STATE OF DELAWARE
DEPARTMENT OF TRANSPORTATION

Financial Statements

June 30, 2014

(With summarized financial information for the year ended June 30, 2013)

(With Independent Auditors' Report Thereon)

STATE OF DELAWARE
DEPA RTM ENT OF TRANSPORTATION

Table of Contents

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

Delaware Department of Transportation
Dover, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the State of Delaware Department of Transportation (Department of Transportation), which is an enterprise fund of the State of Delaware as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department of Transportation's basic financial statements.

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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Department of Transportation as of June 30, 2014, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Changes in Accounting Principle Resulting from Adoption of New Accounting Pronouncements

As discussed in Note 2(n) to the financial statements, effective July 1, 2013, the Department of Transportation adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of the Department of Transportation, are intended to present the financial position, the changes in financial position and, cash flows of only that portion of the business-type activities and major funds of the State of Delaware that is attributable to the transactions of the Department of Transportation. They do not purport to, and do not, present fairly the financial position of the State of Delaware as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Department of Transportation's financial statements for the year ended June 30, 2013, from which such partial information was derived.

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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department of Transportation's basic financial statements. The Balance Sheet in Accordance with Trust Agreement, the Statement of Revenues, Expenses, and Changes in Net Position in Accordance with Trust Agreement, Schedule of Revenue Bonds Outstanding, and Schedule of Revenue Bond Coverage are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Balance Sheet in Accordance with Trust Agreement, the Statement of Revenues, Expenses, and Changes in Net Position in Accordance with Trust Agreement, Schedule of Revenue Bonds Outstanding, and Schedule of Revenue Bond Coverage are the responsibility of management and were derived from and relate directly to the underling 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 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 Balance Sheet in Accordance with Trust Agreement, the Statement of Revenues, Expenses, and Changes in Net Position in Accordance with Trust Agreement, Schedule of Revenue Bonds Outstanding, and Schedule of Bond Coverage are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated December 10, 2014 on our consideration of the Department of Transportation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

KPMG LLP

Philadelphia, PA
December 10, 2014

STATE OF DELAWARE
DEPARTMENT OF TRANSPORTATION

Management Discussion and Analysis

June 30, 2014

This section of the Delaware Department of Transportation's (the Department) annual financial statements presents our discussion and analysis of the Department's financial performance during the fiscal year ended June 30, 2014.

Background

The mission of the Department is to provide a safe, efficient, and environmentally sensitive transportation network that offers a variety of convenient, cost-effective mobility opportunities for the movement of people and goods. The Department is responsible for the construction and maintenance of the State of Delaware's (the State) roadways, bridges, and public transportation systems, and for the coordination and development of the State's comprehensive, balanced transportation planning and policies.

Financial Highlights

- Outstanding revenue bonds payable continued to decrease as the Department continues to limit long-term borrowing and decrease debt-service costs. Revenue bonds payable decreased to $939.1 million at June 30, 2014 from $1,023.5 million at June 30, 2013.
- Operating revenues increased by $22.2 million to $484.8 million during the fiscal year ended June 30, 2014, primarily from increased motor vehicle related revenues as a result of continued strong auto sales; revenue increases were also seen in both of our toll roads, SR-1 and I-95.
- Operating expenses increased by $27.1 million to $568.2 million during the fiscal year ended June 30, 2014, primarily as a result of increases in professional fees for the planning of projects and materials and supplies from a challenging winter season.
- Total capital assets (net of depreciation) increased $117.2 million to $4,272.3 million during fiscal 2014, primarily as a result of the welcome service center, construction of a motor vehicle center, and ongoing US-301 and Turnpike/SR-1 interchange projects.

Overview of the Financial Statements

The Department is an agency of the State, and operates as an enterprise fund. Included within the Department is the Delaware Transportation Authority (the Authority), which is a blended component unit of the Department. The Authority is made up of the activities of the Transportation Trust Fund (the Trust Fund) and the Delaware Transit Corporation (DTC).

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

The financial statements provide both long- and short-term information about the Department'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 required supplementary information and additional information that further explains and supports the information in the financial statements.

The Department'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 fund net position. All assets and liabilities associated with the operation of the Department are included in the statements of net position.

Financial Analysis of the Department

Statements of Net Position

The Department's total assets were $4,675.4 million at June 30, 2014, compared to $4,562.6 million at June 30, 2013. Total liabilities were $1,316.8 million at June 30, 2014, compared to $1,343.1 million at June 30, 2013. Net position at June 30, 2014 was $3,361.9 million, compared to $3,219.5 at June 30, 2013.

STATE OF DELAWARE
DEPARTMENT OF TRANSPORTATION

Management Discussion and Analysis

June 30, 2014

Condensed Financial Information - Department of Transportation
As of June 30
(Expressed in Millions)

	2014	2013	Change
Current assets	$ 313.2	$ 318.9	$ (5.7)
Capital assets	4,272.3	4,155.1	117.2
Other noncurrent assets	89.9	88.6	1.3
Total assets	4,675.4	4,562.6	$ 112.8
Deferred outflows of resources	22.8	-	22.8
Current liabilities	179.7	176.9	2.8
Noncurrent liabilities	1,137.1	1,166.2	(29.1)
Total liabilities	1,316.8	1,343.1	(26.3)
Deferred inflows of resources	19.5	-	19.5
Net position			
Net investment in capital assets	3,267.4	3,142.8	124.6
Restricted	160.5	163.6	(3.1)
Unrestricted	(66.0)	(86.9)	20.9
Total net position	$ 3,361.9	$ 3,219.5	142.4

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 for is primarily a result of increased spending for DTC's revenue vehicles. Also, the Department recognized a capital asset for the Welcome Service Center of $22.1 million and a deferred inflow of resources of $19.5 million, thereby causing an increase those areas. The remaining increase in capital assets was due to the increased building of infrastructure of the State's road system and the New Castle County Department of Motor Vehicles center.

Although there were increases in the net post-employment benefits obligations adding to liabilities, the decrease in total liabilities was primarily the result of not issuing new debt during the year, a refunding of existing debt and the payment of existing bonds.

For FY2014, the unrestricted net position increased due to the decision to draw down existing cash balances to pay for capital assets instead of issuing new debt during the year.

Changes in Net Position

The Department's net position at June 30, 2014 was $3,361.9 million, compared to $3,219.5 million at June 30, 2013. Operating revenues were $484.8 million and $462.6 million in fiscal years 2014 and 2013, respectively. Total operating expenses were $568.2 million and $541.1 million in fiscal years 2014 and 2013, respectively.

Changes in Net Position - Department of Transportation
For years ended June 30
(Expressed in Millions)

	2014	2013	Change
Operating revenues	$ 484.8	$ 462.6	$ 22.2
Operating expenses			
Operating expenses	534.5	515.8	18.7
Depreciation	33.7	25.3	8.4
Total operating expenses	568.2	541.1	27.1
Operating loss	(83.4)	(78.5)	(4.9)
Nonoperating revenues, net	188.6	172.4	16.2
Income before transfers	105.2	93.9	11.3
Transfers, net	39.6	36.5	3.1
Change in net position	144.8	130.4	14.4
Total net position - beginning*	3,217.1	3,089.1	128.0
Total net position - end of year	$ 3,361.9	$ 3,219.5	$ 142.4

*As restated, see note 2(n)

The increase in operating revenues from 2013 to 2014 is primarily attributed to increased toll revenues and an increase in motor vehicle and related revenues as a result of increased auto sales.

The increase in total operating expenses from 2013 to 2014 was primarily due to increased professional fees for the planning of projects and increases in materials and supplies from a challenging winter season.

Nonoperating revenues increased from fiscal years 2013 to 2014 as a result of increased federal grant revenues relating to federal capital projects.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2014, the Department had invested $4,483.6 million in capital assets, including roads, bridges, buildings, land, and equipment. This amount represents a net increase (including additions and net of disposals, and depreciation) of $117.2 million over June 30, 2013. The most significant contributors to the increase are the Welcome Center of $22.1 million, DTC's purchase of revenue vehicles of $31.8 million and construction in progress project for the new Department of Motor Vehicles of $30.9 million.

The Department is using the "modified approach" for related to depreciation on its roads and bridges. The modified approach requires that the Department initially set a percentage benchmark for maintaining the infrastructure in fair or better condition and report at least every three years on their condition assessment**.**

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 (combined structural and deck ratings) at a good or better condition rating as follows:

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.

The condition of bridge structures 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. A 5 rating is considered fair. The information is taken from past "Bridge Inventory Status" reports.

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

Of the Department's 1,592 bridge structures that were rated in 2014, 75.3% received a good or better BCR rating, 19.3% were rated fair, and 5.4% received a substandard rating. Of the 7,858,872 square feet of bridge deck that was rated, 74.9% or 5,886,694 square feet received an OPC condition rating of good or better, 21.0% received a fair rating, and 4.1% received a substandard deck rating. In 2013, 4,448 centerline miles were rated; 98.6% received a fair or better OPC rating and 1.4% received a poor rating. No roadway condition assessment was performed for 2014.

The estimate to maintain and preserve the Department's infrastructure was $198.9 million and $185.4 million, for 2014 and 2013, respectively. The actual expenditures were $234.8 million and $233.8 million for 2014 and 2013, respectively.

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 Delaware Transportation Authority (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, 2014, the Authority had $939.1 million in revenue bonds outstanding, an 8.2% decrease from June 30, 2013. On June 30, 2014 and 2013, the Authority had a total of $235.6 million in authorized but unissued revenue bonds. During 2014, the Authority issued $108.8 million of Transportation System Senior Revenue Bonds, 2014 Series, to provide for an advance refunding of $118.0 million prior Transportation System Senior Revenue Bonds.

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 A1 by Standard and Poor's and Moody's Investors Services, respectively.

The Department's investment portfolio is actively managed by Wilmington Trust Company, and primarily consists of U.S. government securities, U.S. Government agency securities, and high-grade commercial paper. The majority of these investments have maturities of less than one year. The Department's bond ratings have allowed continued access to the municipal bond market at favorable interest rates during ng the current economic downturn.

Contacting the Department's Financial Management

This financial report is designed to provide bondholders, patrons, and other interested parties with a general overview of the Department's finances and to demonstrate the Department'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, and P.O. Box 778, Dover, DE 19903.

