



**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Financial Statements

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Financial Statements:	
Statements of Net Position	9
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	14
Required Supplementary Information	
Required Supplementary Information for Governments that Use the Modified Approach for Infrastructure Assets	34
Additional Information	
Statement of Net Position in Accordance with Trust Agreement	36
Statement of Revenues, Expenses, and Changes in Net Position in Accordance with Trust Agreement	38
Statement of Cash Flows in Accordance with Trust Agreement	40
Schedule of Revenue Bonds Outstanding - June 30, 2013	42
Schedule of Revenue Bonds Outstanding - June 30, 2012	43
Statements of Operating Revenues and Expenses - Expressways Operations/Toll Administration	44
Schedules of Cash Basis Expenditures Compared to Budget - Expressways Operations/Toll Administration	45
Schedule of Revenue Bond Coverage	46



KPMG LLP
1601 Market Street
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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Delaware Transportation Trust Fund (TTF), a fund of the Delaware Transportation Authority, which comprise the statement of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements. The Delaware Transportation Authority is a blended component unit of the State of Delaware.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

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

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

(Continued)



Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transportation Trust Fund as of June 30, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 1 to the financial statements, the financial statements present only the Transportation Trust Fund and do not purport to, and do not, present fairly the financial position of the Delaware Transportation Authority or the State of Delaware as of June 30, 2013 and 2012, the changes in its financial position or, where applicable, its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Balance Sheet in accordance with Trust Agreement; Statement of Revenue, Expenses and Changes in Net Position in accordance with Trust Agreement; Statement of Cash Flows in accordance with Trust Agreement; Schedule of Revenue Bonds Outstanding (June 30, 2013 and June 30, 2012); Statement of Operating Revenues and Expenses – Expressways Operations/Toll Administrative; Schedule of Cash Basis Expenditures Compared to Budget – Expressways Operations/Toll Administration; and Schedule of Revenue Bond Coverage are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Philadelphia, Pennsylvania
November 12, 2013

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Management's Discussion and Analysis

June 30, 2013 and 2012

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 years ended June 30, 2013 and 2012.

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

- Outstanding revenue bonds payable continued to decrease as the Department of Transportation (the Department) continues to limit long-term borrowing and decrease debt-service costs. Revenue bonds payable decreased to \$1,023.5 million at June 30, 2013 from \$1,106.7 million at June 30, 2012.
- Motor vehicle sales continued to be strong, as a result, motor vehicle document fee revenues increased by \$6.5 million, a 9.1% gain over fiscal year 2012. This is the fourth consecutive year of gains in this category.
- Total operating revenues increased to \$441.1 million, an increase of 2.9% compared to fiscal year 2012.

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.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Management's Discussion and Analysis

June 30, 2013 and 2012

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 changes in net assets.

Financial Analysis of the Trust Fund

Statements of Net Position

The Trust Fund's total assets increased 1.1% to \$1,645.4 million at June 30, 2013, compared to \$1,627.7 million at June 30, 2012, and \$1,646.3 million at June 30, 2011. Total liabilities decreased 7.8% to \$1,118.1 million at June 30, 2013, compared to \$1,212.4 million at June 30, 2012, and \$1,303.1 million at June 30, 2011. Net position at June 30, 2013 increased 27.0% to \$527.3 million, compared to \$415.3 million at June 30, 2012, and \$343.2 million at June 30, 2011.

Transportation Trust Fund's Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Percentage change 2013-2012</u>	<u>Percentage change 2012-2011</u>
	(Dollars in millions)				
Current assets	\$ 232.9	\$ 301.7	\$ 403.2	(22.8) %	(25.2) %
Capital assets	1,327.3	1,234.7	1,165.2	7.5	6.0
Other noncurrent assets	<u>85.2</u>	<u>91.3</u>	<u>77.9</u>	(6.7)	17.2
Total assets	<u>\$ 1,645.4</u>	<u>\$ 1,627.7</u>	<u>\$ 1,646.3</u>	1.1	(1.1)
Current liabilities	\$ 139.3	\$ 146.1	\$ 133.6	(4.7) %	9.4 %
Revenue bonds payable	934.6	1,007.1	1,133.3	(7.2)	(11.1)
Other noncurrent liabilities	<u>44.2</u>	<u>59.2</u>	<u>36.2</u>	(25.3)	63.5
Total liabilities	<u>\$ 1,118.1</u>	<u>\$ 1,212.4</u>	<u>\$ 1,303.1</u>	(7.8)	(7.0)
Net position:					
Net investment in capital assets	\$ 315.0	\$ 156.2	\$ 62.2	101.7 %	151.1 %
Restricted	160.2	166.9	170.8	(4.0)	(2.3)
Unrestricted	<u>52.1</u>	<u>92.2</u>	<u>110.2</u>	(43.5)	(16.3)
Total net position	<u>\$ 527.3</u>	<u>\$ 415.3</u>	<u>\$ 343.2</u>	27.0	21.0

The decrease in current assets is attributed to smaller investment balances as a result of not issuing new debt during the year. The increase in capital assets is a result of increased spending for the U.S. 301 project and the Turnpike/SR-1 interchange project. For 2012, the decrease in current assets is attributed to the smaller cash and cash equivalent and investment balances, which declined as the Trust Fund expended the carry-over bond proceeds from fiscal year 2011. Also, no bond proceeds were added, as new debt issued during the fiscal year was solely for the purpose of refunding existing debt.

During fiscal year 2013, total liabilities decreased by 7.8% to \$1,118.1 million. This was primarily the result of not issuing new debt during the year and the payment of existing bonds coupled with amortization of bond premiums. For 2012, total liabilities decreased by 7.0% to \$1,212.4 million. Revenue bonds payable decreased

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Management's Discussion and Analysis

June 30, 2013 and 2012

as indebtedness was reduced by \$27.8 million due to the bond refunding during the fiscal year and from not issuing additional debt during the fiscal year. A bond issue premium resulted in an increase in other noncurrent liabilities.

Net investment in capital assets increased by 101.7% to \$315.0 million in fiscal year 2013, and by 151.1% to 156.2 million in fiscal year 2012. This was primarily a result of capital spending for the U.S. 301 project and the Turnpike/SR-1 interchange project in excess of new debt issuances. Unrestricted net position decreased by 43.5% to \$52.1 million in fiscal year 2013, and by 16.3% to \$92.2 million in fiscal year 2012, due to the decision to draw down existing cash balances instead of issuing new debt.

Change in Net Position

Total net position at June 30, 2013 was \$527.3 million, compared to \$415.3 million at June 30, 2012, and \$343.2 million at June 30, 2011. Total operating revenues increased 2.9% to \$441.1 million for fiscal year 2013, compared to \$428.8 million for fiscal year 2012, and \$425.6 million for fiscal year 2011. Total operating expenses decreased 8.1% to \$344.2 million for fiscal year 2013, compared to \$374.7 million for fiscal year 2012, and \$340.5 million for fiscal year 2011.

Transportation Trust Fund's Changes in Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Percentage change 2013-2012</u>	<u>Percentage change 2012-2011</u>
	(Dollars in millions)				
Operating revenues:					
Turnpike revenue	\$ 120.1	\$ 117.1	\$ 115.9	2.6 %	1.0 %
Motor fuel tax	112.6	112.9	113.7	(0.3)	(0.7)
Motor vehicle document fee	77.6	71.1	68.3	9.1	4.1
Motor vehicle registration fee	47.6	46.6	47.2	2.1	(1.3)
Other motor vehicle revenue	25.5	25.0	24.6	2.0	1.6
International Fuel Tax Agreement	2.4	3.0	2.9	(20.0)	3.4
Toll revenue – SR-1	46.2	44.9	44.4	2.9	1.1
Miscellaneous	9.1	8.2	8.6	11.0	(4.7)
Total operating revenues	<u>441.1</u>	<u>428.8</u>	<u>425.6</u>	2.9	0.7
Operating expenses:					
Toll operations expenses	18.1	17.3	16.6	4.6	4.2
Capital preservation and operations	242.9	279.7	250.2	(13.2)	11.8
DTC operations	83.0	77.5	73.5	7.1	5.4
Depreciation	0.2	0.2	0.2	0.0	0.0
Total operating expenses	<u>344.2</u>	<u>374.7</u>	<u>340.5</u>	(8.1)	10.0
Operating income	96.9	54.1	85.1	79.1	(36.5)
Nonoperating expenses – net	(28.2)	(25.2)	(35.2)	11.9	(28.4)
Transfers	43.3	43.2	27.2	0.2	58.8
Change in net position	112.0	72.1	77.1	55.3	(6.5)
Total net position, beginning of year	<u>415.3</u>	<u>343.2</u>	<u>266.1</u>	21.0	29.0
Total net position, end of year	<u>\$ 527.3</u>	<u>\$ 415.3</u>	<u>\$ 343.2</u>	27.0	21.0

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Management's Discussion and Analysis

June 30, 2013 and 2012

Total operating revenues increased by \$12.3 million over fiscal year 2013, an increase of 2.9%. Motor vehicle document fees increased by 9.1% during fiscal year 2013, adding to a 4.1% increase during 2012 and a 17.0% increase during 2011. Turnpike and SR-1 toll revenues increased by 2.6% and 2.9%, respectively. Motor fuel tax revenues continued to show weakness decreasing by 0.3% compared to last year.

