



**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Financial Statements

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

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**DELAWARE TRANSPORTATION AUTHORITY
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Management's Discussion and Analysis

June 30, 2010 and 2009

This section of the Delaware Transportation Authority (the Authority) Transportation Trust Fund's (the Trust Fund) annual financial statements presents our discussion and analysis of the Trust Fund's financial performance during the fiscal year ended June 30, 2010.

Background

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

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

Financial Highlights

- SR-1 Tolls (a nonpledged revenue source) increased by \$1.0 million to \$45.5 million, a 2.2% increase over fiscal year 2009. SR-1 reported increases in passenger traffic and only a small decrease in commercial traffic. I-95 passenger traffic was flat, but commercial traffic was down 7.7% compared to the previous year. Turnpike and SR-1 Toll revenues both increased from fiscal year 2008 to fiscal year 2009 as a result of the toll increase that went into effect in October 2008.
- Motor Vehicle Document Fee Revenue increased by \$2.2 million to \$58.4 million, a 3.9% increase over fiscal year 2009. Revenues were impacted by an additional 3 months of revenue related to the October 2008 fee increase and increased auto sales resulting from the federal Car Allowance Rebate System program. Document fee revenues decreased by 13% from fiscal year 2008 to fiscal year 2009 as a result of poor economic conditions leading to decreased vehicle sales.
- Motor vehicle registration fee revenue increased by \$1.2 million to \$44.5 million, a 2.8% increase over fiscal year 2009. This was primarily the result of increased auto sales. Compared to fiscal year 2008, registration fees increased by 4.8% in fiscal year 2009. This is primarily due to fee increases that became effective in October 2008.

Overview of the Financial Statements

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

The financial statements provide both long-term and short-term information about the Trust Fund's overall financial status. The financial statements also include notes that explain some of the information in the financial

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statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

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

Financial Analysis of the Trust Fund

Balance Sheets

The Trust Fund's total assets increased 3.7% to \$1,537.3 million at June 30, 2010, compared to \$1,483.1 million at June 30, 2009, and \$1,334.5 million at June 30, 2008. Total liabilities increased 3.3% to \$1,271.2 million at June 30, 2010, compared to \$1,230.0 million at June 30, 2009 and \$1,066.1 million at June 30, 2008. Net assets at June 30, 2010 increased 5.1% to \$266.1 million, compared to \$253.1 million at June 30, 2009, and \$268.4 million at June 30, 2008.

Transportation Trust Fund's Net Assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>Percentage change 2010-2009</u>	<u>Percentage change 2009-2008</u>
	(Dollars in millions)				
Current assets	\$ 339.2	\$ 295.2	\$ 198.9	14.9 %	48.4 %
Capital assets	1,136.0	1,107.8	1,063.9	2.5	4.1
Other noncurrent assets	62.1	80.1	71.7	(22.5)	11.7
Total assets	<u>\$ 1,537.3</u>	<u>\$ 1,483.1</u>	<u>\$ 1,334.5</u>	3.7	11.1
Current liabilities	\$ 127.3	\$ 132.2	\$ 122.6	(3.7) %	7.8 %
Revenue bonds payable	1,110.5	1,068.5	919.4	3.9	16.2
Other noncurrent liabilities	33.4	29.3	24.1	14.0	21.6
Total liabilities	<u>\$ 1,271.2</u>	<u>\$ 1,230.0</u>	<u>\$ 1,066.1</u>	3.3	15.4
Net assets:					
Invested in capital assets, net of debt	\$ 40.2	\$ 11.0	\$ 56.8	265.5 %	(80.6) %
Restricted	159.9	164.0	149.3	(2.5)	9.8
Unrestricted	66.0	78.1	62.3	(15.5)	25.4
Total net assets	<u>\$ 266.1</u>	<u>\$ 253.1</u>	<u>\$ 268.4</u>	5.1	(5.7)

The increase in current assets for fiscal years 2010 and 2009 is attributed to unspent proceeds from the GARVEE bond issuance and the Series 2009A bond issuance, respectively. Both of these resulted in larger investment balances. The increase in current liabilities in 2009 was a result of increased interest payable and increased accounts payable. The decrease in other noncurrent assets in 2010 is primarily due to recording a loss of \$20.3 million for the Trust Fund's loan to the Diamond State Port Corporation.

