. References to these two funds in this document include the terms "budgetary" or "budgetary basis" to differentiate them from the GAAP funds of the same name which encompass different funding categories. The General Assembly enacts the budget through the passage of specific line-item appropriations by department, the legal level of budgetary control, the sum of which must not exceed 98 percent of the estimated revenues and available unencumbered cash balance from the prior year pursuant to the State Constitution. The Governor has the power to approve or veto each appropriation passed by the General Assembly. The General Assembly may also enact supplement appropriation or special appropriation bills after it completes action on the State's budget.

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

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

The budget schedules in Required Supplemental Information a) reflect the adjustments made to increase the special fund's excess of revenues over expenditures for certain revenue sources not previously recognized; b) eliminates the net activity of certain operations that are accounted for within both the special fund and also in the separate accounts of certain component units or agency funds that are not principally accounted for within the special fund; and c) presents the accrual adjustments necessary to convert budgetary basis information to GAAP basis.

Statutory/Budgetary Presentation

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

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriations bill as of June 30, 2009, and do not include encumbrances and multi-year projects budgetary carry-forwards from the prior fiscal year. GAAP requires that the final legal budget be reflected in the "final budget" column; therefore, updated revenue estimates available for appropriations as of the last Delaware Economic and Financial Advisory Council (DEFAC) meeting in June 2009, as well as the amounts shown in the original budget, are reported. The final legal budget also reflects encumbrances and multi-year projects budgetary carry-forwards from the prior fiscal year.

The tables on the following two pages represent the Budgetary Statements of Revenues, Expenditures and Changes in Fund Balance – General and Special Funds. Also included is a schedule showing the budgetary fund balance designations. Of the $380.0 million budgetary general fund balance at June 30, 2009, $186.4 million is reserved for the budgetary reserve account and $147.4 million is designated as continuing and encumbered appropriations. The $46.2 million of undesignated fund balance, for the most part, is not available for new spending as these funds have been committed based on State statues which are subject to review and change by the Legislature.

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

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

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

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

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

(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, 2009
(Expressed in Millions)

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

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

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

Required Supplementary Information

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 4,447 centerline miles and approximately 1,509 bridges that the State is responsible to maintain.

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

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

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

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

Structural Rating Numbers and Percentages for Bridges

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

Calendar Year Ended December 31

Deck Rating Numbers and Percentages for Bridges

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

Calendar Year Ended December 31

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
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

Calendar Year Ended December 31

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

Fiscal Year ended June 30

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

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

Required Supplementary Information – Pension

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

Delaware Public Employees' Retirement System (DPERS)

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

Schedule of Funding Status and Progress

(Expressed in Thousands)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL 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 *	6/30/09	$ 6,744,050	$ 6,827,006	$ 82,956	98.8%	$ 1,753,129	4.7%
	6/30/08	6,751,949	6,549,856	(202,093)	103.1%	1,711,473	(11.8%)
	6/30/07	6,437,916	6,208,025	(229,891)	103.7%	1,654,609	(13.9%)
Special	6/30/09	$ 516	$ 399	$ (117)	129.3%	N/A	N/A
	6/30/08	614	492	(122)	124.8%	N/A	N/A
	6/30/07	673	530	(143)	127.0%	N/A	N/A
Closed State Police +	6/30/09	$ 727	$ 306,904	$ 306,177	0.2%	$ 619	49,463.2%
	6/30/08	618	299,921	299,294	0.2%	1,152	25,980.4%
	6/30/07	514	297,183	296,669	0.2%	1,695	17,502.6%
New State Police *	6/30/09	$ 229,457	$ 241,251	$ 11,794	95.1%	$ 50,425	23.4%
	6/30/08	216,368	214,921	(1,447)	100.7%	47,971	(3.0%)
	6/30/07	194,560	195,811	1,251	99.4%	46,924	2.7%
Judiciary*	6/30/09	$ 49,036	$ 57,799	$ 8,763	84.8%	$ 9,814	89.3%
	6/30/08	47,209	55,856	8,647	84.5%	9,689	89.2%
	6/30/07	43,050	53,686	10,636	80.2%	9,825	108.3%
Diamond State Port Corporation	6/30/09	$ 14,353	$ 16,284	$ 1,931	88.1%	$ 11,071	17.4%
	6/30/08	13,391	14,139	748	94.7%	10,270	7.3%
	6/30/07	11,911	13,604	1,693	87.6%	11,213	15.1%
County & Municipal Police Firefighters	6/30/09	$ 119,712	$ 122,573	$ 2,861	97.7%	$ 55,478	5.2%
	6/30/08	102,423	103,911	1,488	98.6%	49.328	3.0%
	6/30/07	87,395	89,022	1,627	98.2%	45,059	3.6%
County and Municipal Other Employees	6/30/09	$ 15,074	$ 16,787	$ 1,713	89.8%	$ 19,046	9.0%
	6/30/08	12,980	14,308	1,328	90.7%	18,632	7.1%
	6/30/07	10,405	11,578	1,173	89.9%	16,183	7.2%
						Active Member ++	Cost per Active Member ++
Volunteer Firemen	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
	6/30/07	12,225	24,809	12,584	49.3%	5,170	2,434

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

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

++ Not expressed in thousands.

