



**Delaware Public Employees'
Retirement System
County & Municipal Other Employees'
Pension Plan**

Schedule of Employer Allocations and
Schedule of Pension Amounts by Employer
June 30, 2017

Delaware Public Employees' Retirement System

County & Municipal Other Employees' Pension Plan

Contents

Independent Auditor's Report	3 - 4
Schedule of Employer Allocations	5
Schedule of Pension Amounts by Employer	6
Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer	7 - 12
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedules Performed in Accordance with Government Auditing Standards	13-14



Independent Auditor's Report

The Members of the Board of Pension Trustees
Delaware Public Employees' Retirement System
Dover, DE

Report on the Schedules

We have audited the accompanying schedule of employer allocations of the County & Municipal Other Employees' Pension Plan as of and for the year ended June 30, 2017, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions (specified column totals) included in the accompanying schedule of pension amounts by employer of the County & Municipal Other Employees' Pension Plan as of and for the year ended June 30, 2017, and the related notes.

Management's Responsibility for the Schedules

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the schedule of employer allocation and specified column totals included in the schedule of pension amounts by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.



Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as, evaluating the overall presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer.

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions for the total of all participating entities for the County & Municipal Other Employees' Pension Plan as of and for the year ended June 30, 2017 in accordance with U.S. generally accepted accounting principles.

Other Matters

We have audited, 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, the financial statements of the Delaware Public Employees' Retirement System, which include the County & Municipal Other Employees' Pension Plan, as of and for the year ended June 30, 2017, and our report thereon, dated November 13, 2017, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of County & Municipal Other Employees' Pension Plan management, the Board of Pension Trustees, County & Municipal Other Employees' Pension Plan employers, and their auditors, and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2018 on our consideration of the County & Municipal Other Employees' Pension Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the 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* in considering the County & Municipal Other Employees' Pension Plan's internal control over financial reporting and compliance.

BDO USA, LLP

May 21, 2018

Delaware Public Employees' Retirement System
County & Municipal Other Employees' Pension Plan
 Schedule of Employer Allocations
 As of and for the year ended June 30, 2017

Employer	Employer contributions	Employer's Proportionate share
Aetna Hose Hook and Ladder	\$ 58,167	2.3136 %
Bethany Beach Fire	31,168	1.2397
Cheswold Fire Co.	6,444	0.2563
City of Harrington	5,938	0.2362
City of Milford	259,355	10.3161
City of New Castle	66,409	2.6415
City of Wilmington	602,779	23.9759
Cranston Heights Fire Co.	25,500	1.0143
Delaware City Fire Co.	15,028	0.5977
Elsmere Fire Co.	14,253	0.5669
Felton Fire Co.	14,077	0.5599
Five Points Fire Co.	8,098	0.3221
Georgetown EMS	31,447	1.2508
Good Will Fire Co.	37,815	1.5041
Harrington Fire Co.	52,492	2.0879
Kent Conservation District	235,263	9.3578
Lewes Fire Co.	39,530	1.5723
Mill Creek Fire Co.	44,769	1.7807
Millville Fire Co.	48,837	1.9425
Minquadale Fire	29,267	1.1641
Port Penn Fire Co.	15,397	0.6124
Rehoboth Beach Fire	39,750	1.5811
Riverfront Development Corp	59,132	2.3520
Sussex Conservation District	103,865	4.1313
Talleyville Fire Co.	36,713	1.4603
Town of Bethany Beach	111,630	4.4402
Town of Blades	11,442	0.4551
Town of Camden	17,348	0.6900
Town of Cheswold	3,133	0.1246
Town of Clayton	33,278	1.3237
Town of Felton	11,770	0.4682
Town of Georgetown	74,855	2.9774
Town of Laurel	53,184	2.1154
Town of Millsboro	59,439	2.3642
Town of Milton	27,057	1.0762
Town of Newport	16,471	0.6552
Town of Ocean View	44,625	1.7750
Town of Selbyville	40,160	1.5974
Town of Smyrna	64,628	2.5706
Town of South Bethany	25,637	1.0197
Town of Wyoming	6,722	0.2674
Townsend Fire Co.	4,540	0.1806
Vol. Hose Co. Middletown	26,690	1.0616
Total	\$ 2,514,102	100 %

See accompanying notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

Delaware Public Employees' Retirement System
County & Municipal Other Employees' Pension Plan
Schedule of Pension Amounts by Employer
As of and for the year ended June 30, 2017