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Change in Net Assets

Total net assets at June 30, 2010 were \$266.1 million, compared to \$253.1 million at June 30, 2009, and \$268.4 million at June 30, 2008. Total operating revenues decreased 0.3% to \$414.0 million for fiscal year 2010, compared to \$415.4 million for fiscal year 2009, and \$418.4 million for fiscal year 2008. Total operating expenses decreased 14.0% to \$343.1 million for fiscal year 2010, compared to \$399.1 million for fiscal year 2009, and \$394.2 million for fiscal year 2008.

Transportation Trust Fund's Net Assets					
	2010	2009	2008	Percentage change 2010-2009	Percentage change 2009-2008
(Dollars in millions)					
Operating revenues:					
Turnpike revenue	\$ 119.4	\$ 121.2	\$ 117.9	(1.5) %	2.8 %
Motor fuel tax	112.9	114.6	117.7	(1.5)	(2.6)
Motor vehicle document fee	58.4	56.2	64.6	3.9	(13.0)
Motor vehicle registration fee	44.5	43.3	41.3	2.8	4.8
Other motor vehicle revenue	22.8	22.5	24.2	1.3	(7.0)
International Fuel Tax Agreement	2.9	4.9	5.1	(40.8)	(3.9)
Toll revenue – SR-1	45.5	44.5	40.5	2.2	9.9
Miscellaneous	7.6	8.2	7.1	(7.3)	15.5
Total operating revenues	414.0	415.4	418.4	(0.3)	(0.7)
Operating expenses:					
Toll operations expenses	17.9	16.9	17.5	5.9	(3.4)
Capital preservation and operations	251.5	310.4	305.3	(19.0)	1.7
DTC operations	73.5	71.6	71.2	2.7	0.6
Depreciation	0.2	0.2	0.2	—	—
Total operating expenses	343.1	399.1	394.2	(14.0)	1.2
Operating income (loss)	70.9	16.3	24.2	335.0	(32.6)
Nonoperating expenses – net					
Transfers	(61.3)	(34.8)	(26.2)	76.1	32.8
Change in net assets	13.0	(15.3)	8.7	(185.0)	(275.9)
Total net assets, beginning of year	253.1	268.4	259.7	(5.7)	3.4
Total net assets, end of year	\$ 266.1	\$ 253.1	\$ 268.4	5.1	(5.7)

Despite the continued poor economy, four revenue categories increased from fiscal year 2009 to 2010. SR-1 toll revenues increased by 2.2% compared to last fiscal year. All Department of Motor Vehicle revenue categories also experienced revenue growth. Registration fee revenue increased by 2.8%, document fee revenue increased by 3.9%, and other motor vehicle revenue grew by 1.3%. Total traffic volume on SR-1 increased, with passenger traffic up 2.7% and commercial traffic down by only 1.5%. Total traffic on the turnpike was down 1.5%, with passenger traffic basically flat. Commercial traffic, although improving, remained 7.7% down for the fiscal year. For 2009, Turnpike and SR-1 Toll revenues both increased as a result of toll increases that were effective in October 2008. Motor vehicle registration fee revenue also increased in 2009 as a result of increased fees, and miscellaneous revenue increased due to higher red-light violation and traffic fine surcharge collections. The

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decrease in 2009 for motor vehicle document fee revenue and other motor vehicle revenue was due to the downturn in the economy, which led to decreased vehicle sales.

Total operating expenses decreased 14.0% from fiscal year 2009 to 2010. The decrease is primarily due to reduced capital preservation spending. The increase in total operating expenses from 2008 to 2009 was only 1.2% as a result of the Department's cost savings initiatives implemented in response to declining revenues.

Net nonoperating expenses for fiscal year 2010 increased by 76.1% to \$61.3 million primarily as a result of recording a loss of \$20.3 million for the Trust Fund's loan to the Diamond State Port Corporation.

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

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2010, the Trust Fund had invested \$1,139.3 million in capital assets, including roads, bridges, buildings, land, and equipment for Delaware's two toll roads. Net of accumulated depreciation, the Trust Fund's net capital assets at June 30, 2010 totaled \$1,136.0 million. This amount represents a net increase (including additions and disposals, net of depreciation) of \$28.2 million, primarily for the US 301 project.

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

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

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

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

The Department performs condition assessments of eligible infrastructure assets at least every three years. Currently, bridge condition assessments are conducted every two years. Historically, road condition assessments were conducted every year. Recent changes to the road condition vendor contract has resulted in the inability to

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provide infrastructure ratings for fiscal year 2010. The Department's assessment plan will ensure that all infrastructure assets are assessed and evaluated within the three year period.