State of Delaware
Department of Transportation
Statement of Net Position
June 30, 2014
(with summarized financial information for June 30, 2013)

		Delaware Transportation Authority		2014	2013
	DELDOT	TTF	DTC	Total	Total
Assets					
Cash and Cash equivalents					
Unrestricted	$ 773,018	$ 16,648,716	$ 29,394,671	$ 46,816,405	$ 45,541,372
Restricted	8,884	26,646,290	-	26,655,174	30,960,317
Treasurer's Office investment pool	14,355,895	-	-	14,355,895	4,597,127
Investment - at fair value					
Unrestricted	-	79,197,865	-	79,197,865	64,902,278
Restricted	203,818	70,313,336	-	70,517,154	107,926,887
Accounts receivable					
Trade	8,683,557	8,411,336	1,094,618	18,189,511	17,449,225
Federal grant	30,405,574	6,899,661	1,815,789	39,121,024	27,058,232
Interest	-	454,745	-	454,745	535,890
Inventory	14,129,218	-	3,573,192	17,702,410	18,425,327
Bond issuance costs - net of accumulated amortization	-	-	-	-	307,845
Escrow insurance deposits	-	-	144,386	144,386	181,562
Prepaid expenses	-	-	68,939	68,939	1,044,414
Total current assets	68,559,964	208,571,949	36,091,595	313,223,508	318,930,476
Noncurrent assets					
Capital assets, not depreciable					
Land	140,738,100	146,001,454	1,872,536	288,612,090	283,875,945
Infrastructure	2,512,510,222	1,211,164,715	-	3,723,674,937	3,670,250,132
Construction in progress	34,086,538	-	-	34,086,538	3,140,333
Other buildings and improvements	-	22,100,000	-	22,100,000	-
Capital assets, depreciable	-	-	-	-	-
Buildings and improvements	53,805,263	8,072,030	56,753,109	118,630,402	109,638,374
Fixtures, vehicles, and equipment	107,301,774		189,174,256	296,476,030	268,899,951
Total Capital Assets	2,848,441,897	1,387,338,199	247,799,901	4,483,579,997	4,335,804,735
Less: Accumulated depreciation	81,648,668	4,028,642	125,596,078	211,273,388	180,690,655
Capital assets	2,766,793,229	1,383,309,557	122,203,823	4,272,306,609	4,155,114,080
Investments - at fair value net of current portion					
Unrestricted	-	26,553,523	-	26,553,523	13,552,718
Restricted	-	59,626,299	-	59,626,299	69,569,136
Prepaid pension - restricted	-	-	3,707,985	3,707,985	3,312,091
Bond issuance costs - net of accumulated amortization	-	-	-	-	2,072,839
Total noncurrent assets	2,766,793,229	1,469,489,379	125,911,808	4,362,194,416	4,243,620,864
Total assets	2,835,353,193	1,678,061,328	162,003,403	4,675,417,924	4,562,551,340
Deferred Outflows of Resources	-	22,823,445	-	22,823,445	-

State of Delaware
Department of Transportation
Statement of Net Position
June 30, 2014
(with summarized financial information for June 30, 2013)

	DELDOT	Delaware Transportation Authority TTF	Delaware Transportation Authority DTC	2014 Total	2013 Total
Liabilities					
Accounts payable and other accrued expenses	$ 21,228,401	$ 12,343,703	$ 7,763,668	$ 41,335,772	$ 33,448,125
Accrued payroll	3,478,332	-	1,863,691	5,342,023	6,001,918
Other accrued expenses	-	-	108,521	108,521	-
Escrow deposit	7,357,661	2,754,858	-	10,112,519	6,122,032
Customer toll deposits	-	11,921,228	-	11,921,228	13,785,582
Interest payable	-	20,733,321	-	20,733,321	23,696,349
Unearned revenue	-	56,675	-	56,675	592,565
Pollution remediation obligations	1,280,000	-	-	1,280,000	1,246,700
Insurance loss reserve	-	-	2,427,420	2,427,420	2,454,975
Compensated absences payable	726,633	-	1,060,499	1,787,132	5,036,771
General obligation bonds payable	-	103,426	-	103,426	142,866
Revenue bonds payable	-	77,655,000	-	77,655,000	72,543,651
Bond issue premium - net accumulated amortization	-	6,823,880	-	6,823,880	11,795,497
Total current liabilities	34,071,027	132,392,091	13,223,799	179,686,917	176,867,031
Noncurrent Liabilities					
Post-employment benefits payable	103,545,333	-	90,958,540	194,503,873	168,276,966
Compensated absences - net of current portion	8,348,270	-	2,131,193	10,479,463	9,190,489
Insurance loss reserve - net of current portion	-	-	9,583,580	9,583,580	7,392,025
Pollution remediation obligations - net of current portion	2,231,500	-	-	2,231,500	2,758,000
General obligation bonds payable - net of current portion	-	-	-	-	103,426
Revenue bonds payable- net of current portion	-	861,400,000	-	861,400,000	934,587,646
Bond issue premium - net of accumulated amortization	-	-	-	-	-
and current portion	-	58,915,314	-	58,915,314	43,894,545
Total noncurrent liabilities	114,125,103	920,315,314	102,673,313	1,137,113,730	1,166,203,097
Total liabilities	148,196,130	1,052,707,405	115,897,112	1,316,800,647	1,343,070,128
Deferred Inflows of Resources	-	19,574,286	-	19,574,286	-
Net position					
Net investment in capital assets	2,766,793,229	378,411,937	122,203,823	3,267,408,989	3,142,840,718
Restricted	212,702	156,585,925	3,707,985	160,506,612	163,538,916
Unrestricted	(79,848,868)	93,605,220	(79,805,517)	(66,049,165)	(86,898,422)
Total net position	$ 2,687,157,063	$ 628,603,082	$ 46,106,291	$ 3,361,866,436	$ 3,219,481,212

See accompanying notes to financials

State of Delaware
Department of Transportation
Statement of Revenues, Expenses, and changes in Fund Net Position
June 30, 2014
(with summarized financial information for June 30, 2013)

		Delaware Transportation Authority		2014	2013
	DELDOT	TTF	DTC	Total	Total
Operating revenues					
Pledged revenue					
Turnpike revenues	$ -	$ 122,404,184	$ -	$ 122,404,184	$ 120,089,261
Motor fuel tax revenue	-	114,555,916	-	114,555,916	112,582,805
Motor vehicle document fee revenue		84,830,376	-	84,830,376	77,585,014
Motor vehicle registration fee revenue	-	49,243,279	-	49,243,279	47,559,850
Motor vehicle and related revenue	-	26,259,772	-	26,259,772	25,456,412
International Fuel Tax Agreement revenue	-	2,372,142	-	2,372,142	2,424,796
Toll revenue - Delaware SR-1	-	47,561,542	-	47,561,542	46,223,585
Passenger fares	-	-	16,332,281	16,332,281	14,589,391
Railway tolls	-	1,413,228	-	1,413,228	1,492,869
Traffic violations	-	6,583,963	-	6,583,963	2,935,636
Advertising	-	-	622,709	622,709	591,458
Auxiliary transportation	-	-	650,476	650,476	619,051
Miscellaneous	6,121,853	4,752,579	1,060,340	11,934,772	10,459,048
Total operating revenues	6,121,853	459,976,981	18,665,806	484,764,640	462,609,176
Operating expenses					
Road maintenance, preservation, and repairs	72,715,596	49,372,042	-	122,087,638	130,046,485
Payroll expense	121,078,742	-	79,920,236	200,998,978	193,886,609
Professional fees	36,536,384	100,086,311	20,854,491	157,477,186	136,380,548
Materials, supplies, and other	4,929,676	23,758,092	25,259,630	53,947,398	55,521,769
Depreciation	14,669,462	154,695	18,872,589	33,696,746	25,332,381
Total operating expenses	249,929,860	173,371,140	144,906,946	568,207,946	541,167,792
Operating Income/loss	(243,808,007)	286,605,841	(126,241,140)	(83,443,306)	(78,558,616)
Nonoperating revenues(expenses)				-	-
Income from investments-Pledged	-	2,257,110	-	2,257,110	(673,168)
Income from investments	-	-	24,083	24,083	64,592
Bad debt recovery	-	887,732	-	887,732	853,488
Federal grant revenue	210,984,744	6,899,661	5,901,601	223,786,006	212,386,561
Pass-through grant revenue	-	-	3,508,012	3,508,012	12,367,381
Pass-through grant expense	-	-	(5,973,876)	(5,973,876)	(14,362,027)
Interest expense	-	(38,529,291)	-	(38,529,291)	(39,224,203)
Service concession arrangement	-	2,525,714	-	2,525,714	-
Gain on asset disposal	-	-	-	-	1,018,401
Excess (Deficiency) of nonoperating revenue over nonoperatin	210,984,744	(25,959,074)	3,459,820	188,485,490	172,431,025
Income/loss before transfers	(32,823,263)	260,646,767	(122,781,320)	105,042,184	93,872,409
Transfers to other governmental agencies	-	(3,743,385)	-	(3,743,385)	(1,793,392)
Transfers to State General Fund	-	(5,000,000)	-	(5,000,000)	(5,000,000)
Transfers From State General Fund	-	48,467,109	-	48,467,109	43,257,404
Capital Contributions	(25,908,423)	-	25,908,423	-	-
Transfer to DTC	(7,459,756)	(83,878,200)	91,337,956	-	-
Transfer to DelDOT	112,792,414	(112,792,414)	-	-	-
Change in fund net position	46,600,972	103,699,877	(5,534,941)	144,765,908	130,336,421
Total fund net position - beginning of year (as restated, see Note 1)	2,640,556,091	524,903,205	51,641,232	3,217,100,528	3,089,144,791
Total fund net position - end of year	$ 2,687,157,063	$ 628,603,082	$ 46,106,291	$ 3,361,866,436	$ 3,219,481,212

State of Delaware
Department of Transportation
Statements of Cash Flows
Years Ended June 30, 2014

(With summarized financial information for the year ended June 30, 2013)

	DELDOT	Delaware Transportation Authority TTF	Delaware Transportation Authority DTC	2014 Total	2013 Total
Cash flows from operating activities					
Operating receipts	$ 3,524,930	$ 461,628,043	$ 16,508,029	$ 481,661,002	$ 459,187,713
Payments to suppliers	(104,515,972)	(177,461,825)	(34,731,205)	(316,709,002)	(375,216,753)
Payments to employees	(112,725,654)	-	(64,408,631)	(177,134,285)	(119,723,647)
Insurance claims paid	-	-	(3,960,884)	(3,960,884)	(3,848,013)
Other receipts	-	-	2,899,712	2,899,712	2,435,320
Net cash provided by (used in) operating activities	(213,716,696)	284,166,218	(83,692,979)	(13,243,457)	(37,165,380)
Cash flows from noncapital financing activities					
Transfers from State General Fund	-	48,467,109	-	48,467,109	43,257,404
Transfers to State General Fund	-	(5,000,000)	-	(5,000,000)	(5,000,000)
Federal operating subsidies	-	-	4,516,222	4,516,222	-
Pass-through grant reveue	-	-	2,159,344	2,159,344	-
Pass-through grant payments	-	-	(5,973,876)	(5,973,876)	-
Transfers from TTF	104,630,968	(196,670,614)	91,337,956	(701,690)	-
Transfers to other governmental agencies	-	(3,743,385)	-	(3,743,385)	(1,793,392)
Net cash provided by (used in) noncapital financing activities	104,630,968	(156,946,890)	92,039,646	39,723,724	36,464,012
Cash flows from capital and related financing activities					
Payments of revenue bond principal	-	(84,450,000)	-	(84,450,000)	(83,230,000)
Payments of general obligation bond principal	-	(142,867)	-	(142,867)	(195,189)
Premium from revenue bond sale	-	15,983,075	-	15,983,075	-
Loss from bond refunding of bond sale	-	8,089,500	-	8,089,500	-
Federal reimbursement of debt service	-	-	-	-	10,880,513
Proceeds from capital grants	207,200,107	-	-	207,200,107	194,853,070
Bond issuance costs from revenue bond sale	-	2,380,684	-	2,380,684	(7,984)
Proceeds from capital contribution	(25,908,423)	-	25,908,423	-	-
Acquisition of capital assets	(62,612,325)	(33,923,489)	(31,621,980)	(128,157,794)	(146,610,351)
Proceeds from sale of land and equipment	-	-	453,772	453,772	2,035,536
Payments of interest	-	(47,745,720)	-	(47,745,720)	(48,114,858)
Net cash provided by (used in) capital and related financing activiti	118,679,359	(139,808,817)	(5,259,785)	(26,389,243)	(70,389,263)
Cash flows from investing activities					
Purchase of investments	(154,466)	(23,278,830)	-	(23,433,296)	(369,264,910)
Proceeds from sale of investments	-	26,945,974	-	26,945,974	465,569,570
Collection on loans previously written off	-	887,732	-	887,732	853,488
Escrow insurance deposits	-	-	37,176	37,176	135,398
Interest received	-	2,175,965	24,083	2,200,048	2,391,902
Net cash provided by (used in) investing activities	(154,466)	6,730,841	61,259	6,637,634	99,685,448
Net increase (decrease) in cash and cash equivalents	9,439,165	(5,858,648)	3,148,141	6,728,658	28,594,817
Cash and cash equivalents - beginning of year	5,698,632	49,153,654	26,246,530	81,098,816	52,503,999
Cash and cash equivalents - end of year	$ 15,137,797	$ 43,295,006	$ 29,394,671	87,827,474	81,098,816