Total operating expenses for fiscal year 2013 decreased by 8.1%. The largest decrease was in capital preservation and operations due to decreased capital spending, partially due to a smaller paving and rehabilitation program compared to last year when the program was accelerated. Delaware Transit Corporation (DTC) operating expenses increased in response to increased ridership.

Net nonoperating expenses for fiscal year 2013 increased by 11.9% to \$28.2 million. This was due to lower investment earnings and a decrease in the fair value of investments. In 2012, net nonoperating expenses decreased by 28.4% to \$25.2 million. This was due to an increase in federal grant revenues and an increase in the fair market value of investments held at year end. Total net position increased by 27.0% to \$527.3 million at June 30, 2013 from \$415.3 million at June 30, 2012.

During fiscal year 2013, the following transfers were received from the State's General Fund: Escheat revenues in the amount of \$40.0 million, \$0.3 million collected by the Division of Revenue from motor vehicle dealer fees, and \$3.0 million in General Fund support for the Division of Motor Vehicles (DMV). In fiscal year 2012, \$40.0 million in support was received due to a change in legislation that increased the annual contribution from the previous level of \$20.0 million; \$0.3 million was collected by the Division of Revenue from motor vehicle dealer fees and \$2.9 million was received in General Fund support for the DMV.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2013, the Trust Fund had invested \$1,331.2 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, 2013 totaled \$1,327.3 million. This amount represents a net increase (including additions and disposals, net of depreciation) of \$92.6 million, primarily for the Turnpike/SR-1 interchange project and the U.S. 301 project. As of June 30, 2012, the Trust Fund had invested \$1,238.4 million in capital assets. Net of accumulated depreciation, the Trust Fund's net capital assets at June 30, 2012 totaled \$1,234.7 million. This amount represents a net increase of \$69.5 million from fiscal year 2011, primarily for the Turnpike/SR-1 interchange project and the U.S. 301 project.

The State uses 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:

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Management's Discussion and Analysis

June 30, 2013 and 2012

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, 2011, 99.8% of the Trust Fund's roadway condition assessments were in the fair or better category. This was the same as the 2009 rating. At June 30, 2013, 89.7% of the bridge structures were in the good or better category, a small decrease from the prior year at 90.6%, and 95.3% of the bridge deck ratings were in the good or better category, an increase over the prior year at 93.4%.

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, 2013, the Authority had \$1,023.5 million in revenue bonds outstanding, a 7.5% decrease from June 30, 2012. On June 30, 2013 and 2012, the Authority had a total of \$235.6 million in authorized but unissued revenue bonds. No new bonds were issued during 2013. Of the 11 outstanding Senior Bond Issues, all bonds are rated AA+ and Aa2 by Standard and Poor's and Moody's Investors Services, respectively. The GARVEE Bond, 2010 Series is rated AA and Aa3 by Standard and Poor's and Moody's Investors Services, respectively. At June 30, 2012, the Authority had \$1,106.7 million in revenue bonds outstanding, an 8.6% decrease from June 30, 2011. During 2012, the Authority issued \$222.9 million of Transportation System Senior Revenue Bonds, 2012 Series, to provide for an advance refunding of \$250.7 million of prior Transportation System Senior Revenue Bonds.

Next Year's Budget

The Department's fiscal year 2014 Operating Annual Budget adopted by the General Assembly in June 2013 totals \$342.5 million and the fiscal year 2014 Capital Improvements Act totals \$196.8 million in State-authorized funds. The Capital Improvements Act authorizes funding of the following improvements: \$114.5 million of Road System, \$21.8 million of Grants and Allocations, \$16.7 million of Transit System, and \$43.8 million for

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Management's Discussion and Analysis

June 30, 2013 and 2012

Support System. The spending of these capital authorizations will occur over several years. The Capital Transportation Plan (CTP) spending forecast for fiscal year 2014 is \$567.7 million, inclusive of \$219.9 and \$347.8 million in State and federal funds, respectively. The State forecast includes \$28.2 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.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Statements of Net Position

June 30, 2013 and 2012

Assets	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 18,257,687	\$ 17,333,528
Restricted	30,895,967	7,196,618
Investments – at fair value:		
Unrestricted	64,902,278	94,649,196
Restricted	107,926,887	171,577,442
Accrued interest receivable	535,890	643,165
Accounts receivable	9,973,630	9,929,296
Prepaid expenses	84,402	60,975
Bond issuance costs - net of accumulated amortization	307,845	319,747
Total current assets	<u>232,884,586</u>	<u>301,709,967</u>
Noncurrent assets:		
Capital assets:		
Infrastructure and land	1,323,023,326	1,230,246,094
Buildings and land improvements	8,136,689	8,136,689
	<u>1,331,160,015</u>	<u>1,238,382,783</u>
Less: accumulated depreciation	3,873,947	3,681,730
Capital assets	<u>1,327,286,068</u>	<u>1,234,701,053</u>
Investments – at fair value:		
Unrestricted	13,552,718	25,809,386
Restricted	69,569,136	63,112,858
Bond issuance costs - net of accumulated amortization and current portion	<u>2,072,839</u>	<u>2,373,959</u>
Total noncurrent assets	<u>1,412,480,761</u>	<u>1,325,997,256</u>
Total assets	<u>\$ 1,645,365,347</u>	<u>\$ 1,627,707,223</u>

See accompanying notes to financial statements.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Statements of Net Position

June 30, 2013 and 2012

Liabilities and Net Assets	2013	2012
	2013	2012
Current liabilities:		
Accounts payable	\$ 14,281,639	\$ 14,457,549
Accrued payroll payable	245,216	243,656
Compensated absences payable	63,817	68,275
Customer toll deposits	13,785,582	12,335,843
Deferred revenue	592,565	649,030
Escrow deposits	2,130,200	2,015,501
General obligation bonds payable	142,866	195,189
Revenue bonds payable – net of deferred amounts on refunding	72,543,651	80,537,770
Bond issue premium – net of accumulated amortization	11,795,497	12,872,769
Interest payable	23,696,349	22,727,471
	139,277,382	146,103,053
Total current liabilities		
Noncurrent liabilities:		
Compensated absences – net of current portion	218,459	238,151
Return of federal funds	—	2,999,719
General obligation bonds payable – net of current portion	103,426	246,292
Revenue bonds payable – net of deferred amounts on refunding and current portion	934,587,646	1,007,131,297
Bond issue premium – net of accumulated amortization and current portion	43,894,545	55,690,042
	978,804,076	1,066,305,501
Total noncurrent liabilities		
Total liabilities	1,118,081,458	1,212,408,554
Net position:		
Net investment in capital assets	315,012,706	156,163,826
Restricted	160,162,475	166,870,590
Unrestricted	52,108,708	92,264,253
	527,283,889	415,298,669
Total net position		
Total liabilities and net position	\$ 1,645,365,347	\$ 1,627,707,223

See accompanying notes to financial statements.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2013 and 2012