N/A – Not Applicable

Annual Pension Cost, Actuarial Methods and Assumptions - DPERS

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

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

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

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

[1] Excludes liability and amortization payments due to cost-of living adjustments. This liability is funded from the Post-Retirement Increase Fund. Each COLA is funded over 5 years.

N/A: Not applicable

DelDOT - Delaware Transit Corporation – Pension Data

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

Schedule of Funding Status and Progress
(Expressed in Dollars)

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

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

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

Note: For the contributory pension plan valuation dated January 1, 2008, the actuarial cost method was changed from the aggregate method to the entry age normal method. In addition, the asset valuation method was changed to the five-year smoothed market method.
N/A: Not applicable

Required Supplementary Information – OPEB Trust

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

OPEB Trust

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

Schedule of Funding Status and Progress
(Expressed in Millions)

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

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

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

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

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

Delaware Transit Corporation - OPEB

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

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

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APPENDIX C

CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of April 15, 1996 (the "Disclosure Agreement") is executed and delivered by THE STATE OF DELAWARE (as more fully defined below, the "State") in connection with the issuance of its General Obligation Bonds - Series 1996A. The State, 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 State for the benefit of the Holders from time to time of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the 1996A Bond Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Additional Bonds" shall mean any indebtedness of the State issued subsequent to the 1996A Bonds which the State has declared in writing to be covered by this Disclosure Agreement.

"Annual Report" shall mean any Annual Report provided by the State pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Bond Resolution" shall mean the 1996A Bond Resolution and, to the extent relevant, any other bond resolution or authorizing document with respect to Additional Bonds.

"Bonds" shall mean the 1996A Bonds and any Additional Bonds, if any.

"Dissemination Agent" shall mean any agent of the State designated in writing by the State which has filed with the State a written acceptance of such designation.

"Holder" shall mean any registered holder of Bonds, provided however, that with respect to any Bond registered in a "street name" or the name of a nominee such as The Depository Trust Company, the term "holder" shall mean the beneficial owner of that Bond as defined in S.E.C. Rule 13d-3.

"Issuing Officers" shall mean the Governor, Secretary of Finance, Secretary of State and State Treasurer of the State.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor organization. The current address of the MSRB is:

MUNICIPAL SECURITIES RULEMAKING BOARD
Continuing Disclosure Information System
1640 King Street, Suite 300
Alexandria, VA 22314-2719
(202) 223-9503 (phone)
(703) 683-1930 (fax)

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Currently, the following are National Repositories:

BLOOMBERG MUNICIPAL REPOSITORY
Attn: Municipal Dept.
Bloomberg Business Park
100 Business Park Drive
Skillman, New Jersey 08558
(609) 279-3200 (phone)
(609) 279-3224 (phone)
(609) 279-5962 (fax)
[U.S. Mail: P.O. Box 840
Princeton, NJ 08542-0840]

THE BOND BUYER
Attn: Secondary Market Disclosure
395 Hudson Street, 3rd Fl.
New York, New York 10004
(212) 807-3814 (phone)
(212) 807-3868 (phone)
(212) 989-9282 (fax)
Internet: disclosure@muller.com

DISCLOSURE, INC.
Attn: Document Acquisitions/Municipal Securities
5161 River Road
Bethesda, Maryland 20816
(301) 951-1450 (phone)
(301) 718-2329 (fax)

R.R. DONNELLEY & SONS
Municipal Securities Disclosure Archive
559 Main Street
Hudson, Mass. 01749
(800) 580-3670 (phone)
(508) 562-1969 (fax)
Internet: http://www.municipal.com

KENNY INFORMATION SYSTEMS, INC.
Attn: Kenny Repository Service
65 Broadway, 16th Fl.
New York, New York 10006
(212) 770-4595 (phone)
(212) 797-7994 (fax)

MOODY'S NRMSIR
Attn: Public Finance Information Center
99 Church Street, 6th Floor
New York, New York 10007-2701
(800) 339-6306 (phone)
(212) 553-1460 (fax)

"1996A Bond Resolution" shall mean the bond resolution duly adopted by the Issuing Officers of the State with respect to the 1996A Bonds on April 23, 1996.

"1996A Bonds" shall mean the State's $100,000,000 aggregate principal amount General Obligation Bonds - Series 1996A dated April 15, 1996.

"1996A Underwriter" shall mean Lehman Brothers.

"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.

