



**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

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**DELAWARE TRANSPORTATION AUTHORITY
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Management's Discussion and Analysis

June 30, 2011 and 2010

This section of the Delaware Transportation Authority (the Authority) Transportation Trust Fund's (the Trust Fund) annual financial statements presents our discussion and analysis of the Trust Fund's financial performance during the fiscal year ended June 30, 2011.

Background

In 1987, to facilitate the Authority's development of a unified transportation system in the State of Delaware (the State) and to take advantage of the Authority's broad financing powers, the Trust Fund was created to consolidate and dedicate transportation-related revenue to transportation projects and to provide a flexible mechanism to handle the increasing funding requirements over time for all transportation projects in the State. The Trust Fund is the State's financing vehicle for transportation, operating, and capital expenditures. Funding for such expenditures is derived from bond proceeds, excess Trust Fund revenue, and cash balances.

The Trust Fund has pledged the following revenue to secure their outstanding bonds: Motor Fuel Taxes, Delaware Turnpike Tolls and Concessions, Motor Vehicle Document and Registration Fees, Miscellaneous Transportation Revenue, including operator license and titling fees, and investment earnings. Route 1 (SR-1) toll road revenue and certain miscellaneous revenues, including transfers from the State of Delaware General Fund, have not been pledged and, therefore, are not used to secure the Trust Fund's bonds.

Financial Highlights

- I-95 tolls decreased by \$3.5 million to \$115.9 million, a 2.9% decrease over fiscal year 2010. This was primarily due to reduced traffic volume as a result of high fuel prices. SR-1 revenues remained virtually flat for fiscal year 2011 as compared to fiscal year 2010.
- Motor vehicle document fee revenue increased by \$9.9 million to \$68.3 million, a 17.0% increase over fiscal year 2010. This was primarily due to increased auto sales as economic conditions began to improve. Document fee revenues increased by 3.9% from fiscal year 2009 to fiscal year 2010 as a result of fee increases and increased auto sales resulting from the federal Car Allowance Rebate System program.
- Motor vehicle registration fee revenue increased by \$2.7 million to \$47.2 million, a 6.1% increase over fiscal year 2010. This follows an increase of 2.8% from fiscal year 2009 to fiscal year 2010. Both increases were primarily the result of increased auto sales.

Overview of the Financial Statements

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

The financial statements provide both long-term and short-term information about the Trust Fund's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

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The Trust Fund's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and change in net assets.

Financial Analysis of the Trust Fund

Balance Sheets

The Trust Fund's total assets increased 7.1% to \$1,646.3 million at June 30, 2011, compared to \$1,537.3 million at June 30, 2010, and \$1,483.1 million at June 30, 2009. Total liabilities increased 2.5% to \$1,303.1 million at June 30, 2011, compared to \$1,271.2 million at June 30, 2010, and \$1,230.0 million at June 30, 2009. Net assets at June 30, 2011 increased 29.0% to \$343.2 million, compared to \$266.1 million at June 30, 2010, and \$253.1 million at June 30, 2009.

	Transportation trust fund's net assets			Percentage change 2011-2010	Percentage change 2010-2009
	2011	2010	2009		
	(Dollars in millions)				
Current assets	\$ 403.2	339.2	295.2	18.9%	14.9%
Capital assets	1,165.2	1,136.0	1,107.8	2.6	2.5
Other noncurrent assets	77.9	62.1	80.1	25.4	(22.5)
Total assets	<u>\$ 1,646.3</u>	<u>1,537.3</u>	<u>1,483.1</u>	7.1	3.7
Current liabilities	\$ 133.6	127.3	132.2	4.9%	(3.7)%
Revenue bonds payable	1,133.3	1,110.5	1,068.5	2.1	3.9
Other noncurrent liabilities	36.2	33.4	29.3	8.4	14.0
Total liabilities	<u>\$ 1,303.1</u>	<u>1,271.2</u>	<u>1,230.0</u>	2.5	3.3
Net assets:					
Invested in capital assets, net of debt	\$ 62.2	40.2	11.0	54.7%	265.5%
Restricted	170.8	159.9	164.0	6.8	(2.5)
Unrestricted	110.2	66.0	78.1	67.0	(15.5)
Total net assets	<u>\$ 343.2</u>	<u>266.1</u>	<u>253.1</u>	29.0	5.1

The increase in current assets is attributed to the larger cash and cash equivalents balance as a result of delays in the capital program causing a decrease in capital spending during the fiscal year 2011. During fiscal year 2010, the increase is attributed to unspent bond proceeds from the Grant Anticipation Revenue Vehicle (GARVEE) bond issuance, which caused larger investment balances. The increase in other noncurrent assets in 2011 is due to holding longer term investments, while the decrease in other noncurrent assets in 2010 is primarily due to recording a loss of \$20.3 million for the Trust Fund's loan to the Diamond State Port Corporation. The small increase in liabilities during fiscal year 2011 is primarily attributed to escrow deposits relating to the GARVEE bond debt-service and an increase in revenue bonds payable from the issuance of Series 2010A and 2010B bonds during 2011.

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Management's Discussion and Analysis

June 30, 2011 and 2010

Change in Net Assets

Total net assets at June 30, 2011 were \$343.2 million, compared to \$266.1 million at June 30, 2010, and \$253.1 million at June 30, 2009. Total operating revenues increased 2.8% to \$425.6 million for fiscal year 2011, compared to \$414.0 million for fiscal year 2010, and \$415.4 million for fiscal year 2009. Total operating expenses decreased 0.8% to \$340.5 million for fiscal year 2011, compared to \$343.1 million for fiscal year 2010, and \$399.1 million for fiscal year 2009.

	Transportation trust fund's net assets			Percentage change 2011-2010	Percentage change 2010-2009
	2011	2010	2009		
	(Dollars in millions)				
Operating revenues:					
Turnpike revenue	\$ 115.9	119.4	121.2	(2.9)%	(1.5)%
Motor fuel tax	113.7	112.9	114.6	0.7	(1.5)
Motor vehicle document fee	68.3	58.4	56.2	17.0	3.9
Motor vehicle registration fee	47.2	44.5	43.3	6.1	2.8
Other motor vehicle revenue	24.6	22.8	22.5	7.9	1.3
International Fuel Tax Agreement	2.9	2.9	4.9	0.0	(40.8)
Toll revenue – SR-1	44.4	45.5	44.5	(2.4)	2.2
Miscellaneous	8.6	7.6	8.2	13.2	(7.3)
Total operating revenues	<u>425.6</u>	<u>414.0</u>	<u>415.4</u>	2.8	(0.3)
Operating expenses:					
Toll operations expenses	16.6	17.9	16.9	(7.3)	5.9
Capital preservation and operations	250.2	251.5	310.4	(0.5)	(19.0)
DTC operations	73.5	73.5	71.6	0.0	2.7
Depreciation	0.2	0.2	0.2	0.0	0.0
Total operating expenses	<u>340.5</u>	<u>343.1</u>	<u>399.1</u>	(0.8)	(14.0)
Operating income (loss)	85.1	70.9	16.3	20.0	335.0
Nonoperating expenses – net	(35.2)	(61.3)	(34.8)	(42.6)	76.1
Transfers	<u>27.2</u>	<u>3.4</u>	<u>3.2</u>	700.0	6.2
Change in net assets	77.1	13.0	(15.3)	493.1	(185.0)
Total net assets, beginning of year	<u>266.1</u>	<u>253.1</u>	<u>268.4</u>	5.1	(5.7)
Total net assets, end of year	<u>\$ 343.2</u>	<u>266.1</u>	<u>253.1</u>	29.0	5.1

Despite the continued poor economy and spikes in fuel prices, several revenue categories increased over last fiscal year. All Department of Motor Vehicle revenue categories experienced revenue growth for the second straight year, driven primarily by increased auto sales. Registration fee revenue increased by 6.1%, document fee revenue increased by 17.0% and the "other" motor vehicle revenue category grew by 7.9%. These increases were partially offset by a decrease in turnpike revenues of 2.9% as a result of decreased traffic on I-95.

Total operating expenses for fiscal year 2011 were relatively flat as compared to 2010. Operating expenses decreased 14.0% from 2009 to 2010 as a result of reduced capital preservation spending.

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Net nonoperating expenses for fiscal year 2011 decreased by 42.6%, as compared to an increase of 76.1% during 2010. These changes were primarily as a result of recording a one-time loss of \$20.3 million for the Trust Fund's loan to the Diamond State Port Corporation during 2010.

During fiscal year 2011, the following transfers were received from the State's General Fund: \$24.0 million in support was received after being suspended in fiscal years 2008, 2009 and 2010, \$0.3 million collected by the Division of Revenue from motor vehicle dealer fees and \$2.9 million in General Fund support for the Department of Motor Vehicles (DMV). In fiscal year 2010, the Division of Revenue transfer was also \$0.3 million and the DMV support transfer was \$2.8 million. In fiscal year 2010, the Trust Fund also had a one-time transfer of \$0.3 million from the Department of Transportation (the Department).

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2011, the Trust Fund had invested \$1,168.7 million in capital assets, including roads, bridges, buildings, land, and equipment for Delaware's two toll roads. Net of accumulated depreciation, the Trust Fund's net capital assets at June 30, 2011 totaled \$1,165.2 million. This amount represents a net increase (including additions and disposals, net of depreciation) of \$29.2 million, primarily for the US 301 project.

The State is using the "modified approach" for determining condition assessments on their roads and bridges. The modified approach requires that the State initially set a percentage benchmark for maintaining their infrastructure in good or better condition and report at least every three years on their condition assessments.

It is the Department's policy to maintain at least 85% of its highway system at a fair or better condition rating and 75% of its bridge system at a good or better condition rating as follows:

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

The condition of the bridges is measured using the "Bridge Condition Rating" (BCR), which is based on the Federal Highway Administration's (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 4 for substandard bridges to 9 for bridges in perfect condition. For reporting purposes, substandard bridges are classified as those with a rating of 4 or less. The good or better condition bridges are taken as those with ratings of 6 to 9, with 5 being assessed a fair rating.