Employer	Deferred outflows of resources					Deferred inflows of resources					Pension expense excluding that attributable to employer-paid member contributions			
	Net Pension Liability	Differences between expected and actual experience	Changes of assumptions	Net difference between projected and actual investment earnings on pension plan investments	Changes in proportion	Total deferred outflows of resources	Differences between expected and actual experience	Changes of assumptions	Net difference between projected and actual investment earnings on pension plan investments	Changes in proportion	Total deferred inflows of resources	Proportionate share of allocated plan pension expense	Net amortization of deferred amounts from changes in proportion	Total pension expense excluding that attributable to employer paid member contributions
Atena Hose Hook and Ladder	\$ 149,907	40,720	47,878	17,053	25,001	130,652	10,104	-	-	10,104	70,544	3,513	74,057	
Bethany Beach Fire	80,326	21,819	25,655	9,137	14,788	71,399	5,414	-	2,143	7,557	37,800	2,147	39,947	
Cheswold Fire Co.	16,608	4,511	5,304	1,889	3,509	15,213	1,119	-	-	1,119	7,815	458	8,273	
City of Harrington	15,303	4,157	4,887	1,741	-	10,785	1,032	-	40,779	41,811	7,201	(5,765)	1,436	
City of Milford	668,405	181,559	213,480	76,034	-	471,073	45,050	-	-	65,190	110,240	314,542	(13,150)	301,392
City of New Castle	171,148	46,489	54,663	19,469	1,659	122,280	11,535	-	-	23,760	80,540	(4,610)	75,930	
City of Wilmington	1,553,473	421,970	496,159	176,715	181,010	1,275,854	104,702	-	-	2,016	106,718	731,042	39,539	770,581
Cranston Heights Fire Co.	65,718	17,851	20,989	7,476	6,045	52,361	4,429	-	2,272	6,701	30,926	1,186	32,112	
Delaware City Fire Co.	38,729	10,519	12,370	4,406	397	27,692	2,610	-	4,924	7,534	18,225	(1,008)	17,217	
Elsmere Fire Co.	36,731	9,977	11,732	4,178	469	26,356	2,476	-	1,594	4,070	17,285	(148)	17,137	
Felton Fire Co.	36,279	9,855	11,587	4,127	-	25,569	2,445	-	7,360	9,805	17,073	(1,202)	15,871	
Five Points Fire Co.	20,870	5,669	6,666	2,374	64	14,773	1,407	-	3,124	4,531	9,821	(716)	9,105	
Georgetown EMS	81,044	22,014	25,885	9,219	14,133	71,251	5,462	-	-	5,462	38,138	1,957	40,095	
Good Will Fire Co.	97,456	26,472	31,126	11,086	404	69,088	6,568	-	9,759	16,327	45,861	(2,233)	43,628	
Harrington Fire Co.	135,280	36,746	43,207	15,389	29,187	124,529	9,118	-	-	444	63,661	3,548	67,209	
Kent Conservation District	606,317	164,695	193,649	68,971	-	427,315	40,865	-	46,931	87,796	285,323	(7,911)	277,412	
Lewes Fire Co.	101,877	27,673	32,538	11,589	5,298	77,098	6,866	-	2,703	9,569	47,942	836	48,778	
Mill Creek Fire Co.	115,379	31,340	36,850	13,125	6,291	87,606	7,776	-	3,652	11,428	54,296	173	54,469	
Millville Fire Co.	125,862	34,188	40,199	14,317	8,765	97,469	8,483	-	3,540	12,023	59,229	246	59,475	
Minquedale Fire	75,426	20,488	24,090	8,580	12,061	65,219	5,084	-	-	5,084	35,494	1,719	37,213	
Port Penn Fire Co.	39,682	10,779	12,673	4,514	514	28,480	2,675	-	2,710	5,385	18,674	(548)	18,126	
Rehoboth Beach Fire	102,444	27,827	32,719	11,653	19,033	91,232	6,905	-	-	6,905	48,209	3,345	51,554	
Riverfront Development Corp	152,394	41,395	48,673	17,336	28	107,432	10,271	-	12,821	23,092	71,715	(1,909)	69,806	
Sussex Conservation District	267,679	72,710	85,493	30,450	8,590	197,243	18,041	-	8,033	26,074	125,966	(160)	125,806	
Talleyville Fire Co.	94,617	25,701	30,219	10,763	4,548	71,231	6,377	-	8,897	15,274	44,525	(1,339)	43,186	
Town of Bethany	287,692	78,146	91,885	32,726	1,547	204,304	19,390	-	11,834	31,224	135,384	(1,442)	133,942	
Town of Blades	29,489	8,010	9,418	3,355	269	21,052	1,988	-	3,399	5,387	13,877	(599)	13,278	
Town of Camden	44,710	12,145	14,280	5,086	2,408	33,919	3,013	-	6,795	9,808	21,040	(663)	20,377	
Town of Cheswold	8,073	2,193	2,579	918	142	5,832	544	-	754	1,298	3,799	(159)	3,640	
Town of Clayton	85,765	23,296	27,393	9,756	-	60,445	5,780	-	6,108	11,888	40,359	(1,157)	39,202	
Town of Felton	30,334	8,240	9,688	3,451	66	21,445	2,044	-	3,827	5,871	14,275	(706)	13,569	
Town of Georgetown	192,916	52,402	61,615	21,945	-	135,962	13,003	-	121,519	34,522	90,783	(4,235)	86,548	
Town of Laurel	137,065	37,231	43,777	15,592	4,416	101,016	9,238	-	16,176	25,414	64,501	(2,245)	62,256	
Town of Millsboro	153,185	41,610	48,925	17,425	-	107,960	10,324	-	14,459	24,783	72,087	(2,713)	69,374	
Town of Milton	69,731	18,941	22,272	7,932	416	49,561	4,700	-	7,684	12,384	32,814	(1,465)	31,349	
Town of Newport	42,450	11,531	13,558	4,829	-	29,918	2,861	-	2,902	5,763	19,976	(562)	19,414	
Town of Ocean View	115,007	31,239	36,732	13,083	246	81,300	7,751	-	3,477	11,228	54,121	(732)	53,389	
Town of Selbyville	103,499	28,114	33,056	11,774	196	73,140	6,976	-	12,534	19,510	48,705	(2,475)	46,230	
Town of Smyrna	166,558	45,242	53,196	18,947	30,825	148,210	11,226	-	-	11,226	78,380	4,734	83,114	
Town of South Bethany	66,071	17,947	21,102	7,516	-	46,565	4,453	-	5,731	10,184	31,092	(1,026)	30,066	
Town of Wyoming	17,323	4,706	5,533	1,971	877	13,087	1,168	-	3,034	4,202	8,152	(370)	7,782	
Townsend Fire Co.	11,701	3,178	3,737	1,331	57	8,303	789	-	3,264	4,053	5,507	(558)	4,949	
Vol. Hose Co. Middletown	68,784	18,684	21,969	7,824	97	48,574	4,636	-	7,207	11,843	32,369	(1,595)	30,774	
Total	\$ 6,479,307	1,759,979	2,069,406	737,052	383,356	4,949,793	436,698	-	-	383,356	820,054	3,049,068	-	3,049,068