See accompanying notes to financials

State of Delaware
Department of Transportation
Statements of Cash Flows
Years Ended June 30, 2014
(With summarized financial information for the year ended June 30, 2013)

	DELDOT	Delaware Transportation Authority TTF	Delaware Transportation Authority DTC	2014 Total	2013 Total
Reconciliation of operating income (loss) to net cash used in operating activities					
Net operating income (loss)	$ (243,808,007)	$ 286,605,841	$ (126,241,140)	$ (83,443,306)	$ (78,558,616)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	14,669,462	154,695	18,872,589	33,696,746	25,332,381
Changes in assets and liabilities:					
(Increase)decrease in accounts receivable	(2,596,923)	1,562,294	741,935	(292,694)	(929,678)
(Increase) decrease in inventory	227,995	-	494,922	722,917	102,727
(Increase) decrease in prepaid expenses	-	84,402	928,249	1,012,651	(258,248)
(Increase) decrease in prepaid pension	-	-	(395,894)	(395,894)	(292,218)
Increase (decrease) in accounts payable and other accrued	5,972,495	(2,465,428)	3,834,861	7,341,928	1,908,916
Increase (decrease) in escrow account	3,365,829	624,658	-	3,990,487	-
Increase (decrease) in insurance loss reserve	-	-	2,164,000	2,164,000	-
Increase (decrease) in due to State General Fund	-	-	-	-	(4,525,925)
Increase (decrease) in compensated absences	(1,915,702)	-	237,313	(1,678,389)	-
Increase (decrease) in accrued payroll and related expenses	(497,717)	-	209,786	(287,931)	(3,160,745)
Increase (decrease) in unearned revenue	-	(535,890)	-	(535,890)	(56,465)
Increase (decreae) in customer toll deposits	-	(1,864,354)	-	(1,864,354)	-
Increase (decrease) in pollution remediation obligation	99,365	-	-	99,365	(1,334,200)
Increase (decrease) in post-employment benefits	10,766,507	-	15,460,400	26,226,907	24,606,691
Net cash used in operating activities	$ (213,716,696)	$ 284,166,218	$ (83,692,979)	$ (13,243,457)	$ (37,165,380)

(1) Organization

The Delaware Department of Transportation (the Department) is a major fund of the State of Delaware (the State). The Department has the overall responsibility for coordinating and developing comprehensive, balanced transportation planning and policies for the State. In addition, the Department has overall responsibility for maintenance and operation of roadways and bridges that fall under its jurisdiction. 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) and the Delaware Transit Corporation (DTC). The Authority is a body politic and corporate whose actions are overseen by the Secretary of Transportation (the Secretary), the Director of the Office of Financial Management and Budget, and the Administrator of the Trust Fund. The Authority's principal role is to provide financing to the Department and as a result is a blended component unit of the State and is included in these financial statements on a blended basis.

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. 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 non-pledged 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.

Pursuant to Title 2 of the Delaware Code, Sections 1304(a) and 1307(a) as enacted by 69 Delaware Law Chapter 435, DTC was created in fiscal year 1995 as a subsidiary public benefit corporation of the Authority. With approval of the Governor, the Secretary appoints the Director of DTC, who serves at the pleasure of the Secretary. The Authority provides significant operational subsidies to DTC annually. DTC is authorized to operate the public transportation system within the State, and provides services directly to the public. As a result, it is a discrete component unit of the Authority. Financial statements for DTC and the Trust Fund are available by writing to the Department of Transportation, 800 Bay Road, Dover, Delaware 19903.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Department which is comprised of three funds DelDOT, Trust Fund (TTF), and DTC and operates as an enterprise fund. The Department'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.

The Department maintains cash escrow accounts for administrative purposes and has classified these cash balances as restricted. An offsetting liability is recorded in the accompanying statements of net position.

(c) Allowance for Doubtful Accounts

Accounts receivable are expected to be fully collectible at June 30, 2014, and accordingly, a provision for uncollectible accounts has not been established.

(d) Inventory

Inventory is accounted for at the lower of cost or market. Cost is determined using the weighted average method.

(e) Investments

Investments are recorded at their fair value.

(f) 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(f) Capital Assets

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

Capital assets are defined by the State as assets with an initial individual cost of more than $25,000 at the date of acquisition and an estimated useful life in excess of one year. It is the policy of the Department, with the exception of DTC, to capitalize all buildings and land regardless of cost, improvements to land and buildings when the cost of projects exceed $100,000, and to capitalize infrastructure when the cost of individual items or projects exceeds $1,000,000. 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, improvements, fixtures, and equipment are depreciated on a straight-line basis.

Capital assets are defined by DTC as all assets purchased with State and federal grant funds, as well as any asset with a cost greater than $5,000 purchased with operating funds.

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

For infrastructure, the State uses the "modified approach" to account for roads and bridges, as provided by Governmental Accounting Standards Board (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.* Under this process, the Department does not record depreciation expense nor are 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 Department 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 Department maintains two asset management systems, one for the roads and one for the bridges. In addition, the Department completes condition assessments on its roads and bridges at least every three years.

Buildings, improvements, fixtures, and equipment other than those associated with service concession agreements are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 - 40 years
Revenue vehicles	4 - 25 years
Service vehicles and equipment	3 - 20 years
Communication equipment	10 - 40 years
Furniture and fixtures	3 - 10 years
Bus signs and shelters	10 years

(h) Compensated Absences

Compensated absences are absences for which Department 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 Department 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 Department and its employees are accounted for in the period in which such services are rendered or such events take place.

(i) Line of Credit

The TTF has a line of credit agreement with PNC Bank for $50,000,000 that matures November 2016. There were no borrowings against the line at June 30, 2014. The line bears interest on the amount that has been advanced from time to time pursuant to the bank loan agreements for the 2014 fiscal year ended the rate is equal to 0.63%.

(j) Customer Fares

Customer fares are recorded as revenue at the time services are provided to passengers.

(k) Bond Issue Premiums/Discounts

Amortization of bond issue premiums/discounts is provided using the straight-line method over the life of the bond issue. Net amortization resulted in $5,933,923 of reductions of interest expense in 2014.

(l) *Revenues and Expenses*

The Department defines non-operating revenues as federal grant revenue, investment income, and collections on loans previously written off. Pledged revenue represents taxes, fees, and investment income committed to repayment of revenue bonds. All other revenues are derived from normal operations of the Department. Non-operating expenses are defined as grant expenses and interest expense. All other expenses are a result of normal operations.

(m) ***Deferred Outflows of Resources and Deferred Inflows of Resources***

Deferred outflows of resources are defined as consumption of net assets by the government that is applicable to future reporting periods. Deferred inflows of resources are defined as acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows increase net position, similar to assets and deferred inflows decrease net position, similar to liabilities.

For the component of deferred outflows of resources, the TTF has a loss on refunding of debt for $22,823,445.

For the component of deferred inflows of resources, the TTF has a service concession arrangement for $22,100,000 with a net carrying value of $19,574,286 as of June 30, 2014.

(n) ***New Accounting Standards Adopted***

During fiscal year ending June 30, 2014, the Department adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. Statement No. 65 amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in GASB Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The adoption of Statement No. 65 resulted in the write off of bond issuance costs resulting in restatement of fiscal year 2013 net assets of $2,380,684 for TTF. Fiscal year 2013 amounts have not been restated because the Department has presented single year financial statements. In addition TTF, reclassified the bond refunding loss of $22,823,445 as a deferred outflow resources to be amortized over the life of the debt.

(o) ***Summarized Comparative Information***

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Department's financial statements for the year ended June 30, 2013 from which the summarized information was derived.

(3) Cash and Investments

(a) Cash Management Policy and Investment Guidelines

The policy for the investment of Department 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 Department. 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 Department are categorized as "Authority Accounts." Investments of the Department 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, 2014 and 2013, investments of the Department 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 Department's cash and cash equivalents held at external financial institutions at June 30, 2014 were $73,471,579, and the bank balances were $74,422,194. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits in transit. Of the bank balance, $73,991,902 was covered by federal depository insurance or by collateral held by the Department's agent, in the Department's name, at June 30, 2014. The remaining bank balances of $430,292 were neither insured nor collateralized at June 30, 2014.

As of June 30, 2014, the Department also had $14,355,895, held by the State of Delaware Treasurer's Office in Dover, Delaware. The Treasurer's Office controls these funds and any investment decisions are made by the Treasurer's Office. The Treasurer's Office pool includes deposit accounts and short- and long-term investments. The deposits held in the State Treasurer's investment pool are allocated to the Department, but the custodial credit risk cannot be categorized for these deposits.

Investments

Investments of the Department are stated at fair value. At June 30, 2014, all of the Department's investments were insured or registered, with securities held by the Department or the counterparty in the Department'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 Pol icy provides that maximum maturity for investments in Department accounts, at the time of' purchase, shall not exceed 10 years, except when it is prudent to match a specific investment instrument with a known specific future liability, in which case the maturity limitation shall match the maturity of the corresponding liability.

The following table presents a listing of directly held investments and related maturities at June 30, 2014

		Investment Maturities (in Years)		
	Fair Value	**Less Than 1**	**1 - 5**	**6 - 10**
Investment Type				
Bank of Montreal	$ 825,074	$ 825,074	$ -	$ -
U.S. Government Securities	42,843,875	3,955,628	20,131,039	18,757,208
U.S. Government Agency Securities	121,935,033	77,402,408	20,889,879	23,642,746
Commercial Paper	70,290,859	67,531,909	2,758,950	-
Total Investments	$ 235,894,841	$ 149,715,019	$ 43,779,868	$ 42,399,954

Of the total investments, $203,818 represents DelDOT fund investments.

(d) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Department follows the Policy and the Trust Agreement by investing only in authorized securities. The Department'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 Department had investments in commercial paper of $70,290,859 at June 30, 2014. 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.