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

At December 31, 2009, 99.8% of the Trust Fund's roadway condition assessments were in the fair or better category, a 7.9% increase over 2008. 4.69 miles, or 3.9%, of the roadways were unrated due to construction in 2008. In 2009, all lane miles were rated. No roadway condition assessment was performed at December 31, 2010. At December 31, 2010, 92.3% of the bridge structures were in the good or better category, a small decrease from the prior year at 93.2%, and 93.4% of the bridge deck ratings were in the good or better category, down from 96.6% in the prior year.

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Debt Administration

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

At June 30, 2011, the Authority had \$1,210.9 million in revenue bonds outstanding, a 2.3% increase from June 30, 2010. During fiscal year 2011, the Authority issued senior revenue bonds for \$47.7 million and senior revenue Build America Bonds (BAB) for \$72.1 million. The \$47.7 million issuance provided for the advanced refunding of \$20.6 million in existing bonds and \$27.1 million in new money. Of the thirteen outstanding senior bond issues, all insured bonds are rated AAA by S&P and Aaa by Moody's; and the uninsured bonds are rated AA+ and Aa2, respectively. The GARVEE Bond, 2010 Series, is uninsured and is rated AA and Aa2 by S&P and Moody's respectively.

Next Year's Budget

The Department's fiscal year 2012 Operating Annual Budget adopted by the General Assembly in June 2011 totals \$354.0 million and the fiscal year 2012 Capital Improvements Act totals \$219.5 million in State-authorized funds. The Capital Improvements Act authorizes funding of the following improvements: \$165.9 million of Road System, \$20.1 million of Grants and Allocations, \$5.2 million of Transit System, and \$28.3 million for Support System. The spending of these capital authorizations will occur over several years. The Capital Transportation Plan (CTP) spending forecast for fiscal year 2012 is \$534.6 million, inclusive of \$298.9 and \$235.7 million in state and federal funds, respectively. The State forecast includes \$47.8 million in GARVEE spending.

Contacting the Trust Fund's Financial Management

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



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Independent Auditors' Report

The Board of Directors
Delaware Transportation Authority
Transportation Trust Fund
Dover, Delaware

We have audited the accompanying balance sheet of the State of Delaware Transportation Trust Fund (TTF), a subsidiary of Delaware Transportation Authority, which is a blended component unit of the State of Delaware, as of June 30, 2011 and 2010, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of TTF management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 TTF'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 provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the State of Delaware Transportation Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Delaware, as of June 30, 2011 and 2010, and the changes in its financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the State of Delaware Transportation Trust Fund as of June 30, 2011 and 2010, and the changes in its financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Management's discussion and analysis and required supplementary information for governments that use the modified approach for infrastructure assets on pages 1 through 5 and 30 through 31 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise TTF's financial statements. The additional information, Balance Sheet in accordance with Trust Agreement, Statement of Revenues, Expenses, and Changes in Net Assets in accordance with Trust Agreement, Statement of Cash Flows in accordance with Trust Agreement, Schedules of Revenue Bonds



Outstanding (June 30, 2011 and 2010), Statements of Operating Revenues and Expenses – Expressway Operations/Toll Administration, Schedule of Cash Balance Expenditures Compared to Budget – Expressway Operations/Toll Administration, and Schedule of Revenue Bond Coverage, presented on pages 33 through 43 is presented for purposes of additional analysis and is not a required part of the financial statements.

KPMG LLP

November 15, 2011

**DELAWARE TRANSPORTATION AUTHORITY
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Balance Sheets

June 30, 2011 and 2010

Assets	2011	2010
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 17,501,798	9,325,259
Restricted	64,042,007	268
Investments – at fair value:		
Unrestricted	127,815,239	87,592,054
Restricted	185,341,783	234,806,892
Accrued interest receivable	694,941	487,572
Accounts receivable	7,563,858	6,747,093
Bond issuance costs – net of accumulated amortization	263,205	226,029
Total current assets	403,222,831	339,185,167
Noncurrent assets:		
Capital assets:		
Infrastructure and land	1,160,554,034	1,131,204,770
Buildings and land improvements	8,136,689	8,136,689
	1,168,690,723	1,139,341,459
Less: accumulated depreciation	3,489,513	3,297,296
Capital assets	1,165,201,210	1,136,044,163
Investments – at fair value:		
Unrestricted	12,749,614	10,157,658
Restricted	62,906,082	49,798,310
Bond issuance costs – net of accumulated amortization and current portion	2,182,781	2,101,043
Total noncurrent assets	1,243,039,687	1,198,101,174
Total assets	\$ 1,646,262,518	1,537,286,341

See accompanying notes to financial statements.

**DELAWARE TRANSPORTATION AUTHORITY
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Balance Sheets

June 30, 2011 and 2010

Liabilities and Net Assets	2011	2010
	<u> </u>	<u> </u>
Current liabilities:		
Accounts payable	\$ 6,086,929	11,005,265
Accrued payroll payable	446,758	403,501
Compensated absences payable	53,629	59,705
Customer toll deposits	10,788,734	7,330,574
Deferred revenue	—	2,983,466
Escrow deposits	3,612,108	—
General obligation bonds payable	346,503	663,330
Revenue bonds payable – net of deferred amounts on refunding	75,960,451	71,489,182
Bond issue premium – net of accumulated amortization	7,952,314	7,548,149
Interest payable	28,400,631	25,800,022
	<u>133,648,057</u>	<u>127,283,194</u>
Total current liabilities		
Noncurrent liabilities:		
Compensated absences – net of current portion	260,051	307,090
Return of Federal Funds	5,999,719	—
General obligation bonds payable – net of current portion	441,481	787,984
Revenue bonds payable – net of deferred amounts on refunding and current portion	1,133,291,243	1,110,523,675
Bond issue premium – net of accumulated amortization and current portion	29,450,245	32,296,132
	<u>1,169,442,739</u>	<u>1,143,914,881</u>
Total noncurrent liabilities		
Total liabilities	1,303,090,796	1,271,198,075
Net assets:		
Invested in capital assets – net of related debt	62,163,744	40,209,286
Restricted	170,782,875	159,900,968
Unrestricted	110,225,103	65,978,012
	<u>343,171,722</u>	<u>266,088,266</u>
Total net assets		
Total liabilities and net assets	<u>\$ 1,646,262,518</u>	<u>1,537,286,341</u>

**DELAWARE TRANSPORTATION AUTHORITY
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Statements of Revenues, Expenses, and Change in Net Assets

Years ended June 30, 2011 and 2010

	2011	2010
Operating revenues:		
Pledged revenue:		
Turnpike revenue	\$ 115,895,081	119,398,945
Motor fuel tax revenue	113,753,475	112,888,804
Motor vehicle document fee revenue	68,347,132	58,353,219
Motor vehicle registration fee revenue	47,171,633	44,524,380
Other motor vehicle revenue	24,586,694	22,815,458
International Fuel Tax Agreement revenue	2,859,019	2,850,720
Total pledged revenue	372,613,034	360,831,526
Toll revenue – Delaware SR-1	44,429,312	45,502,245
Property management revenue	—	411,321
Railway tolls	1,270,118	924,356
Traffic violations	4,348,989	3,353,947
Miscellaneous	2,942,043	2,941,008
Total operating revenues	425,603,496	413,964,403
Operating expenses:		
Expressways operations/toll administration and interstate operating expenses	16,594,681	17,888,822
Expenses in accordance with Trust Agreement:		
Transportation capital preservation and operations	250,162,909	251,461,465
Delaware Transit Corporation operations	73,524,092	73,525,141
Depreciation	192,217	194,012
Total operating expenses	340,473,899	343,069,440
Operating income	85,129,597	70,894,963
Nonoperating revenues (expenses):		
Pledged revenue – income from investments	3,573,314	2,302,349
Net increase (decrease) in the fair value of investments	(973,326)	563,456
Loss on note receivable	—	(20,297,835)
Bad debt recovery	788,914	—
Federal grants	7,801,534	—
Interest income	—	38,089
Interest expense	(46,469,920)	(43,920,676)
Excess of nonoperating expenses over nonoperating revenues	(35,279,484)	(61,314,617)
Income before transfers	49,850,113	9,580,346
Transfer from Delaware Department of Transportation	—	289,380
Transfer from State General Fund	27,233,343	3,111,602
Change in net assets	77,083,456	12,981,328
Total net assets – beginning of year	266,088,266	253,106,938
Total net assets – end of year	\$ 343,171,722	266,088,266

See accompanying notes to financial statements.