"Participating Underwriter" shall mean the 1996A Underwriter and any of the original underwriters of any Additional Bonds required to comply with the Rule in connection with offering of such Additional Bonds.

"Repository" shall mean each National Repository and the State Repository, if any.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, any successor provisions of similar import promulgated by the Securities and Exchange Commission in the future, and any applicable no-action letters and other authoritative interpretations of Rule 15c2-12 released by the Securities and Exchange Commission including, by way of example, the staff interpretive guidance dated June 23, 1995 from Robert L.D. Colby, Deputy Director or the letter dated September 19, 1995 from Catherine McGuire, Chief Counsel, Division of Market Regulation addressed to John S. Overdorff, Esquire.

"State" 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 State under this Disclosure Agreement.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The State shall, or shall cause the Dissemination Agent to, not later than the first day of the eleventh calendar month immediately following the end of the State's fiscal year, provide to each Repository 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 State shall provide the Annual Report to the Dissemination Agent, if any. Given the State's current fiscal year, this obligation to provide an Annual Report occurs by not later than May 1 of each year, commencing May 1, 1997. 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 State may be submitted separately from the balance of the Annual Report.

(b) If the State is unable to provide the Annual Report to Repositories by the date required in subsection (a), the State shall send a notice to each Repository (or to the MSRB and the State Repository) in substantially the form attached as Exhibit A.

(c) The Dissemination Agent, if any, shall: (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and (ii) file a report with the State certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(d) Audited financial statements of the State not submitted as part of the Annual Report shall be provided to each Repository, 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 in Section 4(a)(i) hereof.

(e) The State 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 State's Annual Report shall contain or incorporate by reference the information listed in Exhibit B with respect to the relevant fiscal year.

(b) Notwithstanding the provisions of Section 4(a) above, in the event the State provides for the repayment of the Bonds through an economic defeasance, such that repayment of the principal of and interest on the Bonds are expected to be derived from escrowed securities, and not the general revenues of the State (the "Defeased Bonds"), the State's Annual Report with respect to such Defeased Bonds shall only contain or incorporate by reference a report by a certified public accountant (the "Verification Report") as to the mathematical accuracy of computations showing the sufficiency of the receipts from the escrowed securities to pay, when due, the principal, interest and redemption premium (if any) requirements of the Defeased Bonds; provided that the State receive an opinion of counsel with expertise in federal securities law to the effect that such Annual Report is permitted by the Rule. Any cross reference to the Verification Report may be contained in a footnote to the State's audited financial statements.

(c) Any or all of the items required may be incorporated by reference from other documents, including official statements of debt issues of the State or related public entities, which have been submitted to each of the Repositories 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 State shall clearly identify each such other document so incorporated by reference.

(d) If any information described in Section 4(a) above 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 State under this Section 4, provided however that the State shall, to the greatest extent feasible, provide in lieu thereof similar information with respect to any substitute or replacement operations.

SECTION 5. Reporting of Significant 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;

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-exempt status of the Bonds;

7. Modifications to rights of Bondholders;

8. Bond calls (other than mandatory sinking fund redemptions);

9. Defeasances of Bonds;

10. Release, substitution, or sale of property securing repayment of any Bonds; or

11. Rating changes.

(b) If a Listed Event occurs, the State shall as soon as possible determine if such event would constitute material information for holders of Bonds, in accordance with the applicable "materiality" standard under then-current securities laws.

(c) If the occurrence of a Listed Event would be material to holders of Bonds in accordance with the applicable "materiality" standard under then-current securities laws, the State shall in a timely manner file, or cause the Dissemination Agent to file, a notice of such occurrence with the MSRB and the State Repository (if any). Notwithstanding the foregoing, notice of Listed Events need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Bond Resolution, provided that such notice is given in a timely manner.

SECTION 6. Accounting Standards. The financial statements described in Section 4(a)(i) above shall be audited by either a certified public accountant or an independent public accountant and shall be prepared in accordance with both (a) generally accepted accounting principles applicable in the preparation of financial statements of municipalities and other public entities 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 (b) applicable federal and state auditing statutes, regulations, standards and/or guidelines; provided however that 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. The State currently utilizes a combination of modified accrual and GAAP bases for its budgeting and reporting obligations. To the extent the State shifts solely to a GAAP basis, the State reserves the right to provide its Annual Report based solely on that basis. Any such modification of accounting standards 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, provided that such modifications are disclosed in the first Annual Report to be provided subsequent to such modifications.

SECTION 7. Termination of Reporting Obligation. The State'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 State shall provide timely written notice to each Repository of any termination of its obligations hereunder.

SECTION 8. Dissemination Agent. The State 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 State may modify or amend this Disclosure Agreement if the following preconditions are satisfied:

(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 State, or change in the type of business conducted by the State;

(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 State (such as a paying agent or nationally recognized bond counsel) or by an approving vote of a majority of Holders.