See accompanying notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

Delaware Public Employees' Retirement System County & Municipal Other Employees' Pension Plan

Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

1. Plan Description

The County & Municipal Other Employees' Pension Plan (the Plan) is a cost sharing multiple-employer defined-benefit pension plan established in the Delaware Code. The Plan is administered by the Delaware Public Employees' Retirement System (DPERS).

The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board).

The management of the Plan is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex officio members. The daily operation is the responsibility of the Office of Pensions. Although Plan assets are comingled with assets of other Plans and Funds for investment purposes, the Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan.

The following are brief descriptions of the Plan in effect as of June 30, 2017. For a more complete description, please refer to the DPERS Comprehensive Annual Financial Report.

Separately issued financial statements for DPERS are available from the pension office at:

McArdle Building,
Suite 1 860 Silver
Lake Blvd.
Dover, DE 19904

(a) Plan Description and Eligibility

The Plan covers employees of counties or municipalities that have joined the Plan.

(b) 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.

(c) Vesting

Five years of credited service.

(d) Retirement

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

(e) Disability benefits

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

Delaware Public Employees' Retirement System County & Municipal Other Employees' Pension Plan

Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

(f) Survivor Benefits

If employee is receiving a pension, then eligible survivor receives 75% of pension; if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62.

2. Basis of Presentation

The Schedules of Employer Allocations and Pension Amounts by Employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of DPERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of DPERS or the participating employers. The accompanying schedules have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from estimates.

3. Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in the Plan to recognize their proportionate share of the collective net pension liability, collective deferred inflows of resources, collective deferred outflows of resources and collective pension expense. The allocation percentages presented in the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer are based on the ratio of each employer's contribution to the Plan's total employer contributions during the measurement period July 1, 2016 through June 30, 2017, adjusted to remove contributions to separately finance specific liabilities of an individual employer. Employer contributions to the plan are recognized when due pursuant to legal requirements. Board of Pension Trustees determines employer contributions. Employer contributions were 6.8% of earnings for the Fiscal Year 2017.