(e) Investments in Excess of 5%

Concentration of credit risk is the risk of loss attributed to the magnitude of the Department'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. Nondomestic - 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.

    I. Domestic - No additional restrictions.

    2. Nondomestic - 25%; 5% in any one issuer.

E. Repurchase agreements - 50% total.

F. Reverse repurchase agreements - 25% total.

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

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

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

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

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

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

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

The following issuers have investment at fair value in excess of 5% of the investment portfolio at June 30, 2014

Federal Home Loan Mortgage Corporation	$	77,786,280	33%
United States Treasury		42,843,875	18%
Federal National Mortgage Association		30,504,061	13%

(f) Investment Commitments

The Department has made no investment commitments as of June 30, 2014.

(4) Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	$ 283,875,945	$ 4,736,145	$ -	$ 288,612,090
Infrastructure	3,670,250,132	53,424,805	-	3,723,674,937
Other buildings and improvements	-	22,100,000		22,100,000
Construction-in-Progress	3,140,333	33,891,204	(2,944,999)	34,086,538
Total Capital Assets Not Being Depreciated	3,957,266,410	114,152,154	(2,944,999)	4,068,473,565
Capital Assets Being Depreciated				
Building and Improvements	109,638,374	9,571,418	(579,390)	118,630,402
Furniture, vehicles, and equipment	268,899,951	39,520,454	(11,944,375)	296,476,030
Subtotal	378,538,325	49,091,872	(12,523,765)	415,106,432
Less: Accumulated Depreciation:				
Building and Improvements	34,366,840	6,805,559	-	41,172,399
Furniture, vehicles, and equipment	146,323,815	26,437,415	(2,660,241)	170,100,989
Subtotal	180,690,655	33,242,974	(2,660,241)	211,273,388
Total Capital Assets Being Depreciated, Net	197,847,670	15,848,898	(9,863,524)	203,833,044
Total Capital Assets, Net	$ 4,155,114,080	$ 130,001,052	$ (12,808,523)	$ 4,272,306,609

Depreciation expense for fiscal year 2014 was $33,242,974.

(5) Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	$ 1,023,505,000	$ 108,760,000	$ (193,210,000)	$ 939,055,000	$ 77,655,000
General Obligation Bonds	246,292	-	(142,866)	103,426	103,426
Bond Issue Premiums, Net of Accumulated Amortization	55,690,042	15,983,075	(5,933,923)	65,739,194	6,823,880
Insurance Loss Reserve	9,847,000	4,550,086	(2,386,086)	12,011,000	2,427,420
Post-Employment Benefits	168,276,966	37,826,907	(11,600,000)	194,503,873	-
Pollution Remediation Obligations	4,004,700	-	(493,200)	3,511,500	1,280,000
Compensated Absences	14,227,260	237,313	(2,197,978)	12,266,595	1,787,132
Long-Term Liabilities	$ 1,275,797,260	$ 167,357,381	$ (215,964,053)	$ 1,227,190,588	$ 90,076,858

(6) General Obligation Bonds Outstanding

General obligation bonds outstanding at June 30, 2014 are detailed as follows:

Sale #	Description and Interest Rates	Maturity Date (Fiscal Year)	2014
194	GO 2005B, 5.00%	2015	$ 103,426
			103,426
		Less current portion	103,426
			$ -

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 Department has been reflected in these financial statements.

The annual requirement to amortize all general obligation bonds payable as of June 30, 2014 was as follows:

Year Ending June 30,	Principal Maturity	Interest maturity	Total
2015	$ 103,426	$ 4,137	$ 107,563

(7) Revenue Bonds Outstanding

Date of Issue/Maturity	Amount of Original Issue	Description and Fixed Interest Rates	Bonds Outstanding at 6/30/2014
Senior Bonds			
2003/2023	277,210,000	Transporation System Senior Revenue Bonds, 2003, 5.00%	$ 18,090,000
2004/2024	167,550,000	Transporation System Senior Revenue Bonds, 2004, 4.00% - 5.00%	9,620,000
2005/2025	150,000,000	Transporation System Senior Revenue Bonds, 2005, 4.25% - 5.00%	15,450,000
2006/2026	127,445,000	Transporation System Senior Revenue Bonds, 2006, 3.50% - 5.00%	44,620,000
2007/2021	87,890,000	Transporation System Senior Revenue Bonds, 2007A, 4.00% - 5.00%	56,095,000
2008/2028	84,720,000	Transporation System Senior Revenue Bonds, 2008A, 4.00% - 5.00%	64,400,000
2008/2029	117,875,000	Transporation System Senior Revenue Bonds, 2008B, 4.00% - 5.00%	101,995,000
2009/2029	105,315,000	Transporation System Senior Revenue Bonds, 2009A, 5.00%	96,250,000
2010-2019	47,715,000	Transporation System Senior Revenue Bonds, 2010A, 4.00% - 5.00%	36,960,000
2010-2030	72,120,000	Transporation System Senior Revenue Bonds, 2010B, 3.95% - 5.80%	72,120,000
2012/2024	222,870,000	Transporation System Senior Revenue Bonds, 2012, 3.00% - 5.00%	220,625,000
2014/2024	108,760,000	Transporation System Senior Revenue Bonds, 2014, 2.25% - 5.00%	108,760,000
Garvee Bonds			
2010/2025	113,490,000	Transporation System Grant Anticpation Bonds 2010 Series, 3.00% - 5.00%	94,070,000
		Total Bonds Payable	939,055,000
		Less: Current Portion	77,655,000
		Long Term Portion	$ 861,400,000

The State has pledged turnpike, motor fuel tax, and motor vehicle fee revenues to the Trust Fund in order to support repayments of revenue bonds. Proceeds from the revenues bonds were used to finance the infrastructure maintenance, preservation, and construction-related projects of the State's highway transportation system, as well as security for the repayment of the outstanding revenue bonds of the Authority.

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.

Annual principal and interest payments on the revenue bonds are expected to require less than 35% of pledged revenues. Principal and interest paid on the revenue bonds for the year ended June 30, 2014 was $122,342,908.

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 Trust Fund. The pledged revenues of the Authority were as follows at June 30:

	2014
Pledged operating revenues	$ 399,665,669
Investment income	2,257,110
	401,922,779

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 al l payments when due, including, but not limited to, subsequent reauthorizations of federal highway aid and federal budgetary l imitations.

The Authority had a total of $235,628,520 in authorized but unissued revenue bonds and includes $11,200,000 in GARVEE bond authorization at June 30, 2014 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, 2014 was as follows:

Year Ending June 30,	Principal Maturity	Interest Maturity	Total
2015	$ 77,655,000	$ 41,466,644	$ 119,121,644
2016	72,580,000	39,767,858	112,347,858
2017	70,595,000	36,317,308	106,912,308
2018	69,880,000	32,895,008	102,775,008
2019	73,945,000	29,336,333	103,281,333
2020-2025	351,360,000	93,874,431	445,234,431
2026-2030	215,830,000	16,160,512	231,990,512
2031-2033	7,210,000	-	7,210,000
	$ 939,055,000	$ 289,818,094	$ 1,228,873,094

On May 9, 2014, the Trust Fund issued $108,760,000 of Transportation System Senior Revenue Bonds, 2014 Series, to provide for an advance refunding of the following Transportation System Senior Revenue Bonds:

2004 Series	$ 35,525,000
2005 Series	30,810,000
2006 Series	51,670,000
	$ 118,005,000

The refunding was undertaken to reduce the total future debt service payments. The transaction resulted in an economic gain of $7,705,616, a reduction of $9,046,111 in future debt service payments, and a loss on refunding of bonds of $8,089,500.

(8) 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 is considered defeased, and therefore, not reported as a liability. As of June 30, 2014, the amount of defeased debt outstanding amounted to $297,475,000.

(9) Restricted Net Position

Restricted Net Position was as follows at June 30, 2014:

		2014
Pension Funds:		
Prepaid DTC pension Contribution	$	3,707,985
Rebate Funds:		
Amounts generated from Operations to meet future Arbitrage rebate requirements		365,296
Debt Service Funds:		
Amounts generated from Operations required by the Trust Agreement to be provided to meet current principal and interest payments		92,148,699
Debt Reserve Funds:		
Amounts generated from Operations required by the Trust Agreement to be provided as a reserve for future principal and interest payments		64,071,930
Highway Beautification Funds:		
Amounts held intrust to be used for highway beautification		212,702
Total Restricted Net Position	$	160,506,612

(10) 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 1997. 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 year 2014 were $9,342,466. IRP fees are included in motor vehicle registration fee revenue.

(11) 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 2014 were $2,372,142.

(12) DTC Union Contracts

Operators and maintenance personnel of the North District Fixed Route System are represented by the Amalgamated Transit Union AFL-CIO, Local 842. The term of the current Collective

Bargaining Agreement covers the period starting March 1, 2002 through November 30, 2007.

Paratransit Specialists statewide and South District Fixed Route Operators are also represented by the Amalgamated Transit Union AFL-CIO, Local 842, under a separate Collective Bargaining Agreement. The term of the current Collective Bargaining Agreement covers the period July 1, 2003 through June 30, 2008.

During January 2013, due to an arbitration award between the Delaware Transit Corporation and Amalgamated Transit Union AFL-CIO, Local 842, the previously mentioned collective bargaining agreements were amended for a three year term, effective September 1, 2010 through August 31, 2013.

As of the expiration of the arbitration agreement through the report date of the financial statements, DTC is still negotiating terms for a new contract with the Amalgamated Transit Union, Local 842, AFL-CIO.

Certain administrative, operations, and maintenance personnel are represented by the Office and Professional Employee International Union, Local 32, AFL-CIO. The term of the current Collective Bargaining Agreement is from January 1, 2007 through December 31, 2009. DTC is still negotiating terms for a new contract with the Professional Employee International Union, Local 32, AFL-CIO.

(13) Pension Plan

With the exception of DTC (See Note 13A), the Department's full-time employees are covered by the State Employees' Pension Plan. The State Employees' Pension Plan is a cost sharing multiple employer defined benefit plan. The Department's contribution was 21.02%, 20.28%, and 18.76% of employee's salary for fiscal years 2014, 2013, and 2012, respectively. Employees hired prior to January 1, 2012 contribute 3% of salary in excess of $6,000 and employees hired after that date, contribute 5% of salary in excess of $6,000. Pension costs were $14,707,045, $13,950,289, and $13,281,013 for fiscal years 2014, 2013, and 2012, respectively. The pension costs were included in the accompanying financial statements for fiscal year 2014. An employee's pension rights are vested after five consecutive years of services.

The State does not maintain the Plan information by agency, and therefore, the Department's portion of the Plan's net assets available for benefits, percentage of annual pension cost contributed, and the actuarial present value of vested and non-vested accumulated Plan benefits is not readily determinable.

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

A. DTC

(a) Plan Descriptions

DTC contributes to the Delaware Transit Corporation Pension Plan, with participation limited to full-time, nonunion salaried employees; and the Contributory Pension Plan, for all full-time members of Local 842, Amalgamated Transit Union and Local 32, Office and Professional Employee International Union both of which are single-employer defined benefit pension plans. Each plan provides retirement, disability, and death benefits to plan members and beneficiaries. Each plan issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing or calling DTC at its Dover office.