	2013	2012
Operating revenues:		
Pledged revenue:		
Turnpike revenue	\$ 120,089,261	\$ 117,132,849
Motor fuel tax revenue	112,582,805	112,908,210
Motor vehicle document fee revenue	77,585,014	71,140,742
Motor vehicle registration fee revenue	47,559,850	46,632,409
Other motor vehicle revenue	25,456,412	25,017,296
International Fuel Tax Agreement revenue	2,424,796	2,968,470
Total pledged revenue	385,698,138	375,799,976
Toll revenue – Delaware SR-1	46,223,585	44,889,227
Railway tolls	1,492,869	1,236,462
Traffic violations	4,713,808	4,639,464
Miscellaneous	2,935,636	2,200,628
Total operating revenues	441,064,036	428,765,757
Operating expenses:		
Expressways operations/toll administration and interstate operating expenses	18,069,872	17,308,105
Expenses in accordance with Trust Agreement:		
Transportation capital preservation and operations	242,906,954	279,656,709
Delaware Transit Corporation operations	83,003,807	77,521,008
Depreciation	192,217	192,217
Total operating expenses	344,172,850	374,678,039
Operating income	96,891,186	54,087,718
Nonoperating revenues (expenses):		
Pledged revenue – income from investments	2,220,035	3,159,782
Net increase (decrease) in the fair value of investments	(2,893,203)	807,018
Bad debt recovery	853,488	820,566
Federal grants	10,880,513	12,075,650
Interest expense	(39,224,203)	(42,070,709)
Excess of nonoperating expenses over nonoperating revenues	(28,163,370)	(25,207,693)
Income before transfers	68,727,816	28,880,025
Transfer from State General Fund	43,257,404	43,246,922
Change in net position	111,985,220	72,126,947
Total net position – beginning of year	415,298,669	343,171,722
Total net position – end of year	\$ 527,283,889	\$ 415,298,669

See accompanying notes to financial statements.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Receipts from customers	\$ 442,412,976	\$ 428,596,458
Payments to employees	(6,196,584)	(6,135,835)
Payments to suppliers	(341,005,695)	(363,250,698)
Net cash provided by operating activities	<u>95,210,697</u>	<u>59,209,925</u>
Cash flows from noncapital financing activities:		
Transfers from State General Fund	<u>43,257,404</u>	<u>43,246,922</u>
Net cash provided by noncapital financing activities	43,257,404	43,246,922
Cash flows from capital and related financing activities:		
Payments of revenue bond principal	(83,230,000)	(76,320,000)
Payment to escrow agent for refunding of revenue bonds	—	(270,163,203)
Proceeds from revenue bond sale	—	222,870,000
Payments of general obligation bond principal	(195,189)	(346,503)
Premium from revenue bond sale	—	42,290,886
Bond issuance costs from revenue bond sale	(7,984)	(525,984)
Federal reimbursement of debt service	10,880,513	12,075,650
Acquisition of capital assets	(92,777,232)	(69,692,060)
Payments of interest	(48,114,858)	(56,565,663)
Net cash used in capital and related financing activities	<u>(213,444,750)</u>	<u>(196,376,877)</u>
Cash flows from investing activities:		
Collection on loans previously written off	853,488	820,566
Escrow deposits received/(refunded)	114,699	(1,596,607)
Purchase of investments	(369,264,910)	(3,253,406,589)
Proceeds from sale of investments	465,569,570	3,287,877,443
Interest received	2,327,310	3,211,558
Net cash provided by investing activities	<u>99,600,157</u>	<u>36,906,371</u>
Net increase (decrease) in cash and cash equivalents	24,623,508	(57,013,659)
Cash and cash equivalents – beginning of year	<u>24,530,146</u>	<u>81,543,805</u>
Cash and cash equivalents – end of year	<u>\$ 49,153,654</u>	<u>\$ 24,530,146</u>

See accompanying notes to financial statements.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	2013	2012
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 96,891,186	\$ 54,087,718
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	192,217	192,217
Changes in assets and liabilities:		
Increase in accounts receivable	(44,334)	(2,365,438)
Increase in prepaid expenses	(23,427)	(60,975)
Increase (decrease) in accounts payable	(175,910)	8,370,620
Decrease in accrued payroll and related expenses	(22,590)	(210,356)
Increase in customer toll deposits	1,449,739	1,547,109
Increase (decrease) in deferred revenue	(56,465)	649,030
Decrease in return of federal funds	(2,999,719)	(3,000,000)
Net cash provided by operating activities	\$ 95,210,697	\$ 59,209,925

See accompanying notes to financial statements.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

(1) Organization and Trust Agreements

The Delaware Department of Transportation (the Department) is a major fund of the State of Delaware (the State). The Department has overall responsibility for coordinating and developing comprehensive, balanced transportation planning and policies for the State. To assist the Department in their mission, the State and the Department created the Delaware Transportation Authority (the Authority), which includes the activities of the Transportation Trust Fund (the Trust Fund). The Authority is a body corporate and politic constituting an instrumentality of the State and assists in the implementation of 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.

The Trust Fund was created by the State as a special fund with its corporate powers held by the Authority, under the Transportation Trust Fund Act of 1987 (the TTF Act). The underlying purpose of the TTF Act and the Trust Fund is to address the growing urgency to provide additional means to finance the maintenance and development of the integrated highway, air, and water transportation system in the State for the economic benefit of the State and for the welfare and safety of the users of the transportation system. The primary funding of the Trust Fund comes from motor fuel taxes, motor vehicle document fees, motor vehicle registration fees, and other transportation-related fees, which are imposed and collected by the State and transferred to the Trust Fund. The State has irrevocably pledged, assigned, and continuously appropriated to the Trust Fund these taxes and fees. The other major sources of revenue for the Trust Fund are the Delaware Turnpike and the Delaware SR-1 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.

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

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

(2) Summary of Significant Accounting Policies

(a) *Basis of Accounting*

The Authority operates as a special purpose government engaged solely in business-type activities. 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, 2013 and 2012, and accordingly, a provision for uncollectible accounts has not been established.

(d) *Investments*

Investments are recorded at their fair value. Investments at June 30, 2013 and 2012 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.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

(f) *New Accounting Standards Adopted*

In fiscal year 2013, the Authority adopted two new accounting standards, as follows:

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board (FASB) pronouncements, which does not conflict with or contradict GASB pronouncements, and eliminates the criteria to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements. There was no impact on the financial statements from implementing this standard.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the Trust Fund's financial statements was the renaming of "Net Assets" to "Net Position", including changing the name of the financial statement from "Balance Sheet" to "Statement of Net Position".

(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 Trust Fund's 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.

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 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

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

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 \$12,551,763 and \$9,706,037 of reductions of interest expense in 2013 and 2012, respectively.

(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. All other expenses are a result of normal operations.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

(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, 2013 and 2012, 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, 2013 and 2012 were \$49,153,654 and \$24,530,146, respectively, and the bank balances were \$48,148,999 and \$23,676,435, respectively. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits in transit. The entire bank balances at June 30, 2013 and 2012 of \$48,148,999 and \$23,676,435, 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.

Investments

Investments of the Authority are stated at fair value, which approximates cost. At June 30, 2013 and 2012, all of the Authority's investments were insured or registered with securities held by the Authority or the counterparty in the Authority's name.

(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

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

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, 2013				
	Fair value	Investment maturities (in years)			
		Less than 1	1 - 5	6 - 10	11 - 15
U.S. Government Securities	\$ 40,437,244	\$ 5,646,683	\$ 9,931,404	\$ 24,859,157	\$ —
U.S. Government Agency Securities	131,849,069	84,012,406	22,029,494	23,949,609	1,857,560
Commercial Paper	83,664,706	83,170,076	494,630	—	—
	<u>\$ 255,951,019</u>	<u>\$ 172,829,165</u>	<u>\$ 32,455,528</u>	<u>\$ 48,808,766</u>	<u>\$ 1,857,560</u>

Investment type	June 30, 2012				
	Fair value	Investment maturities (in years)			
		Less than 1	1 - 5	6 - 10	11 - 15
U.S. Government Securities	\$ 42,105,415	\$ 12,325,857	\$ 15,639,858	\$ 14,139,700	\$ —
U.S. Government Agency Securities	140,838,762	81,696,076	34,577,734	19,846,033	4,718,919
Commercial Paper	172,204,705	172,204,705	—	—	—
	<u>\$ 355,148,882</u>	<u>\$ 266,226,638</u>	<u>\$ 50,217,592</u>	<u>\$ 33,985,733</u>	<u>\$ 4,718,919</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.

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 \$83,664,706 and \$172,204,705 at June 30, 2013 and 2012, respectively. All commercial paper held matures within five years and is rated in accordance with the Trust Agreement. The investments in U.S. Government and Government Agency Securities are rated at Aaa with Moody's and AA+ with Standard & Poor's.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

(e) Investments in Excess of 5%

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

The Policy provides that the purchase of securities cannot exceed the following percentage of account limitations, valued at market. Investments due to mature in one business day may be excluded from the computation of said limitations.