**DELAWARE TRANSPORTATION AUTHORITY
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Statements of Cash Flows
Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Receipts from customers	\$ 426,499,231	414,374,557
Payments to employees	(6,060,388)	(6,432,274)
Payments to suppliers	(333,149,769)	(338,952,992)
Net cash provided by operating activities	87,289,074	68,989,291
Cash flows from noncapital financing activities:		
Transfers from State General Fund	27,233,343	3,111,602
Transfers from Delaware Department of Transportation	—	289,380
Net cash provided by noncapital financing activities	27,233,343	3,400,982
Cash flows from capital and related financing activities:		
Payments of revenue bond principal	(71,760,000)	(74,380,000)
Payment to escrow agent for refunding of revenue bonds	(21,057,176)	—
Proceeds from revenue bond sale	119,835,000	113,490,000
Payments of general obligation bond principal	(663,330)	(655,587)
Premium from revenue bond sale	6,988,431	12,455,754
Bond issuance costs from revenue bond sale	(362,312)	(926,913)
Federal reimbursement of debt service	7,801,534	—
Acquisition of capital assets	(29,349,264)	(28,432,107)
Payments of interest	(52,835,053)	(50,971,923)
Net cash used in capital and related financing activities	(41,402,170)	(29,420,776)
Cash flows from investing activities:		
Repayment on loan receivable	—	1,294,686
Collection on loans previously written off	788,914	—
Escrow deposits received	2,374,302	—
Purchase of investments	(4,126,922,516)	(3,622,350,856)
Proceeds from sale of investments	4,119,491,386	3,573,707,668
Interest received	3,365,945	2,620,988
Net cash used in investing activities	(901,969)	(44,727,514)
Net increase (decrease) in cash and cash equivalents	72,218,278	(1,758,017)
Cash and cash equivalents – beginning of year	9,325,527	11,083,544
Cash and cash equivalents – end of year	\$ 81,543,805	9,325,527

**DELAWARE TRANSPORTATION AUTHORITY
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Statements of Cash Flows

Years ended June 30, 2011 and 2010

	2011	2010
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 85,129,597	70,894,963
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	192,217	194,012
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(816,765)	434,521
Decrease in accounts payable	(4,918,336)	(2,436,437)
Decrease in accrued payroll and related expenses	(9,858)	(73,401)
Increase (decrease) in customer toll deposits	3,458,160	(24,367)
Decrease in deferred revenue	(1,745,660)	—
Increase in claims and judgments	5,999,719	—
Net cash provided by operating activities	\$ 87,289,074	68,989,291
Supplemental disclosure of noncash investing and capital and related financing activities:		
Loss on Diamond State Port Corporation loan	\$ —	20,297,835

See accompanying notes to financial statements.

**DELAWARE TRANSPORTATION AUTHORITY
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Notes to Financial Statements

June 30, 2011 and 2010

(1) Organization and Trust Agreements

(a) Organization

The Delaware Transportation Authority (the Authority) is a body corporate and politic constituting an instrumentality of the State of Delaware (the State). The Department of Transportation (the Department) has overall responsibility for coordinating and developing comprehensive, balanced 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, and specialized transportation in the State, subject to oversight by the Department and the State.

To assist the Authority in financing a unified transportation system, the State created a Transportation Trust Fund (the Trust Fund), within the Authority, under the Transportation Trust Fund Act of 1987 (the TTF Act). The underlying purpose of the TTF Act and the Trust Fund is to address the growing urgency to provide additional means to finance the maintenance and development of the integrated highway, air, and water transportation system in the State for the economic benefit of the State and for the welfare and safety of the users of the transportation system. The primary funding of the Trust Fund comes from motor fuel taxes, motor vehicle document fees, motor vehicle registration fees, and other transportation-related fees, which are imposed and collected by the State and transferred to the Trust Fund. The State has irrevocably pledged, assigned, and continuously appropriated to the Trust Fund these taxes and fees. The other major sources of revenue for the Trust Fund are the Delaware Turnpike and the Delaware SR-1 Toll Roads, both of which the Authority owns and operates. The Authority may apply Trust Fund revenue for transportation projects, subject to the approval of the State, and may pledge any or all of this revenue to secure financing for these projects.

The TTF Act also granted the Authority the power to issue bonds payable from and secured by the revenues pledged and assigned to the Trust Fund.

(b) Trust Agreements

The Trust Agreements in effect at June 30, 2011 and 2010 are the Motor Fuel Tax Revenue Bond Trust Agreement (the Motor Fuel Tax Agreement), dated September 1, 1981, as supplemented, and the Transportation Trust Fund Agreement (the Trust Agreement), dated August 1, 1988, as supplemented.

The Trust Agreement is a bond indenture, intended to ensure payment to bondholders through assets and revenues pledged to the Trust Fund. Pledged revenues fund certain accounts created under Section 4.02 of the Trust Agreement and, to the extent those revenues are not needed for that purpose, they are deposited, lien-free, to the Trust Fund Surplus pledged revenues and nonpledged revenues of the Trust Fund may be used to fund the operations of the Department.

The provisions of the Motor Fuel Tax Agreement and the Trust Agreement govern the disposition of revenues and other income and prescribe certain accounting practices, including the conditions for transfer of monies among the various funds and accounts held by the Authority or the Trustee and the use of such funds.

**DELAWARE TRANSPORTATION AUTHORITY
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June 30, 2011 and 2010

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(b) Cash and Cash Equivalents

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

(c) Allowance for Doubtful Accounts

Accounts receivable are expected to be fully collectible at June 30, 2011 and 2010, and accordingly, a provision for uncollectible accounts has not been established.

(d) Investments

Investments are recorded at their fair value. Investments at June 30, 2011 and 2010 consisted of United States Government Obligations and Commercial Paper classified as "Qualified Investments" by the Trust Agreement.

(e) Management Estimates

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

(f) Financial Accounting Standards Board (FASB) Pronouncements

The Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

(g) Capital Assets

Capital assets, which include buildings, land, land improvements, and infrastructure assets (such as roads and bridges, which are normally immovable and of value only to the State), are reported in the enterprise fund financial statements.

It is the policy of the State to capitalize land and buildings, regardless of cost, to capitalize improvements to land and buildings when the costs of projects exceed \$100,000, and to capitalize infrastructure when the costs of individual items or projects exceed \$1 million. The Trust Fund follows the State's policy with the exception of improvements to land and buildings, which are capitalized, regardless of cost.

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Such assets are recorded at historical cost or estimated historical cost if original cost is not determinable. Donated capital assets are recorded at estimated fair market value at the time of the donation. Buildings and land improvements are depreciated on a straight-line basis.

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

For infrastructure, the State uses the “modified approach” to account for roads and bridges, as provided by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Under this process, the Authority does not record depreciation expense or the amounts expended in connection with improvements to these assets capitalized, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the Authority to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the Department, 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels.

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

Buildings and land improvements are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Assets:	
Buildings	40
Land improvements	15

(h) *Compensated Absences*

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

(i) *Bond Issue Premiums and Issuance Costs*

Amortization of bond issue premiums/discounts and issuance costs is provided using the effective-interest method over the life of the bond issue. Net amortization resulted in \$9,186,755 and \$7,753,720 of reductions of interest expense in 2011 and 2010, respectively.

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(j) Revenues and Expenses

The Authority defines nonoperating revenues as investment and interest income, federal reimbursements of debt service, and collections on loans previously written off. All other revenues are derived from normal operations of the Authority. Nonoperating expenses are defined as interest expense and loan losses. All other expenses are a result of normal operations.

(3) Cash and Investments

(a) Cash Management Policy and Investment Guidelines

The policy for the investment of the Authority's funds is the responsibility of the 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 Authority. Under the Board's *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* (the Policy), all deposits and investments of the Authority are categorized as "Authority Accounts." Investments of the Authority are further restricted to "Qualified Investments" as defined in the Trust Agreement.

As defined by the Policy, the investment objectives of Authority Accounts include maximizing yield and maintaining the safety of principal. At June 30, 2011 and 2010, investments of the Authority are primarily in U.S. government Securities, U.S. government Agency Securities, and Commercial Paper rated in the highest rating category by either Moody's or Standard & Poor's. All of these meet the objectives defined by the Policy and are Qualified Investments in accordance with the Trust Agreement.

The Policy is available on the Internet at <http://delcode.delaware.gov/title29/c061/index.shtml>.

(b) Custodial Credit Risk

Deposits

The carrying amounts of the Authority's deposits at June 30, 2011 and 2010 were \$79,298,942 and \$9,325,527, respectively, and the bank balances were \$78,287,983 and \$8,397,210, respectively. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits in transit. The entire bank balances at June 30, 2011 and 2010 of \$78,287,983 and \$8,397,210, respectively, were covered by federal depository insurance or by collateral held by the Authority's Trustee, in the Authority's name, in accordance with the Policy and the Trust Agreement. At June 30, 2010, federal depository insurance covered \$250,000. At June 30, 2011, non-interest bearing accounts had unlimited federal depository insurance coverage, and interest-bearing accounts were covered by federal depository insurance for \$250,000.

Investments

Investments of the Authority are stated at fair value, which approximates cost. At June 30, 2011 and 2010, all of the Authority's investments were insured or registered with securities held by the Authority or the counterparty in the Authority's name.

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(c) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the value of an investment. The Policy provides that maximum maturity for investments in Authority accounts, at the time of purchase, shall not exceed ten years, except when it is prudent to match a specific investment instrument with a known specific future liability, in which case the maturity limitation shall match the maturity of the corresponding liability.

The following tables present a listing of directly held investments and related maturities.

Investment type	June 30, 2011			
	Fair value	Investment maturities (in years)		
		Less than 1	1 – 5	6 – 10
U.S. Government Securities	\$ 29,973,391	17,589,824	11,200,135	1,183,432
U.S. Government Agency Securities	123,509,799	60,337,517	33,988,759	29,183,523
Commercial Paper	235,329,528	235,229,681	99,847	—
	<u>\$ 388,812,718</u>	<u>313,157,022</u>	<u>45,288,741</u>	<u>30,366,955</u>

Investment type	June 30, 2010			
	Fair value	Investment maturities (in years)		
		Less than 1	1 – 5	6 – 10
U.S. Government Securities	\$ 73,824,463	59,750,617	10,218,537	3,855,309
U.S. Government Agency Securities	128,467,338	82,585,216	38,582,048	7,300,074
Commercial Paper	180,063,113	180,063,113	—	—
	<u>\$ 382,354,914</u>	<u>322,398,946</u>	<u>48,800,585</u>	<u>11,155,383</u>

(d) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority follows the Policy and the Trust Agreement by investing only in authorized securities. The Authority's general investment policy for credit risk is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments.

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In addition, the Trust Agreement limits investments in Commercial Paper to those with a Moody's rating of P-1 or a Standard & Poor's rating of A-1 for short-term investments. The Trust had investments in Commercial Paper of \$235,329,528 and \$180,063,113 at June 30, 2011 and 2010, respectively. All Commercial Paper held was short-term and rated in accordance with the Trust Agreement.