(b) Funding Policy and Annual Pension Cost

The trustees of each plan establish and may amend the contribution requirements of plan members and DTC. The most recent information available for DTC's annual pension cost and related information for each plan are as follows:

Schedule of Annual Pension Cost, Actuarial Methods and Assumptions
(Expressed in Dollars)

Plan	**DTC Pension Plan**	**Contributory Pension Plan**
Contribution Rates:		
Employer	8.70%*	5.00%
Participants	3.00%	5.00%
Annual Pension Cost	$ 1,156,145	$ 853,917
Contributions Made	$ 1,156,072	$ 1,249,884
Actuarial Valuation Date	07/01/13	01/01/14
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Open Level Dollar	Open Level Percentage
Remaining Amortization Period	20	15
Asset Valuation Method	Five-Year Smoothed Market	Five-Year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.00%
Projected Salary Increases	2.50%	4.00%

Note: Effective July 1, 2012 , an amendment was made to the DTC Pension Plan which states that any eligible employee who participates in the Plan shall make after-tax contributions in the amount equal to 3% of their eligible compensation in excess of $6,000.

* Actuarially determined

DTC's annual pension cost and net pension obligation to the DTC Pension Plan and Contributory Pension Plans were as follows:

	Total	DTC Pension Plan 06/30/14	Contributory Pension Plan 12/31/2013
For the year ended:			
Annual Required Contribution (ARC)	$ 1,929,275	$ 1,156,145	$ 773,130
Interest on Net Pension Obligation (NPO)	(239,466)	-	(239,466)
Actuarial adjustment	320,253	-	320,253
Annual Pension Cost (APC)	$ 2,010,062	$ 1,156,145	853,917
Less: actual contributions	(2,405,956)	(1,156,072)	(1,249,884)
Decrease in NPO	$ (395,894)	$ 73	(395,967)
Net pension obligation (asset),			
Beginning of the year	(3,312,091)	108,847	(3,420,938)
End of the year	$ (3,707,985)	$ 108,920	$ (3,816,905)

	Total	6/30/2013	12/31/2012
For the year ended:			
Annual Required Contribution (ARC)	1,677,203	962,682	714,521
Interest on Net Pension Obligation (NPO)	301,113	-	292,950
Actuarial adjustment	(227,213)	-	(219,050)
Annual Pension Cost (APC)	1,751,103	962,682	788,421
Less: actual contributions	$ (2,043,321)	$ (963,253)	$ (1,080,068)
Increase (decrease) in NPO	(292,218)	(571)	$ (291,647)
Net pension obligation (asset),	(3,019,873)	109,418	(3,129,291)
liablity end of the year	$ (3,312,091)	$ 108,847	$ (3,420,938)

For each of the plans, the following table shows DTC's contributions made, the annual pension cost, the percentage of the annual pension cost contributed to the plan, and the net pension plan asset (obligation):

Three-Year Trend Information

	Plan Year Ended	Contribution Made	Annual Pension Cost (APC)	Percent Of APC Contributed	Net Pension Asset (Liability)
DTC Pension Plan	6/30/2014	$ 1,156,072	$ 1,156,145	100.00%	$ (108,920)
	6/30/2013	963,253	962,682	100.00%	(108,847)
	6/30/2012	996,777	996,827	100.00%	(109,418)
Contributory Pension Plan	12/31/2013	$ 1,249,884	$ 853,917	146.37%	$ 3,816,905
	12/31/2012	1,080,068	788,421	136.99%	3,420,938
	12/31/2011	1,073,948	658,363	163.12%	3,129,291

The following is the funded status information for each plan as of the most recent actuarial valuation date:

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess (Deficit) of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Deficit as a % of Covered Payroll ((a-b)/c)
DTC Pension Plan	07/01/13	$ 17,714,631	$ 20,057,791	$ (2,343,160)	88.8%	$ 11,308,455	$ (20.7)%
Contributory Pension Plan	01/01/14	37,520,422	37,483,272	(37,150)	100.0%	25,747,945	(0.1%)

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(14) Other Post-Employment Benefits (OPEB)

With the exception of DTC employees (see Note 14A); the Department's eligible employees are covered under the State of Delaware Other Post- Employment Benefits Fund Trust (the OPEB Trust.)

a. *Plan Description*

On July 1, 2007, the OPEB Trust was established pursuant to Section 115 of the Internal Revenue Code and separate from the Delaware Public Employees' Retirement System (DPERS). The OPEB Trust is administered by the DPERS Board of Directors. Policy for and management of the OPEB benefits provided to retirees are the responsibility of the State. No stand-alone financial report is issued for the OPEB Trust, but the OPEB Trust is included in the Statewide Comprehensive Annual Financial Report, which will be available from the Division of Accounting.

The OPEB Trust is a single-employer defined benefit plan. The OPEB Trust provides retirement medical coverage to pensioners and their eligible dependents in the State Employees', Judiciary, New State Police, and Closed State Police pension plans.

Membership of the Plan consisted of the following at June 30, 2014:

Retirees and Beneficiaries Receiving Benefits	20,411
Terminated Plan Members Entitled to But Not Yet Receiving the Benefits	1,942
Active Eligible Plan Members	36,562
Total	58,915

The Department has approximately 1,700 active eligible Plan members, which is the basis on which Plan costs are allocated.

Substantially all of the State's employees become eligible for post-retirement benefits if they reach retirement age while working for the State. The costs of providing these benefits are shared between the State and the retired employee. The Plan provisions are as follows:

Eligibility

Early Retirement:
Age 55 with 15 years of service or any age with 25 years of service
Normal Retirement:
Age 62 with 5 years of service or age 60 with 15 years of service or any age with 30 years of service

Benefits

During the fiscal years ended June 30, 2014 and 2013, the State provided health insurance options through several providers.

Spouse and Survivor Coverage

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

Employee Contributions

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

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

b) Funding Policy

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

(c) Contributions

The contribution rates for the employer and retiree are established annually by the budgeting process of the State. Those rates include an employer contribution based on projected pay-as-you-go financing requirements as a percentage of covered payrolls, with an additional amount to pre-fund benefits, which is not actuarially determined. For fiscal year 2014, the State contribution in relation to the annual required contribution of the employer (ARC) totaled $202.6 million.

The portion of the contribution allocated to the Department for fiscal year 2014 was $10.3 million.

Retiree contribution rates are affected by the retiree date of hire, with eligible retirees hired after June 30, 1991 paying a proportionately higher rate if their years of service total less than 20. Retiree contributions for health coverage during fiscal year 2014 totaled $8.1 million.

(d) Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the ARC, an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years. Amounts "required" but not actually set aside to pay for these benefits are accumulated as part of the net OPEB obligation. The following table shows the components of the State's annual OPEB cost for the year, the amount actually contributed to the Plan, and the State's net OPEB obligation, as well as the amounts allocated to the Department:

	(in Millions)	
	State Total	**Department Allocation**
Net OPEB Obligation as of June 30 2012	$ 1,581.4	$ 82.6
Annual Required Contribution	397.8	20.6
Interest on Net OPEB Obligations	67.5	3.5
Adjustment to Annual Required Comntribution	(61.3)	(3.2)
Annual OPEB Cost	1,985.4	103.5
Employer Contributions	(208.0)	(10.7)
Net OPEB Obligation as of June 30, 2013	$ 1,777.4	$ 92.8
Net OPEB Obligation as of June 30 2013	$ 1,777.4	$ 92.8
Annual Required Contribution	406.7	20.7
Interest on Net OPEB Obligations	75.9	3.9
Adjustment to Annual Required Comntribution	(68.8)	(3.5)
Annual OPEB Cost	2,191.2	113.9
Employer Contributions	(202.6)	(10.3)
Net OPEB Obligation as of June 30, 2014	$ 1,988.6	$ 103.6

The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation are as follows (dollar amounts in millions):

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	$ 113.9	9%	$ 103.6
6/30/2013	103.5	10%	92.8
6/30/2012	92.5	11%	82.6

(e) Funded Status and Funding Progress

As of June 30, 2014, the most recent actuarial valuation date, the Plan was 4.9% funded. The actuarial accrued liability for benefits was $5,946.0 million, and the actuarial value of assets was $290.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $5,656.0 million for the State. The covered payroll (annual payroll of active employees covered by the Plan) was $2,038.0 million, and the ratio of the UAAL to the covered payroll was 277%. Specific amounts related to the Department cannot be determined.

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

Actuarial Methods and Assumptions

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

In the June 30, 2014 actuarial valuation, the entry age normal actuarial cost method was used. Investments are valued at fair value. The actuarial assumptions included a 4.25% investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the State's own investments calculated based on the funded level of the plan at the valuation date, and an initial medical inflation rate of 4.25%. The UAAL is being amortized as a level percentage of projected payroll on a level percent open basis over 30 years using a 3.25% rate of salary increase.

A. DTC

(1) Plan Description

In June 2010, the Delaware Transit Corporation OPEB Fund Trust (OPEB Trust) was established pursuant to Section 115 of the Internal Revenue Code. The OPEB Trust is administered by

DTC. Policy for and management of the OPEB Trust provided to retirees are the responsibility of DTC. No stand-alone financial report is issued for the OPEB Trust.

The DTC OPEB Trust is a single-employer, defined benefit plan. The DTC OPEB Trust provides retirement medical insurance coverage to employees who retire and their eligible dependents. DTC has elected to assume the OPEB Trust liability on behalf of all of its employees.

Membership of the plan consisted of the following at June 30, 2014:

Retirees and Beneficiaries Receiving Benefits	193
Terminated Plan Members Entitled to But Not Yet Receiving the Benefits	55
Active Eligible Plan Members	810
Total	1,058

Substantially all DTC employees become eligible for post-retirement benefits if they reach retirement age while working for DTC. The plan provisions are as follows:

Eligibility

Contract employees:

Age 65 with five years of service or after attaining 25 years of service

Noncontract employees:

Age 55 with 10 years of service or age 62 with five years of service

Benefits

During the fiscal year ended June 30, 2014, DTC provided health insurance options through several providers.

Spouse and Survivor Coverage

Surviving spouses of participants are allowed access to the plan and receive the same subsidy as retirees.

(2) Funding Policy

DTC funds the OPEB Trust on a pay-as-you-go basis with additional funding provided in the

OPEB Trust on an ad-hoc basis. Funds are recorded in the OPEB Trust for the payment of retiree healthcare claims and administrative and investment expenses. Administrative costs are financed through investment earnings. Employer contributions and retiree contributions for healthcare are recorded in the OPEB Trust. The funds available are invested under DTC's management, which acts as the Trustee for the OPEB Trust and is responsible for the financial management of the OPEB Trust. The cash basis costs associated with these benefits was $1,287,600 and $1,193,708 for the years ended June 30, 2014 and 2013, respectively.

(3) Contributions

DTC subsidizes the medical premium. The subsidized percentage is 90% of published rates for retirees less than age 65 and 100% for retirees age 65 or greater. DTC subsidizes 100% of the dental and vision coverage for noncontract employees. Contract employees are allowed access to dental and vision coverage, but must pay the full premium. Life insurance is provided to retirees. Retirees under age 70 receive $6,000 in coverage. Once the participant reaches age 70, the coverage drops to $5,000. DTC must pay $0.23 per month per $1,000 of coverage for each employee.