- A. U.S. government - no restrictions.
- B. Government agency - 50% total; 20% in any one agency.
- C. Certificates of deposit, time deposits, and bankers acceptances - 50% total; 5% in any one issuer.
 - 1. Domestic - No additional restrictions.
 - 2. Non-domestic - 25%, 5% in any one issuer.
 - 3. Delaware domiciled - Not more than the lesser of \$10 million or 25% of an issuer's total equity capital may be invested in any one issuer (investments due to mature in one business day may be excluded from the computation of this percentage).
- D. Corporate debt - 50% total; 25% in any one industry; 5% in any one issuer, 5% of any issuer's total outstanding securities.
 - 1. Domestic - No additional restrictions.
 - 2. Non-domestic - 25%; 5% in any one issuer.
- E. Repurchase agreements - 50% total.
- F. Reverse repurchase agreements - 25% total.
- G. Money market funds - 25% total; 10% in any one fund except for the cash account, which may invest 100% of the account in the Delaware Local Government Investment Pool (DELGIP) Fund. The Investment Guidelines for the DELGIP Fund are defined in Appendix B of the Policy.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

- H. Canadian treasuries - 25% total; 10% in any one agency.
- I. Canadian agency securities - 25% total; 10% in any one agency.
- J. Mortgage-backed and asset-backed securities - 10% total (when combined with asset-backed securities and trust certificates, if applicable).
- K. Municipal obligations - 5% in any one issuer.
- L. Guaranteed investment contracts - Permitted where it is prudent to match a specific investment instrument with a known specific future liability, subject to credit quality guidelines for commercial paper and corporate bonds and debentures and with adequate exit provisions in the event of the future downgrade of the issuer.
- M. Asset-backed securities and trust certificates - 10% total (when combined with mortgage-backed and asset-backed securities, if applicable).

The following issuers have investments at fair value in excess of 5% of the investment portfolio at June 30, 2013:

Federal National Mortgage Association	\$ 67,488,697	26%
Federal Home Loan Mortgage Corporation	49,666,400	19
United States Treasury	40,437,244	16

The following issuers have investments at fair value in excess of 5% of the investment portfolio at June 30, 2012:

Federal Home Loan Mortgage Corporation	\$ 64,751,556	18%
Federal National Mortgage Association	63,336,588	18
ML Pierce Fenner & Smith	59,812,000	17
United States Treasury	42,105,412	12
Rabobank USA Financial Corp	21,176,167	6
Nestle Capital Corp	20,799,245	6

(f) Investment Commitments

The Authority has made no investment commitments as of June 30, 2013.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

(4) Accounts Receivable

Balances in accounts receivable were as follows at June 30,:

	<u>2013</u>	<u>2012</u>
Concessions	\$ 117,656	\$ 299,952
Railway tolls	703,000	616,000
Miscellaneous	662,725	—
Toll violations	589,358	—
DMV direct access	58,371	510,520
E-ZPass revenues	7,842,520	8,502,824
	<u>\$ 9,973,630</u>	<u>\$ 9,929,296</u>

(5) Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Infrastructure	\$ 1,090,459,745	\$ 91,298,272	\$ —	\$ 1,181,758,017
Land	139,786,349	1,478,960	—	141,265,309
	<u>\$ 1,230,246,094</u>	<u>\$ 92,777,232</u>	<u>\$ —</u>	<u>\$ 1,323,023,326</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>3,681,730</u>	<u>192,217</u>	<u>—</u>	<u>3,873,947</u>
Total capital assets being depreciated, net	<u>\$ 4,454,959</u>	<u>\$ (192,217)</u>	<u>\$ —</u>	<u>\$ 4,262,742</u>

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Infrastructure	\$ 1,020,767,685	\$ 69,692,060	\$ —	\$ 1,090,459,745
Land	139,786,349	—	—	139,786,349
	<u>\$ 1,160,554,034</u>	<u>\$ 69,692,060</u>	<u>\$ —</u>	<u>\$ 1,230,246,094</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>3,489,513</u>	<u>192,217</u>	<u>—</u>	<u>3,681,730</u>
Total capital assets being depreciated, net	<u>\$ 4,647,176</u>	<u>\$ (192,217)</u>	<u>\$ —</u>	<u>\$ 4,454,959</u>

Depreciation expense was \$192,217 for fiscal years 2013 and 2012.

(6) Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013 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	\$ 1,106,735,000	\$ —	\$ (83,230,000)	\$ 1,023,505,000	\$ 75,205,000
Deferred amount on refunding	(19,065,933)	—	2,692,230	(16,373,703)	(2,661,349)
Revenue bonds, net	1,087,669,067	—	(80,537,770)	1,007,131,297	72,543,651
General obligation bonds	441,481	—	(195,189)	246,292	142,866
Bond issue premium, net of accumulated amortization	68,562,811	—	(12,872,769)	55,690,042	11,795,497
Return of federal funds	2,999,719	—	(2,999,719)	—	—
Compensated absences	306,426	—	(24,150)	282,276	63,817
Long-term liabilities	<u>\$ 1,159,979,504</u>	<u>\$ —</u>	<u>\$ (96,629,597)</u>	<u>\$ 1,063,349,907</u>	<u>\$ 84,545,831</u>

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

Long-term liability activity for the year ended June 30, 2012 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	\$ 1,210,880,000	\$ 222,870,000	\$ (327,015,000)	\$ 1,106,735,000	\$ 83,230,000
Deferred amount on refunding	(1,628,306)	(18,321,871)	884,244	(19,065,933)	(2,692,230)
Revenue bonds, net	1,209,251,694	204,548,129	(326,130,756)	1,087,669,067	80,537,770
General obligation bonds	787,984	—	(346,503)	441,481	195,189
Bond issue premium, net of accumulated amortization	37,402,559	42,290,886	(11,130,634)	68,562,811	12,872,769
Return of federal funds	5,999,719	—	(3,000,000)	2,999,719	—
Compensated absences	313,680	—	(7,254)	306,426	68,275
Long-term liabilities	<u>\$ 1,253,755,636</u>	<u>\$ 246,839,015</u>	<u>\$ (340,615,147)</u>	<u>\$ 1,159,979,504</u>	<u>\$ 93,674,003</u>

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

(7) Return of Federal Funds

During fiscal years 1992 through 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 ten 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, and the second payment of \$3 million was paid in June 2012. The balance of \$2,999,719 was paid in June 2013.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

(8) General Obligation Bonds Outstanding

General obligation bonds outstanding at June 30, 2013 and 2012 are detailed as follows:

<u>Sale #</u>	<u>Description and interest rates</u>	<u>Maturity date (fiscal year)</u>	<u>Balance outstanding</u>	
			<u>June 30,</u>	
			<u>2013</u>	<u>2012</u>
194	GO 2005B, 5.00%	2015	\$ 231,276	\$ 358,598
191	GO + Refunding 2004A, 3.00% – 6.00%	2014	15,016	30,033
185	GO + Refunding 2002A, 4.00% – 5.25%	2013	—	52,850
	Totals		246,292	441,481
	Less: current portion		142,866	195,189
	Long-term portion		\$ 103,426	\$ 246,292

The general obligation bonds are direct obligations of the State 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.

The annual requirement to amortize all general obligation bonds payable as of June 30, 2013 was as follows:

<u>Years ending June 30,:</u>	<u>Principal maturity</u>	<u>Interest maturity</u>	<u>Total</u>
2014	\$ 142,866	\$ 9,777	\$ 152,643
2015	103,426	4,137	107,563
	\$ 246,292	\$ 13,914	\$ 260,206

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

(9) Revenue Bonds Outstanding

Revenue bonds outstanding at June 30, 2013 and 2012 are detailed as follows:

<u>Date of issue/ maturity</u>	<u>Amount of original issue</u>	<u>Description and fixed interest rates</u>	<u>Balance outstanding</u>	
			<u>June 30,</u>	
			<u>2013</u>	<u>2012</u>
Senior Bonds:				
2002/2022	\$ 173,680,000	Transportation System Senior Revenue Bonds, 2002 Series B, 5.25%	\$ -	\$ 8,675,000
2003/2023	277,210,000	Transportation System Senior Revenue Bonds, 2003 Series, 5.00%	35,315,000	51,720,000
2004/2024	167,550,000	Transportation System Senior Revenue Bonds, 2004 Series, 4.00% - 5.00%	58,385,000	71,195,000
2005/2025	150,000,000	Transportation System Senior Revenue Bonds, 2005 Series, 4.25% - 5.00%	58,480,000	70,825,000
2006/2026	127,445,000	Transportation System Senior Revenue Bonds, 2006 Series, 3.50% - 5.00%	101,610,000	106,725,000
2007/2021	87,890,000	Transportation System Senior Revenue Bonds, 2007A Series, 4.00% - 5.00%	61,805,000	66,485,000
2008/2028	84,720,000	Transportation System Senior Revenue Bonds, 2008A Series, 4.00% - 5.00%	66,135,000	71,840,000
2008/2029	117,875,000	Transportation System Senior Revenue Bonds, 2008B Series, 4.00 - 5.00%	106,200,000	110,245,000