At June 30, 2011, the investments in U.S. government Agency Securities all carried the highest rating by Moody's and Standard & Poor's, and investments in U.S. government Securities were considered risk-free. Subsequent to June 30, 2011, Standard & Poor's downgraded its credit rating on U.S. government and Government Agency Securities from AAA to AA+. Standard & Poor's was the only major rating agency to downgrade U.S. government debt, and market participants have continued to invest in U.S. securities. Management believes that the downgrade poses no additional risk to the Trust Fund.

(e) Investments in Excess of 5%

The following issuers have investments at fair value in excess of 5% of the investment portfolio at June 30, 2011:

Federal National Mortgage Association	\$	65,198,365	17%
Federal Home Loan Mortgage Corporation		58,311,163	15
BNP Paribas Finance Inc		29,207,828	8
General Electric Capital Corp		22,610,223	6

(f) Investment Commitments

The Authority has made no investment commitments as of June 30, 2011.

(4) Accounts Receivable

Balances in accounts receivable were as follows at June 30:

	<u>2011</u>	<u>2010</u>
Concessions	\$ 284,456	203,954
Railway tolls	—	565,000
DMV direct access	629,899	593,637
Traffic violations revenues	612,000	388,346
Miscellaneous revenues	—	355,811
E-ZPass revenues	6,037,503	4,640,345
	<u>\$ 7,563,858</u>	<u>6,747,093</u>

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(5) Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Infrastructure	\$ 991,418,421	29,349,264	—	1,020,767,685
Land	139,786,349	—	—	139,786,349
	<u>\$ 1,131,204,770</u>	<u>29,349,264</u>	<u>—</u>	<u>1,160,554,034</u>
Capital assets being depreciated:				
Buildings	\$ 7,972,765	—	—	7,972,765
Land improvements	163,924	—	—	163,924
	8,136,689	—	—	8,136,689
Less accumulated depreciation for buildings and land improvements	<u>3,297,296</u>	<u>192,217</u>	<u>—</u>	<u>3,489,513</u>
Total capital assets being depreciated, net	<u>\$ 4,839,393</u>	<u>(192,217)</u>	<u>—</u>	<u>4,647,176</u>

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Infrastructure	\$ 966,704,939	24,713,482	—	991,418,421
Land	136,357,104	3,429,245	—	139,786,349
	<u>\$ 1,103,062,043</u>	<u>28,142,727</u>	<u>—</u>	<u>1,131,204,770</u>
Capital assets being depreciated:				
Buildings	\$ 7,683,385	289,380	—	7,972,765
Land improvements	163,924	—	—	163,924
	7,847,309	289,380	—	8,136,689
Less accumulated depreciation for buildings and land improvements	<u>3,103,284</u>	<u>194,012</u>	<u>—</u>	<u>3,297,296</u>
Total capital assets being depreciated, net	<u>\$ 4,744,025</u>	<u>95,368</u>	<u>—</u>	<u>4,839,393</u>

Depreciation expense was \$192,217 and \$194,012 for fiscal years 2011 and 2010, respectively.

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(6) Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Bonds payable:					
Revenue bonds, gross	\$ 1,183,365,000	119,835,000	(92,320,000)	1,210,880,000	76,320,000
Deferred amount on refunding	(1,352,143)	(610,702)	334,539	(1,628,306)	(359,549)
Revenue bonds, net	1,182,012,857	119,224,298	(91,985,461)	1,209,251,694	75,960,451
General obligation bonds	1,451,314	—	(663,330)	787,984	346,503
Bond issue premium, net of accumulated amortization	39,844,281	6,988,432	(9,430,154)	37,402,559	7,952,314
Return of Federal funds	—	7,999,719	(2,000,000)	5,999,719	—
Compensated absences	366,795	—	(53,115)	313,680	53,629
Long-term liabilities \$	<u>1,223,675,247</u>	<u>134,212,449</u>	<u>(104,132,060)</u>	<u>1,253,755,636</u>	<u>84,312,897</u>

Long-term liability activity for the year ended June 30, 2010 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Bonds payable:					
Revenue bonds, gross	\$ 1,144,255,000	113,490,000	(74,380,000)	1,183,365,000	71,760,000
Deferred amount on refunding	(1,642,175)	—	290,032	(1,352,143)	(270,818)
Revenue bonds, net	1,142,612,825	113,490,000	(74,089,968)	1,182,012,857	71,489,182
General obligation bonds	2,106,901	—	(655,587)	1,451,314	663,330
Bond issue premium, net of accumulated amortization	35,270,060	12,455,754	(7,881,533)	39,844,281	7,548,149
Compensated absences	385,686	—	(18,891)	366,795	59,705
Long-term liabilities \$	<u>1,180,375,472</u>	<u>125,945,754</u>	<u>(82,645,979)</u>	<u>1,223,675,247</u>	<u>79,760,366</u>

The Authority is responsible for liquidating all long-term liabilities.

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(7) Return of Federal Funds

During fiscal years 1992 – 1995, the Department participated in the Federal Highway Administration’s (FHWA) Right-of-Way (ROW) Revolving Fund program and received a total of \$7,999,719 to be used for the Advanced Right-of-Way Corridor Preservation project on SR-1. One parcel of land was purchased using the ROW funds but was subsequently sold. Due to the inability of the Department to commence a qualifying project within the required 10 years of FHWA apportionment, the funds must be repaid to the FHWA.

The Department has agreed upon a payment plan with FHWA where all of the funds will be returned by the end of fiscal year 2015 in accordance with the years of obligation. The first payment of \$2 million was paid in June, 2011. \$3 million is expected to be paid in July, 2013 with the balance being paid in July, 2015.

(8) General Obligation Bonds Outstanding

General obligation bonds outstanding at June 30, 2011 and 2010 are detailed as follows:

Sale #	Description and interest rates	Maturity date (fiscal year)	Balance outstanding	
			June 30	
			2011	2010
194	GO 2005B, 5.00%	2015	\$ 473,708	587,160
191	GO + Refunding 2004A, 3.00% – 6.00%	2014	45,050	60,066
188	GO Refunding 2003B, 4.00% – 5.00%	2012	216,376	698,388
185	GO + Refunding 2002A, 4.00% – 5.25%	2013	52,850	105,700
	Totals		787,984	1,451,314
	Less current portion		346,503	663,330
	Long-term portion		\$ 441,481	787,984

The general obligation bonds are direct obligations of the State of Delaware and are secured by the full faith and credit of the State. Only that portion of the bonds attributable to the Trust Fund has been reflected in these financial statements.

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The annual requirement to amortize all general obligation bonds payable as of June 30, 2011 was as follows:

	Principal maturity	Interest maturity	Total
Year ending June 30:			
2012	\$ 346,503	30,923	377,426
2013	195,189	17,951	213,140
2014	142,866	9,777	152,643
2015	103,426	4,137	107,563
	\$ 787,984	62,788	850,772

**DELAWARE TRANSPORTATION AUTHORITY
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(9) Revenue Bonds Outstanding

Revenue bonds outstanding at June 30, 2011 and 2010 are detailed as follows:

Date of issue/ maturity	Amount of original issue	Description and fixed interest rates	Balance outstanding	
			June 30	
			2011	2010
Senior bonds:				
2000/2020	83,995,000	Transportation System Senior Revenue Bonds, 2000 Series, 5.50%	\$ —	3,910,000
2001/2021	85,000,000	Transportation System Senior Revenue Bonds, 2001 Series, 4.50% – 5.00%	—	24,415,000
2002/2022	173,680,000	Transportation System Senior Revenue Bonds, 2002 Series B, 4.00% – 5.25%	94,215,000	98,245,000
2003/2023	277,210,000	Transportation System Senior Revenue Bonds, 2003 Series, 4.50% – 5.00%	126,955,000	153,305,000
2004/2024	167,550,000	Transportation System Senior Revenue Bonds, 2004 Series, 4.00% – 5.00%	145,205,000	149,330,000
2005/2025	150,000,000	Transportation System Senior Revenue Bonds, 2005 Series, 4.25% – 5.00%	134,245,000	139,510,000
2006/2026	127,445,000	Transportation System Senior Revenue Bonds, 2006 Series, 3.50% – 5.00%	111,600,000	116,240,000
2007/2021	87,890,000	Transportation System Senior Revenue Bonds, 2007A Series, 4.00 – 5.00%	70,945,000	79,280,000
2008/2028	84,720,000	Transportation System Senior Revenue Bonds, 2008A Series, 4.00 – 5.00%	77,275,000	82,450,000

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Date of issue/ maturity	Amount of original issue	Description and fixed interest rates	Balance outstanding	
			June 30	
			2011	2010
Senior bonds:				
2008/2029	\$ 117,875,000	Transportation System Senior Revenue Bonds, 2008B Series, 4.00% – 5.00%	\$ 114,135,000	117,875,000
2009/2029	105,315,000	Transportation System Senior Revenue Bonds, 2009A Series, 5.00%	105,315,000	105,315,000
2010/2019	47,715,000	Transportation System Senior Revenue Bonds, 2010A Series, 2.50% – 5.00%	47,715,000	—
2010/2030	72,120,000	Transportation System Senior Revenue Bonds, 2010B Series, 3.95% – 5.80%	72,120,000	—
GARVEE bonds:				
2010/2025	113,490,000	Transportation System Grant Anticipation Bonds, 2010 Series, 2.00% – 5.00%	111,155,000	113,490,000
		Totals, gross	1,210,880,000	1,183,365,000
		Less deferred amount on refunding	1,628,306	1,352,143
		Totals, net	1,209,251,694	1,182,012,857
		Less current portion	75,960,451	71,489,182
		Long-term portion	\$ 1,133,291,243	1,110,523,675

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

	2011	2010
Pledged operating revenues	\$ 372,613,034	360,831,526
Investment income	3,573,314	3,116,721
	\$ 376,186,348	363,948,247

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The Transportation System GARVEE Bonds have fixed interest rates and are limited obligations of the Authority secured by and payable solely from the annual federal appropriation for the State's federal-aid transportation projects. On average, the State has been apportioned approximately \$131 million in federal highway aid annually over the past five fiscal years. At that level, principal and interest payments on the GARVEE bonds are expected to require approximately 8% of pledged federal highway aid annually. While the Authority believes that sufficient pledged federal highway aid will be available during the term of the bonds to meet all required principal and interest payments, various factors beyond the Authority's control may impact the ability to make all payments when due, including, but not limited to, subsequent reauthorizations of federal highway aid and federal budgetary limitations.