(4) Annual OPEB Cost and Net Obligation

DTC's annual OPEB cost is calculated based upon the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. Amounts "required" but not actually contributed to pay for these benefits are accumulated as part of the net OPEB obligations. The following table shows the components of DTC's annual OPEB cost for fiscal year 2014 and the preceding year, the amount actually contributed to the plan, and DTC's net OPEB obligation:

Net OPEB obligation at June 30, 2012	$ 61,020,848
Annual Required Contribution (ARC)	16,072,000
Interest on Net OPEB obligation	2,434,000
Adjustment to Annual Required Contribution	(2,835,000)
Net OPEB obligation before Contributions	76,691,848
Contributions Made	(1,193,708)
Net OPEB obligations at June 30, 2013	$ 75,498,140

Net OPEB obligation at June 30, 2013	$ 75,498,140
Annual Required Contribution (ARC)	17,371,000
Interest on Net OPEB obligations	2,992,000
Adjustment to Annual Required Contribution	(3,615,000)
Net OPEB obligation before Contributions	92,246,140
Contributions Made	(1,287,600)
Net OPEB obligations at June 30, 2014	$ 90,958,540

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

Fiscal Year Ended	Cost	Contributed	Obligation
2014	$ 16,748,000	7.69%	$ 90,958,540
2013	15,671,000	7.62%	75,498,140
2012	17,074,000	6.84%	61,020,848

(5) Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 1.4% funded. The actuarial accrued liability was $135,237,000, and the actuarial value of assets was $1,878,000, resulting in an unfunded actuarial accrued liability (UAAL) of $133,359,000. The covered payroll (annual payroll of active employees covered by the plan) was $38,546,221, and the ratio of the UAAL to the covered payroll was 345.97%.

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

(6) Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the projected unit credit method was used with linear proration to assumed benefit commencement. The actuarial assumptions included a partially funded 4.0% investment rate of return, 3.0% payroll growth rate, a 2.5% inflation rate, and a healthcare cost trend rate of 8.0% reduced by decrements to 5.9% after 10 years. The ultimate healthcare cost trend rate will remain constant at 4.2% after 2098. The unfunded liability is being amortized as a level percentage of payroll over a 30- year closed amortization period.

(15) Commitments and Contingencies

(a) Construction Commitments

The Department had contractual commitments of $304,915,423 for construction of various highway projects at June 30, 2014. Current and future appropriations will fund these commitments as work is performed.

(b) Litigation

The Department is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Department.

(c) Other

At June 30, 2014, DelDOT was engaged in emergency repairs to the Interstate 495 roadway in Wilmington, Delaware. Estimates to complete the repair are in the range of $35 to $40 million, with the Federal Government paying 100% of temporary repairs completed in the first 180 days since closure, and 90% of permanent repairs or costs incurred after 180 days. At June 30, 2014, DelDOT had paid $6.4 million of $6.7 million of costs incurred with $2.0 million in Emergency Funding appropriated from the Federal Government in early June. An additional $33.0 million in Federal Emergency funding was appropriated on August 8, 2014. The permanent repairs to the roadway are expected to be complete by the end of December, 2014.

(d) Pollution Remediation

GASB 49 provides guidance for state and local governments in estimating and reporting the potential costs of pollution remediation. While GASB 49 does not require the Department to search for pollution, it does require the Department to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

a. Pollution poses an imminent danger to the public and the Department is compelled to take action;

b. The Department is in violation of a pollution-related permit or license;

c. The Department is named or has evidence that it will be named as a responsible party by a regulator;

d. The Department is named or has evidence that it will be named in a lawsuit to enforce a cleanup; or

e. The Department commences or legally obligates itself to conduct remediation activities.

The Department becomes aware of pollution conditions in the fulfillment of its mission, and site investigation, planning and design, cleanup, and site monitoring are typical remediation activities of the Department. The Department has the knowledge and expertise to estimate the remediation obligations presented herein based upon prior experience in identifying and funding similar remediation activities. GASB 49 requires the Department to calculate pollution remediation liabilities using the expected cash flow technique. Where the Department cannot reasonably estimate a pollution remediation obligation, it does not report a liability; however, the Department has not identified any of these situations.

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

At June 30, 2014, the Department had outstanding pollution remediation liabilities of $3,511,500.

(16) Risk Management

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

(a) Workers' Compensation Insurance

DTC maintains coverage for workers' compensation benefits. DTC manages the coverage through both the retention of risk and the purchase of commercial insurance. The payment of workers' compensation claims is processed through a third-party administrator.

For years prior to 2003, DTC would establish a workers' compensation loss reserve based upon the insurance carriers' actuarial reviews. Benefit claims in an amount of $100,000 or less per person, per coverage year are paid by DTC from the workers' compensation loss reserve. Once any claim exceeds $100,000 or total claims for a given policy period exceed the maximum loss amount, the insurance policy covers the excess.

For fiscal year 2003, DTC changed its coverage to a first dollar program. Also, all claims were subject to a $5,000 deductible for the medical portion of a claim. All other expenses related to a claim were covered by the insurance carrier.

Subsequent to fiscal year 2003, DTC changed its coverage and was insured through Liberty Mutual. For fiscal year 2014, the premium was 10.19% of the driver payroll and .35% of the administration payroll. DTC is not responsible for any costs other than the premium paid, thus no loss contingency reserves were established.

(b) Auto Insurance

DTC maintains auto insurance coverage through both the retention of risk and the purchase of commercial insurance. Auto loss reserves that are based upon actuarial reviews were established by DTC.

For years prior to 2003, DTC established auto loss reserves based upon insurance carriers' actuarial reviews. Individual claims in an amount of $100,000 or less per incident, per coverage year were paid from the auto loss reserve funds. Once a specific claim exceeds $100,000 or total claims for a given policy period exceed the maximum loss amount established by the insurance carrier, the insurance policy covers the excess.

For years subsequent to 2003, DTC changed its auto insurance coverage whereby they established self-insured retention thresholds up to certain dollar amounts and purchased commercial insurance (wrap-around) policies for amount of coverage in excess of the self-insured retention thresholds.
DTC established initial loss reserve insurance liabilities for each of the years based upon actuarially determined valuations assuming DTC's maximum liability exposure which currently is $1,000,000 per occurrence (this reflects the sovereign immunity cap pursuant to Title 2 of the Delaware Code, Subsection 1329). DTC had several cases that were settled in excess of the sovereign immunity cap.

For individual claims in excess of the sovereign immunity cap, DTC established a maximum amount of loss based upon their self-insured retention program, as well as purchasing commercial insurance coverage in the amounts identified in the table below:

	Initial Loss Reserve Insurance Liability Established	Loss Under Self Insured Retention Program (Per occurance)	Excess Commercial Coverage (Aggregate)
2014	4,510,000	1,000,000	***
2013	4,304,004	1,000,000	***
2012	3,828,996	1,000,000	***
2011	3,372,000	1,000,000	***
2010	3,467,000	1,000,000	***
2009	3,129,000	900,000	**
2008	3,106,000	900,000	**
2007 (01/15/07-06/30/07)	*	900,000	**
2007 (07/01/06-01/14/07)	2,607,350	2,300,000	5,000,000
2006	2,858,258	2,300,000	5,000,000
2005	2,763,367	2,300,000	5,000,000
2004	2,666,763	1,300,000	6,000,000
2003	2,561,000	1,300,000	10,000,000

*Initial loss reserve established July 1, 2006 in the amount of $2,607,350 for the entire fiscal year.

**For these loss years, DTC is self-insured for the first $900,000, and the next $100,000 is commercial coverage. DTC has no additional coverage beyond this point.

***For these years, DTC is self-insured with no commercial insurance.

The Component of the remaining insurance loss reserve on DTC's statement of net position were as follows at June 30,

	2014	2013
Auto Loss Reserve Remaining for Fiscal Year 2014	$ 3,764,000	$ -
Auto Loss Reserve Remaining for Fiscal Year 2013	4,804,000	3,437,000
Auto Loss Reserve Remaining for Fiscal Year 2012	2,391,000	3,276,000
Auto Loss Reserve Remaining for Fiscal Year 2011	332,000	1,605,000
Auto Loss Reserve Remaining for Fiscal Year 2010	675,000	1,342,000
Auto Loss Reserve Remaining for Fiscal Year 2009	-	47,000
Auto Loss Reserve Remaining for Fiscal Year 2008	41,000	104,000
Auto Loss Reserve Remaining for Fiscal Year 2007	-	32,000
Auto Loss Reserve Remaining for Fiscal Year 2000	4,000	-
Auto Loss Reserve Remaining for Fiscal Year 1999	-	4,000
	$ 12,011,000	$ 9,847,000

Changes in the balances of total claim liabilities during the fiscal years 2014 and 2013 were as follows:

	Beginning balance July 1	Current year estimated claims and changes in estimates	Actual claim payments	Ending balance June 30
Fiscal year:				
2014	9,847,000	4,550,086	(2,386,086)	12,011,000
2013	9,009,000	4,686,013	(3,848,013)	9,847,000

(17) Operating Leases

The Department has several non-cancellable operating leases, primarily for operation and maintenance facilities, which expire at various times through June 29, 2020. Those leases require the Department to pay for maintenance and liability insurance costs. Rental expenses were $228,929 for the year ended June 30, 2014.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2014 are as follows:

2015	$	260,597
2016		188,747
2017		47,993
2018		1,800
2019		1,800
2020		1,800
Total	$	502,737

DTC had an operating lease agreement for transit vehicle tires, which expired on May 19, 2009. DTC is continuing to operate under the old contract as a new one has not been negotiated yet. The lease agreement requires DTC to make monthly payments based on miles driven multiplied by a mileage rate as set forth in the agreement. The mileage rate is based on contract year and estimated annual vehicle miles. For the years ended June 30, 2014, DTC incurred expenses related to this lease of $379,063.

(18) Transfers in From and Out to Other Funds

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 bank account. However, the State's General Assembly and the State's Division of Revenue transferred the following amounts as general operating support from the State's General Fund to the Department at June 30,

		2014
Amounts Transferred to Trust Fund		
Division of Motor Vehicles	$	2,950,000
Division of Revenue, Motor Vehicle Dealer/Lessor License and Doucment Fees		407,109
Supplemental Appropriation from Fiscal Year Bond Bill		45,110,000
	$	48,467,109

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 reimbursement for the year ended June 30, 2014 was $91,337,956.

(19) Service Concession Arrangement for Welcome Center and Service Plaza

At the end of fiscal year 2010, construction was completed on the Welcome Center and Service Plaza pursuant to an agreement with the HMS Host Tollroads, Inc. under which HMS financed, designed, built, maintained and operates the Center for 35 years. The TTF will be entitled to a percentage of all sales from fuel and non-fuel items sold. At the end of the arrangement, operation of the Welcome Center will be transferred to the TTF in its enhanced condition. In order to improve comforts of travelers traveling through Delaware, and to avoid the issuance of debt, the TTF entered into this agreement with HMS to construct and operate the center. Under this agreement, HMS is responsible for maintaining the Center to the current conditions and insuring the Center over the course of the 35 year operations period. The State also reports the Center as a capital asset with a carrying amount of $22,100,000 million at the year-end and a related deferred inflow of resources of $22,100,000 which will be amortized over 35 years. Amortization as of current year is $2.5 million.