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

Date of issue/ maturity	Amount of original issue	Description and fixed interest rates	Balance outstanding	
			June 30,	
			2013	2012
2009/2029	\$ 105,315,000	Transportation System Senior Revenue Bonds, 2009A Series, 5.00%	\$ 100,125,000	\$ 103,815,000
2010/2019	47,715,000	Transportation System Senior Revenue Bonds, 2010A Series, 4.00% - 5.00%	40,745,000	44,385,000
2010/2030	72,120,000	Transportation System Senior Revenue Bonds, 2010B Series, 3.95% - 5.80%	72,120,000	72,120,000
2012/2024	222,870,000	Transportation System Senior Revenue Bonds, 2012 Series, 3.00% - 5.00%	222,870,000	222,870,000
GARVEE Bonds: 2010/2025	113,490,000	Transportation System Grant Anticipation Bonds, 2010 Series, 3.00% - 5.00%	99,715,000	105,835,000
		Totals, gross	1,023,505,000	1,106,735,000
		Less: deferred amount on refunding	16,373,703	19,065,933
		Totals, net	1,007,131,297	1,087,669,067
		Less: current portion	72,543,651	80,537,770
		Long-term portion	\$ 934,587,646	\$ 1,007,131,297

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,:

	2013	2012
Pledged operating revenues	\$ 385,698,138	\$ 375,799,976
Investment income	2,220,035	3,159,782
	\$ 387,918,173	\$ 378,959,758

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

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 \$160 million in federal highway aid annually over the past five fiscal years. At that level, principal and interest payments on the GARVEE Bonds are expected to require approximately 6.5% of pledged federal highway aid annually. While the Authority believes that sufficient pledged federal highway aid will be available during the term of the bonds to meet all required principal and interest payments, various factors beyond the Authority's control may impact the ability to make all payments when due, including, but not limited to, subsequent 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 in authorized but unissued revenue bonds at June 30, 2013 and 2012 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, 2013 was as follows:

	<u>Principal maturity</u>	<u>Interest maturity</u>	<u>Total</u>
Years ending June 30,:			
2014	\$ 75,205,000	\$ 47,162,389	\$ 122,367,389
2015	77,655,000	43,465,369	121,120,369
2016	75,350,000	39,753,639	115,103,639
2017	72,840,000	36,243,389	109,083,389
2018	72,105,000	32,798,748	104,903,748
2019 – 2023	363,055,000	110,947,865	474,002,865
2024 – 2028	228,925,000	37,587,738	266,512,738
2029 – 2033	58,370,000	3,646,773	62,016,773
	<u>\$ 1,023,505,000</u>	<u>\$ 351,605,910</u>	<u>\$ 1,375,110,910</u>

On April 11, 2012, the Trust Fund issued \$222,870,000 of Transportation System Senior Revenue Bonds, 2012 Series, to provide for an advance refunding of the following Transportation System Senior Revenue Bonds:

2002B Series	\$ 81,300,000
2003 Series	59,615,000
2004 Series	61,725,000
2005 Series	<u>48,055,000</u>
	<u>\$250,695,000</u>

The refunding was undertaken to reduce the total future debt service payments. The transaction resulted in an economic gain of \$27,096,222 and a reduction of \$31,811,076 in future debt service payments.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

(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, 2013 and 2012, the amount of defeased debt outstanding amounted to \$195,215,000 and \$312,801,800, respectively.

(11) Pledged Revenues

The State has pledged turnpike, motor fuel tax, and motor vehicle fee revenues, as well as investment income, to the Trust Fund in order to provide additional means to finance the maintenance and development of the State's highway transportation system, as well as security for the repayment of the outstanding revenue bonds of the Authority. Proceeds from the revenue bonds were used to finance infrastructure maintenance, preservation, and construction-related projects. The revenue bonds are payable solely from these pledged revenue streams and are not backed by the faith and credit of the State or any such political subdivision. Annual principal and interest payments on the revenue bonds are expected to require less than 35% of pledged revenues. The total principal and interest remaining to be paid on the revenue bonds as of June 30, 2013 and 2012 was \$1,375,110,910 and \$1,506,437,821, respectively. Principal and interest paid on the revenue bonds for the years ended June 30, 2013 and 2012 was \$131,326,907 and \$132,731,301, respectively. Total pledged revenues for the years ended June 30, 2013 and 2012 were \$387,918,173 and \$378,959,758, respectively.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

(12) Designated Net Position

For operations, unrestricted net position designated by management was as follows at June 30,:

	2013	2012
DTC Transit Fund:		
Unexpended appropriations authorized by the State Budget Bills were carried forward as a designated net position. For the years ended June 30, 2013 and 2012, the DTC Transit Fund expended authorized appropriations amounting to \$83,003,807 and \$77,521,008, respectively. The remaining totals of budgeted appropriations to be paid in future periods are:	\$ 158,981	\$ 158,981
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, 2013 and 2012 were \$143,673,110 and \$147,487,412, respectively. Unexpended appropriations have been designated for approved expenses and are classified as designated net position in the amounts of:	12,275,554	15,520,001
Total designated net position	\$ 12,434,535	\$ 15,678,982

(13) Restricted Net Position

Restricted net position was as follows at June 30,:

	2013	2012
Rebate Fund		
Amounts generated from operations to meet future arbitrage rebate requirements	\$ 1,445,757	\$ 1,225,875
Debt Service Funds		
Amounts generated from operations required by the Trust Agreement to be provided to meet current principal and interest payments	95,374,308	99,484,355
Debt Reserve Funds		
Amounts generated from operations required by the Trust Agreement to be provided as a reserve for future principal and interest payments	63,342,410	66,160,360
Total restricted net position	\$ 160,162,475	\$ 166,870,590

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

(14) 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 re-allocated based on a proration of miles traveled in each jurisdiction.

Net revenues recorded during fiscal years 2013 and 2012 were \$8,107,289 and \$8,458,423, respectively. IRP fees were included in motor vehicle registration fee revenue.

(15) International Fuel Tax Agreement

The Department participates in the International Fuel Tax Agreement (IFTA). IFTA is an agreement among member jurisdictions whereby commercial license fees are collected and re-allocated based on a proration of miles traveled in each jurisdiction. Net revenues recorded during fiscal years 2013 and 2012 were \$2,424,796 and \$2,968,470, respectively.

(16) 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 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.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

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

Fiscal year	Annual retirement expense	Pension plan	Employer contribution rate		Total
			PRI	RHI	
2013	\$ 644,692	9.80%	1.49%	8.99%	20.28%
2012	652,193	9.27%	0.50%	8.99%	18.76%
2011	591,590	8.30%	0.81%	8.09%	17.20%

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’s “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’s comprehensive annual financial report.

(17) Transfers

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

	<u>2013</u>	<u>2012</u>
Amounts transferred from State General Fund:		
Amounts transferred to the Trust Fund:		
Division of Motor Vehicles	\$ 2,950,000	\$ 2,950,000
Division of Revenue, Motor Vehicle Dealer/Lessor License, and Document Fees	307,404	296,922
Supplemental appropriation from fiscal year Bond Bill	40,000,000	40,000,000
Supplemental appropriation from fiscal year Grant-in-Aid Bill	—	—
	<u>\$ 43,257,404</u>	<u>\$ 43,246,922</u>

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2013 and 2012

(18) 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 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, 2013 and 2012 were \$325,910,761 and \$357,177,717, 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.

(19) Commitments and Contingencies

The Authority had contractual commitments of \$36,714,346 for construction of various highway projects at June 30, 2013. Current and future appropriations will fund these commitments as work is performed.