The revenue bonds do not constitute a debt of the State or of any political subdivision thereof, or a pledge of the general taxing power or the faith and credit of the State or of any such political subdivision.

The Authority had a total of \$235,628,520 and \$200,199,267 in authorized but unissued revenue bonds at June 30, 2011 and 2010, respectively, to fund a portion of the Department of Transportation Capital Improvement Program.

The annual requirement to amortize all revenue bonds payable as of June 30, 2011 was as follows:

	<u>Principal maturity</u>	<u>Interest maturity</u>	<u>Total</u>
Year(s) ending June 30:			
2012	\$ 76,320,000	56,411,305	132,731,305
2013	83,230,000	52,211,545	135,441,545
2014	82,160,000	48,135,226	130,295,226
2015	82,650,000	44,187,406	126,837,406
2016	80,450,000	40,293,701	120,743,701
2017 – 2021	380,170,000	145,796,916	525,966,916
2022 – 2026	308,335,000	63,457,527	371,792,527
2027 – 2031	117,565,000	12,549,795	130,114,795
	<u>\$ 1,210,880,000</u>	<u>463,043,421</u>	<u>1,673,923,421</u>

On December 9, 2010, the Trust Fund issued \$47,715,000 of Transportation System Senior Revenue Bonds, 2010A Series to provide \$27,155,000 in new proceeds for transportation projects and \$20,560,000 for an advance refunding of the following Transportation System Senior Revenue Bonds:

2001 Series	\$ 20,560,000
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The refunding was undertaken to reduce the total future debt service payments. The transaction resulted in an economic gain of \$2,430,367 and a reduction of \$2,631,383 in future debt service payments.

**DELAWARE TRANSPORTATION AUTHORITY
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(10) Debt Defeasance

The Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt had been issued and the proceeds had 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, therefore, removed as a liability. As of June 30, 2011 and 2010, the amount of defeased debt outstanding amounted to \$62,106,800 and \$151,610,621, respectively.

(11) Designated Net Assets

For operations, unrestricted net assets designated by management were as follows at June 30:

	2011	2010
DTC Transit Fund:		
Unexpended appropriations authorized by the State Budget Bills were carried forward as a designated net asset. For the years ended June 30, 2011 and 2010, the DTC Transit Fund expended authorized appropriations amounting to \$73,524,092 and \$73,525,141, respectively. The remaining totals of budgeted appropriations to be paid in future periods are:	\$ 164,289	162,180
Other Transportation Funds:		
Authorized appropriations expended to fund State highway administration, planning, operating costs, and Expressways Operations/Toll Administration operations for the years ended June 30, 2011 and 2010 were \$134,286,958 and \$140,825,431, respectively. Unexpended appropriations have been designated for approved expenses and are classified as designated net assets in the amounts of:	14,988,801	12,937,820
Total designated net assets	\$ 15,153,090	13,100,000

**DELAWARE TRANSPORTATION AUTHORITY
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(12) Restricted Net Assets

Restricted net assets were as follows at June 30:

	2011	2010
Rebate Fund:		
Amounts generated from operations to meet future arbitrage rebate requirements	\$ 994,570	461,864
Debt Service Funds:		
Amounts generated from operations required by the Trust Agreement to be provided to meet current principal and interest payments	101,774,934	94,910,090
Debt Reserve Funds:		
Amounts generated from operations required by the Trust Agreement to be provided as a reserve for future principal and interest payments	68,013,371	64,529,014
Total restricted net assets	\$ 170,782,875	159,900,968

(13) International Registration Plan

The Department participates in the International Registration Plan (IRP) pursuant to Section 4008 of the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991. ISTEA requires jurisdictions to join base state agreements for the collection and distribution of commercial vehicle registration fees. IRP is an agreement among member jurisdictions whereby commercial registration fees are collected and reallocated based on a proration of miles traveled in each jurisdiction.

Net revenues recorded during fiscal years 2011 and 2010 were \$9,006,644 and \$8,277,904, respectively. IRP fees were included in motor vehicle registration fee revenue.

(14) International Fuel Tax Agreement

The Department of Transportation participates in the International Fuel Tax Agreement (IFTA). IFTA is an agreement among member jurisdictions whereby commercial license fees are collected and reallocated based on a proration of miles traveled in each jurisdiction. Net revenues recorded during fiscal years 2011 and 2010 were \$2,859,018 and \$2,850,720, respectively.

(15) Retirement Benefits

Essentially all full-time Expressways Operations/Toll Administration employees are covered under the State of Delaware Defined Benefit Pension Plan (the Pension Plan), which is administered by the Office of Pension and Investments. The Pension Plan is contributory, and employees contribute 3% of the portion of their monthly compensation that exceeds \$6,000 per calendar year. Contributions by the Expressways

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2011 and 2010

Operations/Toll Administration are based on percentages of total employee compensation as specified by the Office of Pension and Investments.

In addition to the Pension Plan contribution disclosed above, the Trust Fund makes contributions to finance the costs of Post Retirement Increases (PRI) and Retiree Health Insurance (RHI). PRI are granted by the General Assembly to members retired under the State Employees' Plan. The funding mechanism allows the State to appropriate actuarially determined employer contributions to a separate PRI fund administered by the Pension Board. When the Legislature grants an ad hoc increase, the actuarial impact of the increase is funded over five years.

The State also provides other postemployment benefits (OPEB), in accordance with State statute, to all employees who retire after meeting certain eligibility requirements. The expenses for this benefit are recognized as RHI contributions are made; no allocation of the statewide Annual Required Contribution (ARC) that is in excess of the RHI is made to the Trust Fund.

The trend information for the current and preceding two years was as follows as of June 30:

Fiscal year	Annual retirement expense	Pension plan	Employer contribution rate		Total
			PRI	RHI	
2011	\$ 591,590	8.30%	0.81%	8.09%	17.20%
2010	558,297	6.71	1.40	7.16	15.27
2009	636,174	6.68	2.20	6.99	15.87

The State does not maintain the Pension Plan and OPEB information by agency, and therefore, the Expressways Operations/Toll Administration's portion of the Pension Plan's net assets available for benefits, percentage of annual pension cost contributed, and the actuarial present value of vested and nonvested accumulated plan benefits is not readily determinable.

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

Information regarding the OPEB valuation is available in the State of Delaware comprehensive annual financial report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2011 and 2010

(16) Transfers

The following is a summary of transfers during the years ended June 30:

	2011	2010
Amounts transferred from State General Fund:		
Amounts transferred to the Revenue Fund:		
Division of Revenue, Motor Vehicle Dealer/Lessor License, and Document Fees	\$ —	153,239
Amounts transferred to the Trust Fund:		
Division of Motor Vehicles	2,950,000	2,842,000
Division of Revenue, Motor Vehicle Dealer/Lessor License, and Document Fees	283,343	116,363
Supplemental appropriation from fiscal year Bond Bill	14,000,000	—
Supplemental appropriation from fiscal year Grant-in-Aid Bill	10,000,000	
	\$ 27,233,343	3,111,602
Amounts transferred from Delaware Department of Transportation:		
Amounts transferred to the Trust Fund:		
Buildings and land improvements	\$ —	289,380

(17) Related Party Transactions

Per the terms of the Trust Agreement, the Trust Fund is responsible for reimbursing the State for the Department's operating, maintenance, and capital expenses financed by the State's General Fund. In addition, the Trust Fund is responsible for maintaining funds appropriated by the General Assembly for the Delaware Transit Corporation (DTC), and reimbursing DTC for its operating and capital expenses up to the total amount of the appropriated funds. Total reimbursements for the years ended June 30, 2011 and 2010 were \$323,687,001 and \$324,986,606, respectively. These amounts are included under the caption "Expenses in accordance with Trust Agreement" in the accompanying statements of revenues, expenses, and change in net assets.

(18) Commitments and Contingencies

The Authority had contractual commitments of \$36,122,879 for construction of various highway projects at June 30, 2011. Current and future appropriations will fund these commitments as work is performed.

(19) Risk Management

The Authority is exposed to various risks of loss related to workers' compensation, healthcare, automobile, and casualty claims. The Authority is a participant in the State of Delaware's Risk Management Program, which covers all claim settlements and judgments out of its General Fund. The Authority pays premiums to the General Fund for this coverage.

REQUIRED SUPPLEMENTARY INFORMATION

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Supplementary Information for Governments
that Use the Modified Approach for Infrastructure Assets

June 30, 2011 and 2010

Bridge condition assessments		Structural rating numbers and percentages for bridges					
BCR condition rating		2010		2009		2008	
		Number	Percentage	Number	Percentage	Number	Percentage
Good	6 – 9	108	92.3%	110	93.2%	108	90.8%
Fair	5	9	7.7	8	6.8	10	8.4
Poor	0 – 4	—	—	—	—	1	0.8
Totals		<u>117</u>	<u>100.0%</u>	<u>118</u>	<u>100.0%</u>	<u>119</u>	<u>100.0%</u>

Deck rating numbers and percentages for bridges		2010		2009		2008	
OPC condition rating		Square feet	Percentage	Square feet	Percentage	Square feet	Percentage
Good	6 – 9	1,525,483	93.4%	1,578,689	96.6%	1,578,689	96.6%
Fair	5	108,306	6.6	55,994	3.4	55,994	3.4
Poor	0 – 4	0	—	—	—	—	—
Totals		<u>1,633,789</u>	<u>100.0%</u>	<u>1,634,683</u>	<u>100.0%</u>	<u>1,634,683</u>	<u>100.0%</u>

Roadway condition assessments		Centerline mile numbers and percentages for roadway					
BCR condition rating		2009		2008		2007	
		Centerline mile	Percentage	Centerline mile	Percentage	Centerline mile	Percentage
Good	3.0 – 5.0	119.59	99.3%	106.08	88.1%	104.96	87.2%
Fair	2.5 – 3.0	0.57	0.5	4.61	3.8	4.98	4.1
Poor	Below 2.5	0.24	0.2	5.02	4.2	2.91	2.4
Under construction	Unrated	—	—	4.69	3.9	7.55	6.3
Totals		<u>120.40</u>	<u>100.0%</u>	<u>120.40</u>	<u>100.0%</u>	<u>120.40</u>	<u>100.0%</u>

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

	2011	2010	2009	2008	2007
Estimated	\$ 27,565	\$ 114	\$ 564	\$ 440	\$ 2,502
Actual	38,622	375	834	605	4,970

* The estimated expenditure represents annual Bond Bill authorizations. The actual expenditure represents the current year spending, which includes cumulative authorizations.