Required Supplementary Information

Required Supplementary Information

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include 4,448 centerline miles and 1,592 bridges that the State is responsible to maintain.

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

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

It is the State's policy to maintain at least 85% of its highways at a fair or better condition level and 75% of its bridge systems at a good or better condition level. No more than 10% of bridges and 15% of roads should be in substandard condition. Condition assessments are determined every year for roads and every two years for bridges. Due to the timing of these condition assessments, information for the fiscal year ended June 30, 2014 is not available.

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

Structural Rating Numbers and Percentages for Bridges

	BCR Condition Rating	2014 Number	2014 Percent	2013 Number	2013 Percent	2012 Number	2012 Percent
		Calendar Year Ended December 31					
Good	6-9	1,198	75.3	1,152	73.1	1,140	72.8
Fair	5	307	19.3	331	21.0	310	19.8
Poor	0-4	87	5.4	92	5.8	116	7.4
Totals		1,592	100.0	1,575	100	1,566	100.0

Deck Rating Numbers and Percentages for Bridges

	OPC Condition Rating	2014 Square Feet	2014 Percent	2013 Square Feet	2013 Percent	2012 Square Feet	2012 Percent
		Calendar Year Ended December 31					
Good	6-9	5,886,694	74.9	5,936,967	75.4	6,670,643	85.1
Fair	5	1,650,327	21.0	1,549,714	19.7	679,289	8.7
Poor	0-4	321,851	4.1	384,961	4.9	487,778	6.2
Totals		7,858,872	100.0	7,871,642	100.0	7,837,710	100.0

Center-Line Mile Numbers and Percentages for Road Pavement

	OPC Condition Rating	2013 Center-Line Mile	2013 Percent	2011 Center-Line Mile	2011 Percent	2009 Center-Line Mile	2009 Percent
		Calendar Year Ended December 31					
Good	3.0-5.0	4,032	90.6	3,796	86.7	3,423	78.5
Fair	2.5-3.0	356	8.0	400	9.1	575	13.2
Poor	Below 2.5	60	1.4	182	4.2	362	8.3
Totals		4,448	100.0	4,378	100.0	4,360	100.0

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

	Fiscal Year ended June 30 2014	2013	2012
Estimated	$ 198,873	$ 185,399	$ 243,600
Actual	$ 234,800	$ 233,810	$ 285,923

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

Required Supplementary Information – Pension

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

DelDOT - Delaware Transit Corporation – Pension Data

The most recent information available for Delaware Transit Corporation's annual pension cost and related information for each plan is as follows (note – the current year information is not available for each plan):

Schedule of Funding Status and Progress
(Expressed in Dollars)

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (Excess of Assets over AAL) (a-b)	(d) Funded Ratio (a / b)	(e) Annual Covered Payroll	(f) UAAL (Excess) as % of Covered Payroll (c / e)
DTC Pension Plan	07/01/2013	$ 17,714,631	$ 20,057,791	$ (2,343,160)	88.83%	$ 11,308,455	(20.7)%
	07/01/2012	15,941,868	16,990,051	(1,048,183)	93.83%	11,041,527	(9.49)%
	07/01/2011	15,121,491	16,236,313	(1,114,822)	93.13%	11,253,210	(9.91%)
Contributory Plan	01/1/2014	$ 37,520,422	$ 37,483,272	$ (37,150)	100.0%	$ 25,747,945	(.14)%
	01/1/2013	32,243,870	34,423,975	(2,180,105)	93.67%	24,788,597	(8.79)%
	01/1/2012	30,863,722	32,171,013	(1,307,291)	95.94%	22,985,063	(5.69)%

Required Supplementary Information – DTC OPEB Trust

The following table presents additional information related to funding status and progress. It is intended to help readers assess the individual plans' funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess (Deficit) of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Deficit) as a Percentage of Covered Payroll ((a-b)/c)
07/1/2011	$ 1,605,000	$ 125,866,000	$ (124,261,000)	1.28%	$ 31,883,191	(389.74)%
07/1/2012	1,755,283	121,627,000	(119,871,817)	1.44%	34,537,878	(347.07)%
07/1/2013	1,878,000	135,237,000	(133,359,000)	1.39%	38,546,221	(345.97)%

Other Supplementary Information

DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND
Balance Sheet in Accordance with Trust Agreement
Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Operations	Trust Holdings	Debt Reserve	(memorandum only) 2014	(memorandum only) 2013
Current Assets:					
Cash and Cash equivalents:					
Unrestricted	$ 16,580,073	$ 68,643	$ -	$ 16,648,716	$ 18,257,687
Restricted	-	26,616,043	30,247	26,646,290	30,895,967
Investment - at fair value:					
Unrestricted	52,431,778	26,766,087	-	79,197,865	64,902,278
Restricted	-	70,313,336	-	70,313,336	107,926,887
Accrued interest receivable	454,745			454,745	535,890
Accounts receivable	8,411,336	6,899,661	-	15,310,997	9,973,630
Prepaid expenses	-	-	-	-	84,402
Bond issuance costs - net of accmulated amortization	-	-	-	-	307,845
Total current assets	77,877,932	130,663,770	30,247	208,571,949	232,884,586
Noncurrent assets:					
Capital assets:					
Infrastructure and land	-	1,357,166,169	-	1,357,166,169	1,323,023,326
Welcome and service center		22,100,000		22,100,000	
Buildings and improvements	-	8,072,030	-	8,072,030	8,136,689
Total capital assets:	-	1,387,338,199	-	1,387,338,199	1,331,160,015
Less: Accumulated depreciation	-	4,028,642	-	4,028,642	3,873,947
Capital assets	-	1,383,309,557	-	1,383,309,557	1,327,286,068
Investment - at fair value:					
Unrestricted	364,082	26,189,441	-	26,553,523	13,552,718
Restricted	-	-	59,626,299	59,626,299	69,569,136
Bond issuance costs - net of accumulated amortization and current portion	-	-	-	-	2,072,839
Total noncurrent assets	364,082	1,409,498,998	59,626,299	1,469,489,379	85,194,693
Total assets	$ 78,242,014	$ 1,540,162,768	$ 59,656,546	$ 1,678,061,328	$ 1,645,365,347
Deferred Outflows of Resources	$ -	$ 22,823,445	$ -	$ 22,823,445	$ -

DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND
Balance Sheet in Accordance with Trust Agreement
Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Operations	Trust Holdings	Debt Reserve	(memorandum only) 2014	2013
Current Liabilities:					
Accounts payable	$ 12,343,703	$ -	$ -	$ 12,343,703	$ 14,281,639
Accrued payroll payable	-	-	-	-	245,216
Compensated absences payable	-	-	-	-	63,817
Customer toll deposits	11,921,228	-	-	11,921,228	13,785,582
Deferred revenue	-	56,675	-	56,675	592,565
General obligation bonds payable	-	103,426	-	103,426	142,866
Escrow deposit	-	2,754,858		2,754,858	2,130,200
Revenue bonds payable	-	77,655,000	-	77,655,000	72,543,651
Bond issue premium - net accumulated amortization	-	6,823,880	-	6,823,880	11,795,497
Interest payable	-	20,733,321	-	20,733,321	23,696,349
Total current liabilities	24,264,931	108,127,160	-	132,392,091	139,277,382
Noncurrent Liabilities:					
Compensated absences - net of current portion	-	-	-	-	218,459
Return of federal funds	-	-	-	-	-
General obligation bonds payable - net of current portion	-	-	-	-	103,426
Revenue bonds payable - net of deferred amounts on refunding and current portion	-	861,400,000	-	861,400,000	934,587,646
Bond issue premium - net of accumulated amortization	-	58,915,314	-	58,915,314	43,894,545
Total Noncurrent Liabilities	-	920,315,314	-	920,315,314	978,804,076
Total Liabilities	24,264,931	1,028,442,474	-	1,052,707,405	1,118,081,458
Deferred Inflows of Resources	-	19,574,286	-	19,574,286	-
Net assets:					
Investment in capital assets - net of related debt	-	378,411,937	-	378,411,937	315,012,706
Restricted	-	96,929,379	59,656,546	156,585,925	160,162,475
Unrestricted	54,716,825	38,888,395	-	93,605,220	52,108,708
Total Net assets	54,716,825	514,229,711	59,656,546	628,603,082	527,283,889
Total liabilities and net assets	$ 78,981,756	$ 1,542,672,185	$ 59,656,546	$ 1,681,310,487	$ 1,645,365,347

DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND
Statement of Revenues, Expenses, and Changes in Net Position in Accordance with Trust Agreement
Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

				Totals (memorandum only)	
	Operations	Trust Holdings	Debt Reserve	2014	2013
Operating revenues					
Pledged revenue :					
Turnpike revenues	$ 122,404,184	$ -	$ -	$ 122,404,184	$ 120,089,261
Motor fuel tax revenue	114,555,916	-	-	114,555,916	112,582,805
Motor vehicle document fee revenue	84,830,376	-	-	84,830,376	77,585,014
Motor vehicle registration fee revenue	49,243,279	-	-	49,243,279	47,559,850
Other motor vehicle revenue	26,259,772	-	-	26,259,772	25,456,412
International Fuel Tax Agreement revenue	2,372,142	-	-	2,372,142	2,424,796
Total pledged revenue	399,665,669	-	-	399,665,669	385,698,138
Toll revenue - Delaware SR-I	47,561,542	-	-	47,561,542	46,223,585
Railway tolls	1,413,228	-	-	1,413,228	1,492,869
Traffic violations	6,583,963	-	-	6,583,963	4,713,808
Miscellaneous	-	4,752,579	-	4,752,579	2,935,636
Total operating revenues	455,224,402	4,752,579	-	459,976,981	441,064,036
Operating expenses					
Road maintenance, preservation,and repairs	1,180,981	48,191,061	-	49,372,042	36,871,306
Professional fees	39,421,798	60,664,513	-	100,086,311	116,895,639
Materials and supplies	18,451,080	3,791,477	-	22,242,557	32,662,928
Payroll expenses	-	-	-	-	73,161,939
Office expense and miscellaneous	1,512,492	3,043	-	1,515,535	1,385,014
Depreciation	-	154,695	-	154,695	192,217
Total operating expenses	60,566,351	112,804,789	-	173,371,140	261,169,043
Operating Income/loss	394,658,051	(108,052,210)	-	286,605,841	179,894,993
Nonoperating revenues(expenses):					
Income from investments-Pledged	1,133,138	1,038,370	85,602	2,257,110	2,220,035
Net increase (decrease) in the fair value of investments	-	-	-	-	(2,893,203)
Bad debt recovery	-	887,732	-	887,732	853,488
Service concession arrangement	-	2,525,714	-	2,525,714	-
Federal revenue	-	6,899,661	-	6,899,661	10,880,513
Interest expense	-	(38,529,291)	-	(38,529,291)	(39,224,203)
Excess of nonoperating revenue over nonoperating expenses	1,133,138	(27,177,814)	85,602	(25,959,074)	(28,163,370)
Income/loss before transfers	395,791,189	(135,230,024)	85,602	260,646,767	151,731,623
Net transfers per agreement	(186,327,395)	190,098,861	(3,771,466)	-	-
Transfers to other governmental agencies	(3,743,385)	-	-	(3,743,385)	-
Transfers to State General Fund	-	(5,000,000)	-	(5,000,000)	-
Transfers From State General Fund	-	48,467,109	-	48,467,109	43,257,404
Transfer from DTC	(83,878,200)	-	-	(83,878,200)	(83,003,807)
Transfer from DelDOT	(112,792,414)	-	-	(112,792,414)	-
Change in fund net position	9,049,795	98,335,946	(3,685,864)	103,699,877	111,985,220
Total fund net position - beginning of year (as restated see note 1)	45,667,030	415,893,765	63,342,410	524,903,205	415,298,669
Total fund net position - end of year	$ 54,716,825	$ 514,229,711	$ 59,656,546	$ 628,603,082	$ 527,283,889