Compliance with the provisions of this Section 9(a) shall be conclusively evidenced by a written opinion of nationally recognized bond counsel to the effect that the modification or amendment satisfies the requirements of this Section 9(a).

(b) The State shall report any modification or amendment of this Disclosure Agreement as required by the Rule. To the extent required by the Rule, the State 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.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the State 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 Listed Event, in addition to that which is required by this Disclosure Agreement. If the State chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the State 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 Listed Event.

SECTION 11. Default. In the event of a failure of the State to comply with any provision of this Disclosure Agreement, a 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 this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the State 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 12. 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 13. Entire Agreement. This Disclosure Agreement contains the entire agreement of the State 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 14. 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 15. 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 16. 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 duly executed by the Secretary of Finance as of the day and year first above written.

____
Sarah Jackson
Secretary of Finance
The State of Delaware

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of State: The State of Delaware

Name of Bond Issue: $100,000,000 General Obligation Bonds - Series 1996A

Date of Issuance: April 30, 1996

CUSIP: ____________________________

NOTICE IS HEREBY GIVEN that the State has not provided an Annual Report with respect to the above-named Bonds as required by Section 16 of the Bond Resolution adopted April 23, 1996 in a timely manner. [The State anticipates that the Annual Report will be filed by __________________.]

Dated: _________________

THE STATE OF DELAWARE

By:____________________________________
Authorized Officer

EXHIBIT B

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 1996A 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 1996A 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) General Obligation Debt Service (p. 3) - updated for the issuance of general obligation debt through the prior fiscal year.

(b) The 5% Rule (p. 4) - updated for the current fiscal year.

(c) The 15% Test and the Cash Balances Test (p. 5-6) - updated for the current fiscal year.

(d) DEFAC Budgetary General Fund Revenue Projections (p. 29) - updated for the prior fiscal year.

(e) Budgetary General Fund Revenue (p. 30) - updated for the prior fiscal year.

(f) Budgetary General Fund Expenditures (p. 31) - updated for the prior fiscal year.

(g) Sources and Uses of State Funds (p. 32) - updated to compare the prior fiscal year to the fiscal year ten years prior.

(h) Budgetary General Fund Disbursements (p. 45) - updated for the prior fiscal year.

(i) Public School Enrollment (p. 46) - updated for the prior year.

(j) Welfare Expenditures (p. 47) - updated for the prior fiscal year.

(k) Total Federal Funds (p. 50) - 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. 7-10) 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, Certain Higher Education Institutions and Political Subdivisions - Authorities - Delaware Transportation Authority" (p. 11) for the prior fiscal year; and "- Delaware State Housing Authority" (p. 12) 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, 1995" (p. 33-35) 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. 51-53) for the prior fiscal year.

8. An update of the text appearing in the first paragraph under the heading "Employee Relations" (p. 53) for the prior fiscal year.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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[FORM OF OPINION OF BOND COUNSEL]

____________, 2010

OPINION OF BOND COUNSEL

RE: The State of Delaware
$135,310,000General Obligation Bonds – Series 2010B
$115,775,000 General Obligation Bonds – Series 2010C (Federally Taxable – Build America Bonds)
$59,580,000General Obligation Bonds – Series 2010D (Federally Taxable – Qualified School Construction Bonds)

TO THE PURCHASERS OF THE ABOVE-CAPTIONED BONDS:

We have acted as bond counsel in connection with the issuance of $135,310,000 General Obligation Bonds – Series 2010B (the "2010B Bonds"), $115,775,000 General Obligation Bonds – Series 2010C (Federally Taxable – Build America Bonds) (the "2010C Bonds") and $59,580,000 General Obligation Bonds – Series 2010D (Federally Taxable – Qualified School Construction Bonds) (the "2010D Bonds," and together with the 2010B Bonds and 2010C Bonds, 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 two resolutions of the Issuing Officers of the State each adopted on October 21, 2010 (collectively, the "Resolutions").

The Bonds are issued pursuant to the Constitution and laws of the State including Chapter 74, Title 29, Delaware Code, as amended, and the Resolutions.

As Bond Counsel, we have examined certified copies of the Resolutions 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 on the 2010B 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 2010B 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 2010B Bonds to be includable in gross income retroactive to the date of issuance of the 2010B Bonds. The State has covenanted to comply with all such requirements. Interest on the 2010B Bonds is not subject to the federal alternative minimum tax imposed on individuals and corporations. We express no opinion regarding other federal tax consequences relating to the 2010B Bonds or the receipt of interest thereon.

4. Under existing statutes, interest on the 2010 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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THE STATE OF DELAWARE • GENERAL OBLIGATION BONDS, SERIES 2010B, SERIES 2010C AND SERIES 2010D

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