(20) 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'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**

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

June 30, 2013 and 2012

Bridge condition assessments		Structural rating numbers and percentages for bridges					
BCR condition rating		2013		2012		2010	
		Number	Percentage	Number	Percentage	Number	Percentage
Good	6 – 9	105	89.7%	106	90.6%	108	92.3%
Fair	5	12	10.3	11	9.4	9	7.7
Poor	0 – 4	—	—	—	—	—	—
Totals		<u>117</u>	<u>100.0%</u>	<u>117</u>	<u>100.0%</u>	<u>117</u>	<u>100.0%</u>

Deck rating numbers and percentages for bridges		2013		2012		2010	
OPC condition rating		Square feet	Percentage	Square feet	Percentage	Square feet	Percentage
Good	6 – 9	1,556,279	95.3%	1,478,847	93.4%	1,525,483	93.4%
Fair	5	77,473	4.7	104,997	6.6	108,306	6.6
Poor	0 – 4	—	—	—	—	—	—
Totals		<u>1,633,752</u>	<u>100.0%</u>	<u>1,583,844</u>	<u>100.0%</u>	<u>1,633,789</u>	<u>100.0%</u>

Roadway condition assessments		Centerline mile numbers and percentages for roadway					
BCR condition rating		2011		2009		2008	
		Centerline mile	Percentage	Centerline mile	Percentage	Centerline mile	Percentage
Good	3.0 – 5.0	118.41	98.4%	119.59	99.3%	106.08	88.1%
Fair	2.5 – 3.0	1.73	1.4	0.57	0.5	4.61	3.8
Poor	Below 2.5	0.26	0.2	0.24	0.2	5.02	4.2
Under construction	Unrated	—	—	—	—	4.69	3.9
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)*

	2013	2012	2011
Estimated	\$ 5,094	\$ 19,174	\$ 523
Actual	4,914	18,109	375

* The estimated expenditure represents annual Bond Bill authorizations and federal spending appropriations. 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**

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

June 30, 2013 and 2012

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. 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, roadway information for the fiscal year ended June 30, 2013 is not available for all assessments.

ADDITIONAL INFORMATION

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Statement of Net Position in Accordance with Trust Agreement

June 30, 2013

(With Comparative Totals for June 30, 2012)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt Reserve</u>	<u>Totals</u> <u>(memorandum only)</u>	
				<u>2013</u>	<u>2012</u>
Current assets:					
Cash and cash equivalents:					
Unrestricted	\$ 16,521,525	\$ 1,736,162	\$ —	\$ 18,257,687	\$ 17,333,528
Restricted	14,440	27,718,991	3,162,536	30,895,967	7,196,618
Investments - at fair value:					
Unrestricted	47,538,670	17,363,608	—	64,902,278	94,649,196
Restricted	1,445,757	105,471,500	1,009,630	107,926,887	171,577,442
Accrued interest receivable	2,146	104,780	428,964	535,890	643,165
Accounts receivable	8,607,905	1,365,725	—	9,973,630	9,929,296
Prepaid expenses	—	84,402	—	84,402	60,975
Bond issuance costs - net of accumulated amortization	—	307,845	—	307,845	319,747
	<u>74,130,443</u>	<u>154,153,013</u>	<u>4,601,130</u>	<u>232,884,586</u>	<u>301,709,967</u>
Total current assets					
Noncurrent assets:					
Capital assets:					
Infrastructure and land	—	1,323,023,326	—	1,323,023,326	1,230,246,094
Buildings and land improvements	—	8,136,689	—	8,136,689	8,136,689
	<u>—</u>	<u>1,331,160,015</u>	<u>—</u>	<u>1,331,160,015</u>	<u>1,238,382,783</u>
Less: accumulated depreciation	—	3,873,947	—	3,873,947	3,681,730
	<u>—</u>	<u>1,327,286,068</u>	<u>—</u>	<u>1,327,286,068</u>	<u>1,234,701,053</u>
Capital assets					
Investments - at fair value:					
Unrestricted	—	13,552,718	—	13,552,718	25,809,386
Restricted	—	10,827,856	58,741,280	69,569,136	63,112,858
Bond issuance costs - net of accumulated amortization and current portion	—	2,072,839	—	2,072,839	2,373,959
	<u>—</u>	<u>1,353,739,481</u>	<u>58,741,280</u>	<u>1,412,480,761</u>	<u>1,325,997,256</u>
Total noncurrent assets					
Total assets	<u>\$ 74,130,443</u>	<u>\$ 1,507,892,494</u>	<u>\$ 63,342,410</u>	<u>\$ 1,645,365,347</u>	<u>\$ 1,627,707,223</u>

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Statement of Net Position in Accordance with Trust Agreement

June 30, 2013

(With Comparative Totals for June 30, 2012)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt Reserve</u>	<u>Totals (memorandum only)</u>	
				<u>2013</u>	<u>2012</u>
Current liabilities:					
Accounts payable	\$ 14,150,339	\$ 131,300	\$ —	\$ 14,281,639	\$ 14,457,549
Accrued payroll payable	245,216	—	—	245,216	243,656
Compensated absences payable	63,817	—	—	63,817	68,275
Customer toll deposits	13,785,582	—	—	13,785,582	12,335,843
Deferred revenues	—	592,565	—	592,565	649,030
Escrow deposits	—	2,130,200	—	2,130,200	2,015,501
General obligation bonds payable	—	142,866	—	142,866	195,189
Revenue bonds payable – net of deferred amounts on refunding	—	72,543,651	—	72,543,651	80,537,770
Bond issue premium – net of accumulated amortization	—	11,795,497	—	11,795,497	12,872,769
Interest payable	—	23,696,349	—	23,696,349	22,727,471
Total current liabilities	<u>28,244,954</u>	<u>111,032,428</u>	<u>—</u>	<u>139,277,382</u>	<u>146,103,053</u>
Noncurrent liabilities:					
Compensated absences – net of current portion	218,459	—	—	218,459	238,151
Return of federal funds	—	—	—	—	2,999,719
General obligation bonds payable – net of current portion	—	103,426	—	103,426	246,292
Revenue bonds payable – net of deferred amounts on refunding and current portion	—	934,587,646	—	934,587,646	1,007,131,297
Bond issue premium – net of accumulated amortization and current portion	—	43,894,545	—	43,894,545	55,690,042
Total noncurrent liabilities	<u>218,459</u>	<u>978,585,617</u>	<u>—</u>	<u>978,804,076</u>	<u>1,066,305,501</u>
Total liabilities	<u>28,463,413</u>	<u>1,089,618,045</u>	<u>—</u>	<u>1,118,081,458</u>	<u>1,212,408,554</u>
Net position:					
Net investment in capital assets	—	315,012,706	—	315,012,706	156,163,826
Restricted	1,445,757	95,374,308	63,342,410	160,162,475	166,870,590
Unrestricted	44,221,273	7,887,435	—	52,108,708	92,264,253
Total net position	<u>45,667,030</u>	<u>418,274,449</u>	<u>63,342,410</u>	<u>527,283,889</u>	<u>415,298,669</u>
Total liabilities and net position	<u>\$ 74,130,443</u>	<u>\$ 1,507,892,494</u>	<u>\$ 63,342,410</u>	<u>\$ 1,645,365,347</u>	<u>\$ 1,627,707,223</u>

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Statement of Revenues, Expenses, and Changes in Net Position in Accordance with Trust Agreement

Year Ended June 30, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

	Operations	Trust Holdings	Debt Reserve	Totals (memorandum only)	
				2013	2012
Operating revenues:					
Pledged revenue:					
Turnpike revenue	\$ 120,089,261	\$ —	\$ —	\$ 120,089,261	\$ 117,132,849
Motor fuel tax revenue	112,582,805	—	—	112,582,805	112,908,210
Motor vehicle document fee revenue	77,585,014	—	—	77,585,014	71,140,742
Motor vehicle registration fee revenue	47,559,850	—	—	47,559,850	46,632,409
Other motor vehicle revenue	25,456,412	—	—	25,456,412	25,017,296
International Fuel Tax Agreement revenue	2,424,796	—	—	2,424,796	2,968,470
Total pledged revenue	385,698,138	—	—	385,698,138	375,799,976
Toll revenue – Delaware SR-1	46,223,585	—	—	46,223,585	44,889,227
Railway tolls	—	1,492,869	—	1,492,869	1,236,462
Traffic violations	—	4,713,808	—	4,713,808	4,639,464
Miscellaneous	—	2,935,636	—	2,935,636	2,200,628
Total operating revenues	431,921,723	9,142,313	—	441,064,036	428,765,757
Operating expenses:					
Expressways operations/toll administration and interstate operating expenses	18,069,872	—	—	18,069,872	17,308,105
Expenses in accordance with Trust Agreement:					
Transportation capital preservation and operations	125,603,238	117,303,716	—	242,906,954	279,656,709
Delaware Transit Corporation operations	83,003,807	—	—	83,003,807	77,521,008
Depreciation	—	192,217	—	192,217	192,217
	226,676,917	117,495,933	—	344,172,850	374,678,039
Operating income (loss)	205,244,806	(108,353,620)	—	96,891,186	54,087,718