DELAWARE TRANSPORTATION AUTIIORITY
TRANSPORTATION TRUST FUND
Schedule of Revenue Bonds Outstanding
June 30, 2014

Principal	2003 Series	2004 Series	2005 Series	2006 Series	2007 SER A Series	2008 SER A Series	2008 SER B Series	2009 SER A Series	2009 SER B Series	2010 SER B Series	2012 Series	2014 Series	Total Senior Bond Series
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	-	-	7,870,000	5,865,000	105,000	14,620,000	4,550,000	4,270,000	4,170,000	-	9,945,000	14,195,000	65,590,000
FY17	-	-	-	6,160,000	4,975,000	15,355,000	4,730,000	4,485,000	8,530,000	-	5,395,000	13,685,000	63,315,000
FY18	-	-	-	-	5,220,000	2,110,000	4,970,000	4,710,000	9,975,000	-	25,600,000	9,670,000	62,255,000
FY19	-	-	-	-	5,455,000	2,215,000	5,215,000	4,945,000	4,830,000	-	38,800,000	4,500,000	65,960,000
FY20	-	-	-	-	5,730,000	2,330,000	5,480,000	5,195,000	5,485,000	5,070,000	21,555,000	14,965,000	65,810,000
FY21	-	-	-	-	22,130,000	2,445,000	5,750,000	5,455,000	-	5,200,000	12,715,000	10,650,000	64,345,000
FY22	-	-	-	-	6,520,000	2,540,000	6,040,000	5,725,000	-	5,340,000	23,100,000	12,330,000	61,595,000
FY23	-	-	-	-	-	2,645,000	6,340,000	6,010,000	-	5,495,000	30,280,000	8,060,000	58,830,000
FY24	-	-	-	-	-	2,750,000	6,660,000	6,310,000	-	5,655,000	24,800,000	8,465,000	54,640,000
FY25	-	-	-	8,695,000	-	2,865,000	7,000,000	6,625,000	-	5,830,000	19,350,000	195,000	50,560,000
FY26	-	-	-	9,000,000	-	2,980,000	7,360,000	6,960,000	-	6,015,000	-	12,045,000	44,360,000
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
	$ 18,090,000	$ 9,620,000	$ 15,450,000	$ 44,620,000	$ 56,095,000	$ 64,400,000	$ 101,995,000	$ 96,250,000	$ 36,960,000	$ 72,120,000	$ 220,625,000	$ 108,760,000	$ 844,985,000

Principal	GARVEE 2010 Series	Total GARVEE Bond Series	Totals
FY15	$ 7,495,000	$ 7,495,000	$ 77,655,000
FY16	6,990,000	6,990,000	72,580,000
FY17	7,280,000	7,280,000	70,595,000
FY18	7,625,000	7,625,000	69,880,000
FY19	7,985,000	7,985,000	73,945,000
FY20	8,375,000	8,375,000	74,185,000
FY21	8,785,000	8,785,000	73,130,000
FY22	9,210,000	9,210,000	70,805,000
FY23	9,625,000	9,625,000	68,455,000
FY24	10,145,000	10,145,000	64,785,000
FY25	10,555,000	10,555,000	61,115,000
FY26	-	-	44,360,000
FY27	-	-	33,685,000
FY28	-	-	25,510,000
FY29	-	-	26,705,000
FY30	-	-	24,455,000
FY31	-	-	7,210,000
	$ 94,070,000	$ 94,070,000	$ 939,055,000

DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND
Schedule of Revenue Bond Coverage
June 30,2014

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.

		Debt service requirements (In thousands)			
Fiscal year	**Gross pledged revenue**	**Principal**	**Interest**	**Total**	**Coverage***
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
2014	401,922	75,205	47,162	122,367	3.28

* 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.

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Delaware Department of Transportation
Dover, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the State of Delaware Department of Transportation (Department of Transportation), an enterprise fund of the State of Delaware, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department of Transportation's basic financial statements, and have issued our report thereon dated December 10, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We consider the deficiencies described in item 2014-DelDOT-001 and 2014-DelDOT-002 in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department of Transportation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

State's Responses to Findings

DelDOT's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. DelDOT's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

KPMG LLP

Philadelphia, PA
December 10, 2014

Delaware Department of Transportation
Schedule of Findings and Responses

2014-DelDOT-001

Background

DelDOT receives invoices for services incurred or products received throughout the fiscal year. When these invoices are received, they are recorded in the general ledger as expenditures. Each invoice is recorded to a specific account code based on the nature of the invoice. Goods and services are received near fiscal year end where DelDOT does not receive the related invoice until after year-end. Since DelDOT' s basis for reporting information included in the financial statements is the accrual basis accounting which is in accordance with Generally Accepted Accounting Policies (GAAP), these expenditures should be recorded as activity during the year despite the invoices being received after year-end.

Condition:

Expenditures:

We identified 8 invoices in a sample of 91 invoices tested where the invoice amounts were recorded incorrectly to current year expenditures. The services occurred over two fiscal years and the invoices were not properly pro-rated between fiscal years 2013 and 2014, resulting in an overstatement of expenditures. The 8 samples errors totaled $2,219,966 and the invoice dates fell within the first two months of the fiscal year. Of the total value of the population of $287,398,101, we tested $41,543,589.

Accounts Payable:

We identified 5 invoices out of our sample of 14 invoices tested where the services incurred were over two fiscal years were not properly pro-rated between fiscal years 2014 and 2015, resulting in an understatement of accounts payable. The 5 sample errors totaled $8,357,114 and the invoice dates fell within the last two months of the fiscal year. Of the total value of the population of $92,601,144, we tested $33,892,463.

Criteria:

DelDOT's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, expenses are recorded at the time good or services are received, regardless of the timing of the receipt of invoices or the related cash flows. In accordance with GASB #34, "Revenues, expenses, gains, losses, assets, and liabilities resulting form exchange and exchange-like transactions should be recognized when the exchange takes place"

Cause:

Expenditures and Accounts Payable:

DelDOT records invoices based on the date in which the invoice is received rather than the dates the services were incurred or products received, which is a Non-GAAP Policy. While DelDOT encourages vendors to provide invoices prior to year-end so they can be processed for payment, many vendors still provide their invoices on a after fiscal year-end which then are recorded until the following fiscal year.

Effect:

Expenditures:

The 8 transactions relating to fiscal year 2013 activity that were recorded to fiscal year 2014 expenditures resulted in an overstatement of DelDOT expenditures by $2,219,966.

Accounts Payable:

The 5 transactions relating to fiscal year 2014 activity that were recorded in fiscal year 2015 resulted in an understatement of DelDOT accounts payable by $8,357,114.

Recommendation:

We recommend that the Department put in place policies and procedures to ensure that transactions that occur at the end of the fiscal year are recorded in the proper period based on the date goods or service were provided.

Management Response:

DelDOT strives to complete and approve all expenditure transactions for the period in which they occurred. It has been a struggle to obtain invoices for supplies and/services from the vendor in a timely manner. In an effort to avoid the pro-ration of expenditures across fiscal years, DelDOT has requested vendors bill every two weeks instead of the standard thirty (30) days during the last month of each fiscal year. DelDOT will continue to research ways to diminish this problem which will include using queries and reports to ensure any items in this category are addressed. The agency will also work with the Division of Accounting to ensure there is consistency within how other state agencies tackle this issue.

KPMG

Delaware Department of Transportation
Schedule of Findings and Responses

2014-DelDOT-002

Background:
One of the sources of revenue for DelDOT is DMV revenue which is initiated when a customer enters one of the DMV locations to register a vehicle or pay a fee. The customer completes the appropriate forms and the Cashier at the DMV location enters the customer information into the Motor Vehicle and License System (MVALS) which calculates the appropriate fee the customer is to pay. On a daily basis for each location, a Daily Cash Report is created to reconcile the daily total for cash, credit cards, and checks for each cashier. Any discrepancies greater than $5.00 are investigated. The completed Daily Cash Reports are provided to the Accounting Specialist who reconciles the Daily Cash Reports to the MVALS system report for each location. The Accounting Specialist ensures that any shortages/overages greater than $5 are reasonable explained. A second accounting specialist then reconciles the MVAL totals to the related bank statement.

Condition:
During our review of 53 DelDOT DMV revenue reconciliations selected, we identified 28 samples where the credit card portion of the reconciliation was not performed and 14 samples where reconciliations performed did not agree to the bank statements.

For all 42 exceptions, DelDOT was able to re-perform the reconciliations correctly after the fact after the audit identified the lack of completed reconciliations.

Criteria:

The COSO Internal Controls Integrated Framework – 1992, identified the following regarding control activities and monitoring controls.

- *Segregation of Duties*—Duties are divided, or segregated, among different people to reduce the risk of error or inappropriate actions. For instance, responsibilities for authorizing transactions, recording them and handling the related asset are divided.

- In carrying out its regular management activities, operating management obtains evidence that the system of internal control continues to function. When operating reports are integrated or reconciled with the financial reporting system and used to manage operations on an ongoing basis, significant inaccuracies or exceptions to anticipated results are likely to be spotted quickly.

Cause:
The DMV department experienced significant turnover during the fiscal year and did not properly assign new staff to perform the reconciliations and new supervisors to review the reconciliations.

Effect:
Without performing the needed DMV revenue reconciliations, misstatements to the financial statements could go undetected. DelDOT's reperforming the reconciliations after year end validated the DMV revenue was accurately recorded, as a result this exception is a control significant deficiency with no financial statement amount impact.

Recommendation:
We recommend that DelDOT put into place procedures to ensure all reconciliations of cash and credit card transaction are reconciled timely and that staff are cross trained so controls are still completed during transitional changes within staffing.

Management Response:
Employee turnover is a challenge that DMV Financial Services continually faces and continues to address. Currently DMV has two individuals who are able to perform the credit card reconciliation. The objective is to have at least three individuals who can complete this process in its entirety at all times, if necessary. The target date for this cross-training to be completed is December 31, 2014. DMV is also exploring different approaches to performing the credit card reconciliation in an effort to improve the efficiency of this process.

As of January 1, 2015, the roles in this process will be segregated and defined as follows:

- The printing of necessary daily reports will be assigned to one employee and distributed to the DMV Accountant.
- The verification of 'daily lane work' will be assigned to a separate employee who will also perform the credit card reconciliation on a daily basis.
- The Fiscal Administrative Officer will review the reconciliations weekly.

It should be noted that as staff shortages occur, deviation from these procedures may be necessary in order to maintain the timely completion of the credit card reconciliation process.