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

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Supplementary Information for Governments
that Use the Modified Approach for Infrastructure Assets

June 30, 2011 and 2010

The condition of bridges is measured using the “Bridge Condition Rating” (BCR), which is based on the FHWA Coding Guide, “Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation’s Bridges.” The BCR uses a measurement scale that is based on a condition index ranging from 0 to 9: 0 to 4 for substandard bridges and 9 for bridges in perfect condition. For these reporting purposes, substandard bridges were classified as those with a rating of 4 or less. The good or better condition bridges were taken as those with ratings of 6 to 9. A 5 rating 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. Currently, bridge condition assessments are conducted every two years. Historically, road condition assessments were conducted every year. Recent changes to the road condition vendor contract have resulted in the inability to provide infrastructure ratings for fiscal year 2011. The Department’s assessment plan will ensure that all infrastructure assets are assessed and evaluated within the three year period. Due to the timing of these condition assessments, information for the fiscal year ended June 30, 2011 is not available.

ADDITIONAL INFORMATION

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Balance Sheet in Accordance with Trust Agreement

June 30, 2011

(With Comparative Totals for June 30, 2010)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt reserve</u>	<u>Totals</u> <u>(memorandum only)</u>	
				<u>2011</u>	<u>2010</u>
Current assets:					
Cash and cash equivalents:					
Unrestricted	\$ 17,403,346	98,452	—	17,501,798	9,325,259
Restricted	—	63,830,954	211,053	64,042,007	268
Investments – at fair value:					
Unrestricted	46,030,123	81,785,116	—	127,815,239	87,592,054
Restricted	431,430	177,842,109	7,068,244	185,341,783	234,806,892
Accrued interest receivable	1,711	241,441	451,789	694,941	487,572
Accounts receivable	6,951,858	612,000	—	7,563,858	6,747,093
Bond issuance costs – net of accumulated amortization	—	263,205	—	263,205	226,029
Total current assets	<u>70,818,468</u>	<u>324,673,277</u>	<u>7,731,086</u>	<u>403,222,831</u>	<u>339,185,167</u>
Noncurrent assets:					
Capital assets:					
Infrastructure and land	—	1,160,554,034	—	1,160,554,034	1,131,204,770
Buildings and land improvements	—	8,136,689	—	8,136,689	8,136,689
	—	1,168,690,723	—	1,168,690,723	1,139,341,459
Less: accumulated depreciation	—	3,489,513	—	3,489,513	3,297,296
Capital assets	—	1,165,201,210	—	1,165,201,210	1,136,044,163
Investments – at fair value:					
Unrestricted	—	12,749,614	—	12,749,614	10,157,658
Restricted	563,141	2,060,656	60,282,285	62,906,082	49,798,310
Bond issuance costs – net of accumulated amortization and current portion	—	2,182,781	—	2,182,781	2,101,043
Total noncurrent assets	<u>563,141</u>	<u>1,182,194,261</u>	<u>60,282,285</u>	<u>1,243,039,687</u>	<u>1,198,101,174</u>
Total assets	<u>\$ 71,381,609</u>	<u>1,506,867,538</u>	<u>68,013,371</u>	<u>1,646,262,518</u>	<u>1,537,286,341</u>

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Balance Sheet in Accordance with Trust Agreement

June 30, 2011

(With Comparative Totals for June 30, 2010)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt Reserve</u>	<u>Totals (memorandum only)</u>	
				<u>2011</u>	<u>2010</u>
Current liabilities:					
Accounts payable	\$ 6,086,929	—	—	6,086,929	11,005,265
Accrued payroll payable	446,758	—	—	446,758	403,501
Compensated absences payable	53,629	—	—	53,629	59,705
Customer toll deposits	10,788,734	—	—	10,788,734	7,330,574
Deferred revenues	—	—	—	—	2,983,466
Escrow deposits	—	3,612,108	—	3,612,108	—
General obligation bonds payable	—	346,503	—	346,503	663,330
Revenue bonds payable – net of deferred amounts on refunding	—	75,960,451	—	75,960,451	71,489,182
Bond issue premium – net of accumulated amortization	—	7,952,314	—	7,952,314	7,548,149
Interest payable	—	28,400,631	—	28,400,631	25,800,022
Total current liabilities	<u>17,376,050</u>	<u>116,272,007</u>	<u>—</u>	<u>133,648,057</u>	<u>127,283,194</u>
Noncurrent liabilities:					
Compensated absences – net of current portion	260,051	—	—	260,051	307,090
Claims and judgments	—	5,999,719	—	5,999,719	—
General obligation bonds payable – net of current portion	—	441,481	—	441,481	787,984
Revenue bonds payable – net of deferred amounts on refunding and current portion	—	1,133,291,243	—	1,133,291,243	1,110,523,675
Bond issue premium – net of accumulated amortization and current portion	—	29,450,245	—	29,450,245	32,296,132
Total noncurrent liabilities	<u>260,051</u>	<u>1,169,182,688</u>	<u>—</u>	<u>1,169,442,739</u>	<u>1,143,914,881</u>
Total liabilities	<u>17,636,101</u>	<u>1,285,454,695</u>	<u>—</u>	<u>1,303,090,796</u>	<u>1,271,198,075</u>
Net assets:					
Invested in capital assets – net of related debt	—	62,163,744	—	62,163,744	40,209,286
Restricted	994,570	101,774,934	68,013,371	106,951,921	159,900,968
Unrestricted	52,750,938	57,474,165	—	174,056,057	65,978,012
Total net assets	<u>53,745,508</u>	<u>221,412,843</u>	<u>68,013,371</u>	<u>343,171,722</u>	<u>266,088,266</u>
Total liabilities and net assets	<u>\$ 71,381,609</u>	<u>1,506,867,538</u>	<u>68,013,371</u>	<u>1,646,262,518</u>	<u>1,537,286,341</u>

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Statement of Revenues, Expenses, and Change in Net Assets in Accordance with Trust Agreement

Year ended June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt reserve</u>	<u>Totals (memorandum only)</u>	
				<u>2011</u>	<u>2010</u>
Operating revenues:					
Pledged revenue:					
Turnpike revenue	\$ 115,895,081	—	—	115,895,081	119,398,945
Motor fuel tax revenue	113,753,475	—	—	113,753,475	112,888,804
Motor vehicle document fee revenue	68,347,132	—	—	68,347,132	58,353,219
Motor vehicle registration fee revenue	47,171,633	—	—	47,171,633	44,524,380
Other motor vehicle revenue	24,586,694	—	—	24,586,694	22,815,458
International Fuel Tax Agreement revenue	2,859,019	—	—	2,859,019	2,850,720
Total pledged revenue	372,613,034	—	—	372,613,034	360,831,526
Toll revenue – Delaware SR-1	44,429,312	—	—	44,429,312	45,502,245
Property management revenue	—	—	—	—	411,321
Railway tolls	—	1,270,118	—	1,270,118	924,356
Traffic violations	—	4,348,989	—	4,348,989	3,353,947
Miscellaneous	—	2,942,043	—	2,942,043	2,941,008
Total operating revenues	417,042,346	8,561,150	—	425,603,496	413,964,403
Operating expenses:					
Expressways operations/toll administration and interstate operating expenses	16,594,681	—	—	16,594,681	17,888,822
Expenses in accordance with Trust Agreement:					
Transportation capital preservation and operations	117,692,277	132,470,632	—	250,162,909	251,461,465
Delaware Transit Corporation operations	73,524,092	—	—	73,524,092	73,525,141
Depreciation	—	192,217	—	192,217	194,012
Total operating expenses	207,811,050	132,662,849	—	340,473,899	343,069,440
Operating income (loss)	209,231,296	(124,101,699)	—	85,129,597	70,894,963

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Statement of Revenues, Expenses, and Change in Net Assets in Accordance with Trust Agreement

Year ended June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt reserve</u>	<u>Totals (memorandum only)</u>	
				<u>2011</u>	<u>2010</u>
Nonoperating revenues (expenses):					
Pledged revenue – income from investments	\$ (373,973)	1,829,864	2,117,423	3,573,314	2,302,349
Net increase (decrease) in the fair value of investments	1,430	(21,877)	(952,879)	(973,326)	563,456
Loss on note receivable	—	—	—	—	(20,297,835)
Bad debt recovery	—	788,914	—	788,914	—
Federal grants	—	7,801,534	—	7,801,534	—
Interest income	—	—	—	—	38,089
Interest expense	(80,644)	(46,389,276)	—	(46,469,920)	(43,920,676)
Total nonoperating revenues (expenses)	<u>(453,187)</u>	<u>(35,990,841)</u>	<u>1,164,544</u>	<u>(35,279,484)</u>	<u>(61,314,617)</u>
Income (loss) before transfers	208,778,109	(160,092,540)	1,164,544	49,850,113	9,580,346
Transfer from State General Fund	—	27,233,343	—	27,233,343	3,111,602
Transfer from Delaware Department of Transportation	—	—	—	—	289,380
Transfer in of funds in accordance with Trust Agreement	639,715,577	528,179,538	4,390,547	1,172,285,662	1,066,637,466
Transfer out of funds in accordance with Trust Agreement	<u>(839,434,774)</u>	<u>(330,780,154)</u>	<u>(2,070,734)</u>	<u>(1,172,285,662)</u>	<u>(1,066,637,466)</u>
Change in net assets	9,058,912	64,540,187	3,484,357	77,083,456	12,981,328
Total net assets – beginning of year	<u>44,686,596</u>	<u>156,872,656</u>	<u>64,529,014</u>	<u>266,088,266</u>	<u>253,106,938</u>
Total net assets – end of year	<u>\$ 53,745,508</u>	<u>221,412,843</u>	<u>68,013,371</u>	<u>343,171,722</u>	<u>266,088,266</u>