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Statement of Revenues, Expenses, and Changes in Net Position in Accordance with Trust Agreement

Year Ended June 30, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt Reserve</u>	<u>Totals (memorandum only)</u>	
				<u>2013</u>	<u>2012</u>
Nonoperating revenues (expenses):					
Pledged revenue – income from investments	\$ (363,612)	\$ 1,023,095	\$ 1,560,552	\$ 2,220,035	\$ 3,159,782
Net increase (decrease) in the fair value of investments	(2,127)	(36,524)	(2,854,552)	(2,893,203)	807,018
Bad debt recovery	—	853,488	—	853,488	820,566
Federal grants	—	10,880,513	—	10,880,513	12,075,650
Interest expense	—	(39,224,203)	—	(39,224,203)	(42,070,709)
Total nonoperating revenues (expenses)	<u>(365,739)</u>	<u>(26,503,631)</u>	<u>(1,294,000)</u>	<u>(28,163,370)</u>	<u>(25,207,693)</u>
Income (loss) before transfers	204,879,067	(134,857,251)	(1,294,000)	68,727,816	28,880,025
Transfer from State General Fund	—	43,257,404	—	43,257,404	43,246,922
Transfer in of funds in accordance with Trust Agreement	666,304,838	336,333,892	1,751	1,002,640,481	1,240,154,730
Transfer out of funds in accordance with Trust Agreement	<u>(874,757,440)</u>	<u>(126,357,340)</u>	<u>(1,525,701)</u>	<u>(1,002,640,481)</u>	<u>(1,240,154,730)</u>
Change in net position	(3,573,535)	118,376,705	(2,817,950)	111,985,220	72,126,947
Total net position – beginning of year	<u>49,240,565</u>	<u>299,897,744</u>	<u>66,160,360</u>	<u>415,298,669</u>	<u>343,171,722</u>
Total net position – end of year	<u>\$ 45,667,030</u>	<u>\$ 418,274,449</u>	<u>\$ 63,342,410</u>	<u>\$ 527,283,889</u>	<u>\$ 415,298,669</u>

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Statement of Cash Flows in Accordance with Trust Agreement

June 30, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

	Operations	Trust Holdings	Debt Reserve	Totals (memorandum only)	
				2013	2012
Cash flows from operating activities:					
Receipts from customers	\$ 434,076,853	\$ 8,336,123	\$ —	\$ 442,412,976	\$ 428,596,458
Payments to employees	(6,196,584)	—	—	(6,196,584)	(6,135,835)
Payments to suppliers	(220,808,133)	(120,197,562)	—	(341,005,695)	(363,250,698)
Net cash provided by (used in) operating activities	207,072,136	(111,861,439)	—	95,210,697	59,209,925
Cash flows from noncapital financing activities:					
Transfers from State General Fund	—	43,257,404	—	43,257,404	43,246,922
Transfer in of funds in accordance with Trust Agreement	666,304,838	336,333,892	1,751	1,002,640,481	1,240,154,730
Transfer out of funds in accordance with Trust Agreement	(874,757,440)	(126,357,340)	(1,525,701)	(1,002,640,481)	(1,240,154,730)
Net cash provided by (used in) noncapital financing activities	(208,452,602)	253,233,956	(1,523,950)	43,257,404	43,246,922
Cash flows from capital and related financing activities:					
Payments of revenue bond principal	—	(83,230,000)	—	(83,230,000)	(76,320,000)
Payment to escrow agent for refunding of revenue bonds	—	—	—	—	(270,163,203)
Proceeds from revenue bond sale	—	—	—	—	222,870,000
Payments of general obligation bond principal	—	(195,189)	—	(195,189)	(346,503)
Premium from revenue bond sale	—	—	—	—	42,290,886
Bond issuance costs from revenue bond sale	—	(7,984)	—	(7,984)	(525,984)
Federal reimbursement of debt service	—	10,880,513	—	10,880,513	12,075,650
Acquisition of capital assets	—	(92,777,232)	—	(92,777,232)	(69,692,060)
Payments of interest	—	(48,114,858)	—	(48,114,858)	(56,565,663)
Net cash used in capital and related financing activities	—	(213,444,750)	—	(213,444,750)	(196,376,877)
Cash flows from investing activities:					
Collection on loans previously written off	—	853,488	—	853,488	820,566
Escrow deposits received/(refunded)	—	114,699	—	114,699	(1,596,607)
Purchase of investments	(126,400,362)	(237,104,735)	(5,759,813)	(369,264,910)	(3,253,406,589)
Proceeds from sale of investments	127,704,100	332,507,864	5,357,606	465,569,570	3,287,877,443
Interest received	(363,127)	1,132,748	1,557,689	2,327,310	3,211,558
Net cash provided by investing activities	940,611	97,504,064	1,155,482	99,600,157	36,906,371
Net increase (decrease) in cash and cash equivalents	(439,855)	25,431,831	(368,468)	24,623,508	(57,013,659)
Cash and cash equivalents – beginning of year	16,975,820	4,023,322	3,531,004	24,530,146	81,543,805
Cash and cash equivalents – end of year	\$ 16,535,965	\$ 29,455,153	\$ 3,162,536	\$ 49,153,654	\$ 24,530,146

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Statement of Cash Flows in Accordance with Trust Agreement

June 30, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt Reserve</u>	<u>Totals (memorandum only)</u>	
				<u>2013</u>	<u>2012</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 205,244,806	\$ (108,353,620)	\$ —	\$ 96,891,186	\$ 54,087,718
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	192,217
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	705,391	(749,725)	—	(44,334)	(2,365,438)
Increase in prepaid expenses	—	(23,427)	—	(23,427)	(60,975)
Increase (decrease) in accounts payable	(305,210)	129,300	—	(175,910)	8,370,620
Decrease in accrued payroll and related expenses	(22,590)	—	—	(22,590)	(210,356)
Increase in customer toll deposits	1,449,739	—	—	1,449,739	1,547,109
Increase (decrease) in deferred revenue	—	(56,465)	—	(56,465)	649,030
Decrease in return of federal funds	—	(2,999,719)	—	(2,999,719)	(3,000,000)
Net cash provided by (used in) operating activities	<u>\$ 207,072,136</u>	<u>\$ (111,861,439)</u>	<u>\$ —</u>	<u>\$ 95,210,697</u>	<u>\$ 59,209,925</u>

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Schedule of Revenue Bonds Outstanding

June 30, 2013

Principal	Senior											Total Senior Bond 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	2012 Series	
FY14	\$ 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	\$ —	\$ 2,245,000	\$ 69,560,000
FY15	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	—	9,085,000	70,160,000
FY16	—	16,965,000	7,870,000	5,865,000	105,000	14,620,000	4,550,000	4,270,000	4,170,000	—	9,945,000	68,360,000
FY17	—	13,135,000	2,795,000	6,160,000	4,975,000	15,355,000	4,730,000	4,485,000	8,530,000	—	5,395,000	65,560,000
FY18	—	5,425,000	—	6,470,000	5,220,000	2,110,000	4,970,000	4,710,000	9,975,000	—	25,600,000	64,480,000
FY19	—	—	—	6,790,000	5,455,000	2,215,000	5,215,000	4,945,000	4,830,000	—	38,800,000	68,250,000
FY20	—	—	8,105,000	7,060,000	5,730,000	2,330,000	5,480,000	5,195,000	5,485,000	5,070,000	21,555,000	66,010,000
FY21	—	—	3,385,000	7,365,000	22,130,000	2,445,000	5,750,000	5,455,000	—	5,200,000	12,715,000	64,445,000
FY22	—	—	4,680,000	7,675,000	6,520,000	2,540,000	6,040,000	5,725,000	—	5,340,000	23,100,000	61,620,000
FY23	—	—	—	7,980,000	—	2,645,000	6,340,000	6,010,000	—	5,495,000	30,280,000	58,750,000
FY24	—	—	—	8,330,000	—	2,750,000	6,660,000	6,310,000	—	5,655,000	24,800,000	54,505,000
FY25	—	—	—	8,695,000	—	2,865,000	7,000,000	6,625,000	—	5,830,000	19,350,000	50,365,000
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
	<u>\$ 35,315,000</u>	<u>\$ 58,385,000</u>	<u>\$ 58,480,000</u>	<u>\$ 101,610,000</u>	<u>\$ 61,805,000</u>	<u>\$ 66,135,000</u>	<u>\$ 106,200,000</u>	<u>\$ 100,125,000</u>	<u>\$ 40,745,000</u>	<u>\$ 72,120,000</u>	<u>\$ 222,870,000</u>	<u>\$ 923,790,000</u>