4. Collective Net Pension Liability and Actuarial Information

The components of the collective net pension liability of the participating employers at June 30, 2017 were as follows (in thousands):

Employers' total pension liability	\$ 52,353
Plan net position	45,874
Employers' net pension liability	\$ 6,479

Delaware Public Employees' Retirement System County & Municipal Other Employees' Pension Plan

Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

Actuarial Assumptions

The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Actuarial assumptions:

Investment rate of return / discount rate (1)	7.0%
Projected salary increases (1)	2.5% + Merit
Cost of living adjustments	0.0%

(1) Inflation is included at 2.5%.

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

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

Projected benefit payments do not include the effects of projected ad hoc cost of living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Plan's current and expected asset allocation are summarized in the following table:

Asset Class	Long-term expected real rate of return	Asset allocation
Domestic equity	5.7%	33.5%
International equity	5.7	13.7
Fixed income	2.0	26.6
Alternative investments	7.8	22.7
Cash and equivalents	-	3.5

**Delaware Public Employees' Retirement System
County & Municipal Other Employees' Pension Plan**

Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The change in the discount rate assumption to 7.0% from 7.2% was due to an adoption by the Board of Trustees in Fiscal Year 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability, calculated using the discount rate of 7.0%, as well as what the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (in thousands):

	1% Decrease	Discount Rate	1% Increase
Collective net pension liability (asset)	\$ 14,579	6,479	(182)

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**Delaware Public Employees' Retirement System
County & Municipal Other Employees' Pension Plan**

Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

5. Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2017:

	Measurement period ending June 30	Amortization Period	Beginning of year balance	Additions	Deductions	End of year balance
Deferred Outflows of Resources:						
Difference between expected and actual experience	2017	9 years	\$ -	\$ 323,628	\$ (35,959)	\$ 287,669
	2016	9 years	1,682,640	-	(210,330)	1,472,310
Subtotal			1,682,640	323,628	(246,289)	1,759,979
Changes of assumptions	2017	9 years	-	1,437,011	(159,668)	1,277,343
	2016	9 years	905,215	-	(113,152)	792,063
Subtotal			905,215	1,437,011	(272,820)	2,069,406
Net difference between projected and actual earnings on pension plan investments	2017	5 years	-	(1,523,206)	304,641	(1,218,565)
	2016	5 years	2,678,875	-	(669,719)	2,009,156
	2015	5 years	763,224	-	(254,408)	508,816
	2014	5 years	(1,124,712)	-	562,357	(562,355)
Subtotal			2,317,387	(1,523,206)	(57,129)	737,052
Total			\$ 4,905,242	\$ 237,433	\$ (576,238)	\$ 4,566,437
Deferred Inflows of Resources:						
Difference between expected and actual experience	2015	8 years	\$ (524,038)	\$ -	\$ 87,340	\$ (436,698)
Total			\$ (524,038)	\$ -	\$ 87,340	\$ (436,698)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows (in thousands):

<i>Year ending June 30</i>	
2018	\$ 489
2019	1,051
2020	797
2021	127
2022	432
Thereafter	1,234
Total	\$ 4,130

Delaware Public Employees' Retirement System County & Municipal Other Employees' Pension Plan

Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 9 years for the 2017 amounts.

6. Collective Pension Expense

The components of collective pension expense for the year ending June 30, 2017 (excluding that attributable to employer-paid member contributions) are as follows (in thousands):

Service cost	\$	2,894
Interest on total pension liability		3,462
Member contributions		(985)
Administrative expense		94
Projected earnings on plan investments		(2,905)
Recognition of deferred outflows and inflows of resources:		
Difference between projected and actual earnings on plan investments		57
Difference between expected and actual experiences with regards to factors or other inputs in the measurement of total pension liability		159
Changes in assumptions with regards to factors or other inputs in the measurement of total pension liability		273
Pension Expense	\$	3,049



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedules Performed in Accordance with *Government Auditing Standards*

Members of the Board of Pension Trustees
Delaware Public Employees' Retirement System
Dover, DE

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the schedule of employer allocations and the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions as of and for the year ended June 30, 2017 (specified column totals), included in the schedule of pension amounts by employer of the Delaware Public Employees' Retirement System - County & Municipal Other Employees' Pension Plan (the Plan) and the related notes (hereafter collectively referred to as the Schedules) and have issued our report thereon dated May 21, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's Schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and



material effect on the determination of the Schedules amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

BDO USA, LLP

May 21, 2018