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Statement of Cash Flows in Accordance with Trust Agreement

June 30, 2011

(With Comparative Totals for the Year ended June 30, 2010)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt reserve</u>	<u>Totals (memorandum only)</u>	
				<u>2011</u>	<u>2010</u>
Cash flows from operating activities:					
Receipts from customers	\$ 418,986,584	7,512,647	—	426,499,231	414,374,557
Payments to employees	(6,060,388)	—	—	(6,060,388)	(6,432,274)
Payments to suppliers	(206,638,049)	(126,511,720)	—	(333,149,769)	(338,952,992)
Net cash provided by (used in) operating activities	206,288,147	(118,999,073)	—	87,289,074	68,989,291
Cash flows from noncapital financing activities:					
Transfers from State General Fund	—	27,233,343	—	27,233,343	3,111,602
Transfers from Delaware Department of Transportation	—	—	—	—	289,380
Transfer in of funds in accordance with Trust Agreement	639,715,577	528,179,538	4,390,547	1,172,285,662	1,066,637,466
Transfer out of funds in accordance with Trust Agreement	(839,434,774)	(330,780,154)	(2,070,734)	(1,172,285,662)	(1,066,637,466)
Net cash provided by (used in) noncapital financing activities	(199,719,197)	224,632,727	2,319,813	27,233,343	3,400,982
Cash flows from capital and related financing activities:					
Payments of revenue bond principal	—	(71,760,000)	—	(71,760,000)	(74,380,000)
Payment to escrow agent for refunding of revenue bonds	—	(21,057,176)	—	(21,057,176)	—
Proceeds from revenue bond sale	—	119,835,000	—	119,835,000	113,490,000
Payments of general obligation bond principal	—	(663,330)	—	(663,330)	(655,587)
Premium from revenue bond sale	—	6,988,431	—	6,988,431	12,455,754
Bond issuance costs from revenue bond sale	—	(362,312)	—	(362,312)	(926,913)
Federal reimbursement of debt service	—	7,801,534	—	7,801,534	—
Acquisition of capital assets	—	(29,349,264)	—	(29,349,264)	(28,432,107)
Payments of interest	(80,644)	(52,754,409)	—	(52,835,053)	(50,971,923)
Net cash used in capital and related financing activities	(80,644)	(41,321,526)	—	(41,402,170)	(29,420,776)
Cash flows from investing activities:					
Repayment on loan receivable	—	—	—	—	1,294,686
Collection on loans previously written off	—	788,914	—	788,914	—
Escrow deposits received	—	2,374,302	—	2,374,302	—
Purchase of investments	(1,525,972,968)	(1,803,920,091)	(797,029,457)	(4,126,922,516)	(3,622,350,856)
Proceeds from sale of investments	1,528,011,693	1,798,666,899	792,812,794	4,119,491,386	3,573,707,668
Interest received	(375,684)	1,633,994	2,107,635	3,365,945	2,620,988
Net cash provided by (used in) investing activities	1,663,041	(455,982)	(2,109,028)	(901,969)	(44,727,514)
Net increase (decrease) in cash and cash equivalents	8,151,347	63,856,146	210,785	72,218,278	(1,758,017)
Cash and cash equivalents – beginning of year	9,251,999	73,260	268	9,325,527	11,083,544
Cash and cash equivalents – end of year	\$ 17,403,346	63,929,406	211,053	81,543,805	9,325,527

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Statement of Cash Flows in Accordance with Trust Agreement

June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	Operations	Trust Holdings	Debt reserve	Totals (memorandum only)	
				2011	2010
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 209,231,296	(124,101,699)	—	85,129,597	70,894,963
Adjustments to reconcile operating income (loss), to net cash provided by (used in) operating activities:					
Depreciation and retirements of property and equipment	—	192,217	—	192,217	194,012
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(1,513,922)	697,157	—	(816,765)	434,521
Decrease in accounts payable	(4,877,529)	(40,807)	—	(4,918,336)	(2,436,437)
Decrease in accrued payroll and related expenses	(9,858)	—	—	(9,858)	(73,401)
Increase (decrease) in customer toll deposits	3,458,160	—	—	3,458,160	(24,367)
Decrease in deferred revenue	—	(1,745,660)	—	(1,745,660)	—
Increase in claims and judgments	—	5,999,719	—	5,999,719	—
Net cash provided by (used in) operating activities	\$ 206,288,147	(118,999,073)	—	87,289,074	68,989,291
Supplemental disclosure of noncash investing and capital and related financing activities:					
Loss on Diamond State Port Corporation loan	\$ —	—	—	—	20,297,835

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Schedule of Revenue Bonds Outstanding

June 30, 2011

Principal	Senior											Total Senior Bond Series
	2002 SER B Series	2003 Series	2004 Series	2005 Series	2006 Series	2007 SER A Series	2008 SER A Series	2008 SER B Series	2009 SER A Series	2010 SER A Series	2010 SER B Series	
FY12	\$ 4,240,000	15,620,000	12,285,000	15,365,000	4,875,000	4,460,000	5,435,000	3,890,000	1,500,000	3,330,000	—	71,000,000
FY13	8,675,000	16,405,000	12,810,000	12,345,000	5,115,000	4,680,000	5,705,000	4,045,000	3,690,000	3,640,000	—	77,110,000
FY14	9,200,000	17,225,000	13,240,000	12,220,000	5,320,000	5,710,000	1,735,000	4,205,000	3,875,000	3,785,000	—	76,515,000
FY15	14,080,000	18,090,000	9,620,000	7,580,000	5,585,000	5,960,000	1,825,000	4,375,000	4,070,000	3,970,000	—	75,155,000
FY16	9,985,000	—	22,025,000	7,870,000	5,865,000	105,000	14,620,000	4,550,000	4,270,000	4,170,000	—	73,460,000
FY17	5,435,000	—	18,450,000	2,795,000	6,160,000	4,975,000	15,355,000	4,730,000	4,485,000	8,530,000	—	70,915,000
FY18	5,685,000	8,560,000	10,955,000	11,505,000	6,470,000	5,220,000	2,110,000	4,970,000	4,710,000	9,975,000	—	70,160,000
FY19	11,445,000	8,985,000	5,755,000	12,765,000	6,790,000	5,455,000	2,215,000	5,215,000	4,945,000	4,830,000	—	68,400,000
FY20	6,235,000	9,435,000	6,000,000	8,105,000	7,060,000	5,730,000	2,330,000	5,480,000	5,195,000	5,485,000	5,070,000	66,125,000
FY21	6,535,000	—	6,255,000	3,385,000	7,365,000	22,130,000	2,445,000	5,750,000	5,455,000	—	5,200,000	64,520,000
FY22	6,205,000	10,405,000	6,520,000	4,680,000	7,675,000	6,520,000	2,540,000	6,040,000	5,725,000	—	5,340,000	61,650,000
FY23	6,495,000	10,870,000	6,805,000	6,025,000	7,980,000	—	2,645,000	6,340,000	6,010,000	—	5,495,000	58,665,000
FY24	—	11,360,000	7,090,000	6,135,000	8,330,000	—	2,750,000	6,660,000	6,310,000	—	5,655,000	54,290,000
FY25	—	—	7,395,000	11,625,000	8,695,000	—	2,865,000	7,000,000	6,625,000	—	5,830,000	50,035,000
FY26	—	—	—	11,845,000	9,000,000	—	2,980,000	7,360,000	6,960,000	—	6,015,000	44,160,000
FY27	—	—	—	—	9,315,000	—	3,105,000	7,745,000	7,305,000	—	6,215,000	33,685,000
FY28	—	—	—	—	—	—	3,240,000	8,150,000	7,670,000	—	6,450,000	25,510,000
FY29	—	—	—	—	—	—	3,375,000	8,580,000	8,055,000	—	6,695,000	26,705,000
FY30	—	—	—	—	—	—	—	9,050,000	8,460,000	—	6,945,000	24,455,000
FY31	—	—	—	—	—	—	—	—	—	—	7,210,000	7,210,000
FY32	—	—	—	—	—	—	—	—	—	—	—	—
	\$ 94,215,000	126,955,000	145,205,000	134,245,000	111,600,000	70,945,000	77,275,000	114,135,000	105,315,000	47,715,000	72,120,000	1,099,725,000
	GARVEE 2010 Series	Total GARVEE Bond Series	Totals									
FY12	\$ 5,320,000	5,320,000	76,320,000									
FY13	6,120,000	6,120,000	83,230,000									
FY14	5,645,000	5,645,000	82,160,000									
FY15	7,495,000	7,495,000	82,650,000									
FY16	6,990,000	6,990,000	80,450,000									
FY17	7,280,000	7,280,000	78,195,000									
FY18	7,625,000	7,625,000	77,785,000									
FY19	7,985,000	7,985,000	76,385,000									
FY20	8,375,000	8,375,000	74,500,000									
FY21	8,785,000	8,785,000	73,305,000									
FY22	9,210,000	9,210,000	70,860,000									
FY23	9,625,000	9,625,000	68,290,000									
FY24	10,145,000	10,145,000	64,435,000									
FY25	10,555,000	10,555,000	60,590,000									
FY26	—	—	44,160,000									
FY27	—	—	33,685,000									
FY28	—	—	25,510,000									
FY29	—	—	26,705,000									
FY30	—	—	24,455,000									
FY31	—	—	7,210,000									
FY32	—	—	—									
	\$ 111,155,000	111,155,000	1,210,880,000									