Principal	GARVEE 2010 Series	Total GARVEE Bond Series	Totals
FY14	\$ 5,645,000	\$ 5,645,000	\$ 75,205,000
FY15	7,495,000	7,495,000	77,655,000
FY16	6,990,000	6,990,000	75,350,000
FY17	7,280,000	7,280,000	72,840,000
FY18	7,625,000	7,625,000	72,105,000
FY19	7,985,000	7,985,000	76,235,000
FY20	8,375,000	8,375,000	74,385,000
FY21	8,785,000	8,785,000	73,230,000
FY22	9,210,000	9,210,000	70,830,000
FY23	9,625,000	9,625,000	68,375,000
FY24	10,145,000	10,145,000	64,650,000
FY25	10,555,000	10,555,000	60,920,000
FY26	—	—	44,160,000
FY27	—	—	33,685,000
FY28	—	—	25,510,000
FY29	—	—	26,705,000
FY30	—	—	24,455,000
FY31	—	—	7,210,000
	<u>\$ 99,715,000</u>	<u>\$ 99,715,000</u>	<u>\$ 1,023,505,000</u>

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Schedule of Revenue Bonds Outstanding

June 30, 2012

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	2012 Series	
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	—	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	—	2,245,000	69,560,000
FY15	—	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	—	9,085,000	70,160,000
FY16	—	—	16,965,000	7,870,000	5,865,000	105,000	14,620,000	4,550,000	4,270,000	4,170,000	—	9,945,000	68,360,000
FY17	—	—	13,135,000	2,795,000	6,160,000	4,975,000	15,355,000	4,730,000	4,485,000	8,530,000	—	5,395,000	65,560,000
FY18	—	—	5,425,000	—	6,470,000	5,220,000	2,110,000	4,970,000	4,710,000	9,975,000	—	25,600,000	64,480,000
FY19	—	—	—	—	6,790,000	5,455,000	2,215,000	5,215,000	4,945,000	4,830,000	—	38,800,000	68,250,000
FY20	—	—	—	8,105,000	7,060,000	5,730,000	2,330,000	5,480,000	5,195,000	5,485,000	5,070,000	21,555,000	66,010,000
FY21	—	—	—	3,385,000	7,365,000	22,130,000	2,445,000	5,750,000	5,455,000	—	5,200,000	12,715,000	64,445,000
FY22	—	—	—	4,680,000	7,675,000	6,520,000	2,540,000	6,040,000	5,725,000	—	5,340,000	23,100,000	61,620,000
FY23	—	—	—	—	7,980,000	—	2,645,000	6,340,000	6,010,000	—	5,495,000	30,280,000	58,750,000
FY24	—	—	—	—	8,330,000	—	2,750,000	6,660,000	6,310,000	—	5,655,000	24,800,000	54,505,000
FY25	—	—	—	—	8,695,000	—	2,865,000	7,000,000	6,625,000	—	5,830,000	19,350,000	50,365,000
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
	<u>\$ 8,675,000</u>	<u>\$ 51,720,000</u>	<u>\$ 71,195,000</u>	<u>\$ 70,825,000</u>	<u>\$ 106,725,000</u>	<u>\$ 66,485,000</u>	<u>\$ 71,840,000</u>	<u>\$ 110,245,000</u>	<u>\$ 103,815,000</u>	<u>\$ 44,385,000</u>	<u>\$ 72,120,000</u>	<u>\$ 222,870,000</u>	<u>\$ 1,000,900,000</u>

Principal	GARVEE 2010 Series	Total GARVEE Bond Series	Totals
FY13	\$ 6,120,000	\$ 6,120,000	\$ 83,230,000
FY14	5,645,000	5,645,000	75,205,000
FY15	7,495,000	7,495,000	77,655,000
FY16	6,990,000	6,990,000	75,350,000
FY17	7,280,000	7,280,000	72,840,000
FY18	7,625,000	7,625,000	72,105,000
FY19	7,985,000	7,985,000	76,235,000
FY20	8,375,000	8,375,000	74,385,000
FY21	8,785,000	8,785,000	73,230,000
FY22	9,210,000	9,210,000	70,830,000
FY23	9,625,000	9,625,000	68,375,000
FY24	10,145,000	10,145,000	64,650,000
FY25	10,555,000	10,555,000	60,920,000
FY26	—	—	44,160,000
FY27	—	—	33,685,000
FY28	—	—	25,510,000
FY29	—	—	26,705,000
FY30	—	—	24,455,000
FY31	—	—	7,210,000
	<u>\$ 105,835,000</u>	<u>\$ 105,835,000</u>	<u>\$ 1,106,735,000</u>

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, 2013 and 2012

	2013	2012
Toll revenues – Delaware Turnpike	\$ 114,344,127	\$ 112,806,575
Toll revenues – Delaware SR-1	46,223,585	44,889,227
	160,567,712	157,695,802
Add – toll variance and violations	3,368,454	2,483,907
	163,936,166	160,179,709
Service area rentals - Marriott restaurants	2,376,673	1,842,174
Other turnpike revenues	7	193
Total turnpike revenues	166,312,846	162,022,076
Delaware Turnpike expenses:		
Personnel	2,398,693	2,516,226
Utilities	153,684	138,272
Contracted services	432,011	624,475
	2,984,388	3,278,973
Toll administration expenses:		
Personnel	544,751	598,130
Capital outlay and travel	52,972	327,202
Contracted services	10,122,449	8,890,264
	10,720,172	9,815,596
Delaware SR-1 expenses:		
Personnel	3,253,140	3,021,479
Utilities	271,829	275,678
Contracted services	840,343	916,379
	4,365,312	4,213,536
Total expenses	18,069,872	17,308,105
Excess of revenues over expenses	\$ 148,242,974	\$ 144,713,971

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

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

Years Ended June 30, 2013 and 2012

	2013			2012		
	Budget	Actual*	Variance	Budget	Actual*	Variance
Delaware Turnpike expenditures:						
Personnel	\$ 2,561,600	\$ 2,419,901	\$ 141,699	\$ 2,918,000	\$ 2,612,592	\$ 305,408
Utilities	177,500	161,500	16,000	177,500	152,492	25,008
Contracted services	567,800	417,800	150,000	567,800	563,508	4,292
	3,306,900	2,999,201	307,699	3,663,300	3,328,592	334,708
Toll administration expenditures:						
Personnel	646,100	552,976	93,124	519,300	635,992	(116,692)
Capital outlay and travel	47,000	52,917	(5,917)	47,000	9,106	37,894
Contracted services	9,733,300	9,727,383	5,917	9,210,900	9,210,931	(31)
	10,426,400	10,333,276	93,124	9,777,200	9,856,029	(78,829)
Delaware SR-1 expenditures:						
Personnel	2,995,900	3,246,297	(250,397)	2,963,100	3,097,607	(134,507)
Utilities	353,800	339,500	14,300	353,800	339,500	14,300
Contracted services	746,700	896,700	(150,000)	746,700	785,996	(39,296)
	4,096,400	4,482,497	(386,097)	4,063,600	4,223,103	(159,503)
Total expenditures	\$ 17,829,700	17,814,974	\$ 14,726	\$ 17,504,100	17,407,724	\$ 96,376
Prior year purchase orders		2,003,647			2,210,462	
Current year purchase orders		(1,159,085)			(2,003,647)	
Purchase order variance		(84,228)			(161,119)	
Prior year accrued expenses		(1,611,863)			(1,757,178)	
Current year accrued expenses		1,106,427			1,611,863	
Accrual basis expenses		\$ 18,069,872			\$ 17,308,105	

* 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, 2013

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)			
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
2012	378,960	76,320	56,411	132,731	2.86
2013	387,918	83,230	48,097	131,327	2.95

* 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.