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Schedule of Revenue Bonds Outstanding

June 30, 2010

Principal	Senior											Total Senior Bond Series	
	2000 Series	2001 Series	2002 SER B Series	2003 Series	2004 Series	2005 Series	2006 Series	2007 SER A Series	2008 SER A Series	2008 SER B Series	2009 SER A Series		
FY11	\$ 3,910,000	3,855,000	4,030,000	26,350,000	4,125,000	5,265,000	4,640,000	8,335,000	5,175,000	3,740,000	—	69,425,000	
FY12	—	4,045,000	4,240,000	15,620,000	12,285,000	15,365,000	4,875,000	4,460,000	5,435,000	3,890,000	1,500,000	71,715,000	
FY13	—	—	8,675,000	16,405,000	12,810,000	12,345,000	5,115,000	4,680,000	5,705,000	4,045,000	3,690,000	73,470,000	
FY14	—	—	9,200,000	17,225,000	13,240,000	12,220,000	5,320,000	5,710,000	1,735,000	4,205,000	3,875,000	72,730,000	
FY15	—	—	14,080,000	18,090,000	9,620,000	7,580,000	5,585,000	5,960,000	1,825,000	4,375,000	4,070,000	71,185,000	
FY16	—	—	9,985,000	—	22,025,000	7,870,000	5,865,000	105,000	14,620,000	4,550,000	4,270,000	69,290,000	
FY17	—	5,175,000	5,435,000	—	18,450,000	2,795,000	6,160,000	4,975,000	15,355,000	4,730,000	4,485,000	67,560,000	
FY18	—	5,405,000	5,685,000	8,560,000	10,955,000	11,505,000	6,470,000	5,220,000	2,110,000	4,970,000	4,710,000	65,590,000	
FY19	—	—	11,445,000	8,985,000	5,755,000	12,765,000	6,790,000	5,455,000	2,215,000	5,215,000	4,945,000	63,570,000	
FY20	—	5,935,000	6,235,000	9,435,000	6,000,000	8,105,000	7,060,000	5,730,000	2,330,000	5,480,000	5,195,000	61,505,000	
FY21	—	—	6,535,000	—	6,255,000	3,385,000	7,365,000	22,130,000	2,445,000	5,750,000	5,455,000	59,320,000	
FY22	—	—	6,205,000	10,405,000	6,520,000	4,680,000	7,675,000	6,520,000	2,540,000	6,040,000	5,725,000	56,310,000	
FY23	—	—	6,495,000	10,870,000	6,805,000	6,025,000	7,980,000	—	2,645,000	6,340,000	6,010,000	53,170,000	
FY24	—	—	—	11,360,000	7,090,000	6,135,000	8,330,000	—	2,750,000	6,660,000	6,310,000	48,635,000	
FY25	—	—	—	—	7,395,000	11,625,000	8,695,000	—	2,865,000	7,000,000	6,625,000	44,205,000	
FY26	—	—	—	—	—	11,845,000	9,000,000	—	2,980,000	7,360,000	6,960,000	38,145,000	
FY27	—	—	—	—	—	—	9,315,000	—	3,105,000	7,745,000	7,305,000	27,470,000	
FY28	—	—	—	—	—	—	—	—	3,240,000	8,150,000	7,670,000	19,060,000	
FY29	—	—	—	—	—	—	—	—	3,375,000	8,580,000	8,055,000	20,010,000	
FY30	—	—	—	—	—	—	—	—	—	9,050,000	8,460,000	17,510,000	
	\$	3,910,000	24,415,000	98,245,000	153,305,000	149,330,000	139,510,000	116,240,000	79,280,000	82,450,000	117,875,000	105,315,000	1,069,875,000
		GARVEE	Total										
		2010	GARVEE Bond	Totals									
Principal		Series	Series										
FY11	\$	2,335,000	2,335,000	71,760,000									
FY12		5,320,000	5,320,000	77,035,000									
FY13		6,120,000	6,120,000	79,590,000									
FY14		5,645,000	5,645,000	78,375,000									
FY15		7,495,000	7,495,000	78,680,000									
FY16		6,990,000	6,990,000	76,280,000									
FY17		7,280,000	7,280,000	74,840,000									
FY18		7,625,000	7,625,000	73,215,000									
FY19		7,985,000	7,985,000	71,555,000									
FY20		8,375,000	8,375,000	69,880,000									
FY21		8,785,000	8,785,000	68,105,000									
FY22		9,210,000	9,210,000	65,520,000									
FY23		9,625,000	9,625,000	62,795,000									
FY24		10,145,000	10,145,000	58,780,000									
FY25		10,555,000	10,555,000	54,760,000									
FY26		—	—	38,145,000									
FY27		—	—	27,470,000									
FY28		—	—	19,060,000									
FY29		—	—	20,010,000									
FY30		—	—	17,510,000									
	\$	113,490,000	113,490,000	1,183,365,000									

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Statements of Operating Revenues and Expenses –
Expressways Operations/Toll Administration

Years ended June 30, 2011 and 2010

	2011	2010
Toll revenues – Delaware Turnpike	\$ 112,048,105	115,860,387
Toll revenues – Delaware SR-1	44,429,312	45,502,245
	156,477,417	161,362,632
Add – toll variance and violations	1,914,689	1,149,946
	158,392,106	162,512,578
Service area rentals:		
Marriott restaurants	1,781,558	2,015,533
Sunoco service station	—	169,719
	1,781,558	2,185,252
Other Turnpike revenues	150,729	203,360
Total Turnpike revenues	160,324,393	164,901,190
Delaware Turnpike expenses:		
Personnel	2,598,317	2,506,644
Utilities	127,892	160,839
Contracted services	523,846	502,515
	3,250,055	3,169,998
Toll administration expenses:		
Personnel	707,482	1,075,267
Capital outlay and travel	186,058	33,150
Utilities	32,537	32,537
Contracted services	8,617,754	9,822,841
	9,543,831	10,963,795
Delaware SR-1 expenses:		
Personnel	2,754,589	2,850,363
Utilities	295,934	325,792
Contracted services	750,272	578,874
	3,800,795	3,755,029
Total expenses	16,594,681	17,888,822
Excess of revenues over expenses	\$ 143,729,712	147,012,368

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Schedules of Cash Basis Expenditures Compared to Budget –
Expressways Operations/Toll Administration

Years ended June 30, 2011 and 2010

	2011			2010		
	Budget	Actual*	Variance	Budget	Actual*	Variance
Delaware Turnpike expenditures:						
Personnel	\$ 2,918,000	2,576,958	341,042	2,918,000	2,546,072	371,928
Utilities	177,500	146,500	31,000	146,500	177,500	(31,000)
Contracted services	621,500	554,329	67,171	621,500	571,909	49,591
	<u>3,717,000</u>	<u>3,277,787</u>	<u>439,213</u>	<u>3,686,000</u>	<u>3,295,481</u>	<u>390,519</u>
Toll administration expenditures:						
Personnel	519,300	742,292	(222,992)	1,139,900	1,079,345	60,555
Capital outlay and travel	47,000	472,306	(425,306)	47,000	41,613	5,387
Utilities	—	—	—	65,600	92,900	(27,300)
Contracted services	8,749,500	8,493,454	256,046	9,531,500	9,226,623	304,877
	<u>9,315,800</u>	<u>9,708,052</u>	<u>(392,252)</u>	<u>10,784,000</u>	<u>10,440,481</u>	<u>343,519</u>
Delaware SR-1 expenditures:						
Personnel	2,963,100	2,750,997	212,103	3,185,500	2,880,257	305,243
Utilities	353,800	339,500	14,300	412,100	353,800	58,300
Contracted services	848,300	741,650	106,650	848,300	748,562	99,738
	<u>4,165,200</u>	<u>3,832,147</u>	<u>333,053</u>	<u>4,445,900</u>	<u>3,982,619</u>	<u>463,281</u>
Total expenditures	\$ <u>17,198,000</u>	<u>16,817,986</u>	<u>380,014</u>	<u>18,915,900</u>	<u>17,718,581</u>	\$ <u>1,197,319</u>
Prior year purchase orders		1,613,703			2,263,770	
Current year purchase orders		(2,210,462)			(1,613,703)	
Purchase order variance		(134,494)			(375,096)	
Prior year accrued expenses		(1,249,230)			(1,353,960)	
Current year accrued expenses		<u>1,757,178</u>			<u>1,249,230</u>	
Accrual basis expenses		\$ <u>16,594,681</u>			\$ <u>17,888,822</u>	

* Includes purchase orders outstanding at June 30.

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Schedule of Revenue Bond Coverage

June 30, 2011

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

<u>Fiscal year</u>	<u>Gross pledged revenue</u>	<u>Debt service requirements</u>			<u>Coverage*</u>
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
		(In thousands)			
2002	\$ 303,794	39,565	35,269	74,834	4.06
2003	302,754	41,490	44,957	86,447	3.50
2004	308,091	47,640	38,176	85,816	3.59
2005	300,820	53,920	39,370	93,290	3.22
2006	337,350	58,445	40,573	99,018	3.41
2007	346,954	61,370	45,534	106,904	3.25
2008	381,590	67,640	46,210	113,850	3.35
2009	367,399	73,510	43,619	117,129	3.14
2010	363,948	74,380	50,885	125,265	2.91
2011	376,186	71,760	52,585	124,345	3.03

* The above coverage calculation represents the total gross pledged revenue as it relates to the total debt service requirement of all Senior and Junior bonds. The calculation method used in the Official Statement per the Trust Agreement calculates only the Senior bond debt service requirement and subtracts investment income revenue from gross pledged revenue

See accompanying independent auditors' report.