At December 31, 2008, 91.9% of the Trust Fund's roadway condition assessments were in the fair or better category, a 0.7% increase from 2007 (4.69 miles, or 3.9%, of the roadways were unrated due to construction). At December 31, 2009, 93.2% of the bridge structures were in the good or better category, representing a 2.4% improvement over 2008, and 96.6% of the bridge deck ratings were in the good or better category, virtually unchanged from 2008.

Debt Administration

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

At June 30, 2010, the Authority had \$1,183.4 million in revenue bonds outstanding, a 3.4% increase from June 30, 2009. During fiscal year 2010, the Authority issued Grant Anticipation Revenue Vehicle (GARVEE) Bonds, 2010 Series, in the amount of \$113.5 million, resulting in new money of \$125.0 million (including premium and net of issuance costs). The funds will primarily be used for the completion of the design and right-of-way acquisition for the US Route 301 project. The GARVEE bonds are limited obligations of the Authority payable solely from certain pledged federal aid available to the State. Of the 11 outstanding senior bond issues, all insured bonds are rated AAA by S&P and Aaa by Moody's; and the uninsured bonds are rated AA+ and Aa2, respectively. In April 2010, Moody's recalibrated their credit rating for Delaware Transportation Authority's Senior Revenue Bonds and upgraded their credit rating to Aa2 from Aa3. This rating action was part of Moody's recalibration of US municipal finance ratings to coincide with its corporate rating scale. The GARVEE bonds are uninsured and are rated AA and Aa2 by S&P and Moody's, respectively.

Next Year's Budget

The Department's fiscal year 2011 Operating Annual Budget adopted by the General Assembly in June 2010 totals \$344.9 million and the fiscal year 2011 Capital Improvements Act totals \$91.9 million in State-authorized funds. The Capital Improvements Act authorizes funding of the following improvements: \$87.4 million of Road System, \$15.5 million of Grants and Allocations, \$10.4 million of Transit System, and \$13.7 million for Support System. The spending of these capital authorizations will occur over several years. The capital spending forecast for fiscal year 2011 is \$581.4 million, inclusive of \$235.9 and \$345.5 million in state and federal funding, respectively.

Contacting the Trust Fund's Financial Management

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



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Independent Auditors' Report

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

We have audited the accompanying balance sheets of the State of Delaware Transportation Trust Fund (TTF), a subsidiary of Delaware Transportation Authority, which is a blended component unit of the State of Delaware, as of June 30, 2010 and 2009, and the related statements of revenue, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of TTF management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in note 1 to the financial statements, the financial statements present only the State of Delaware Transportation Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Delaware, as of June 30, 2010 and 2009, and the changes in its financial position for the years then ended, in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the State of Delaware Transportation Trust Fund as of June 30, 2010 and 2009, and the changes in its financial position and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

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



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise TTF's financial statements. The additional information: balance sheet in accordance with trust agreement; statement of revenues, expenses, and changes in net assets in accordance with trust agreement; statement of cash flows in accordance with trust agreement; schedules of revenue bonds outstanding (June 30, 2010 and 2009); statements of operating revenues and expenses – expressways operations/toll administration; schedule of cash balance expenditures compared to budget – expressways operations/toll administration; and schedule of revenue bond coverage, presented on pages 32 through 42, is presented for purposes of additional analysis and is not a required part of the financial statements.

KPMG LLP

September 30, 2010

**DELAWARE TRANSPORTATION AUTHORITY
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Balance Sheets

June 30, 2010 and 2009

Assets	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 9,325,259	\$ 11,078,226
Restricted	268	5,318
Investments – at fair value:		
Unrestricted	87,592,054	168,277,010
Restricted	234,806,892	106,433,402
Accrued interest receivable	487,572	768,122
Accounts receivable	6,747,093	7,181,614
Loan receivable	—	1,294,686
Bond issuance costs - net of accumulated amortization	226,029	123,137
Total current assets	<u>339,185,167</u>	<u>295,161,515</u>
Noncurrent assets:		
Capital assets:		
Infrastructure and land	1,131,204,770	1,103,062,043
Buildings and land improvements	8,136,689	7,847,309
	<u>1,139,341,459</u>	<u>1,110,909,352</u>
Less accumulated depreciation	3,297,296	3,103,284
Capital assets	1,136,044,163	1,107,806,068
Investments – at fair value:		
Unrestricted	10,157,658	1,510,320
Restricted	49,798,310	56,927,538
Loans receivable, net of current portion	—	20,297,835
Bond issuance costs - net of accumulated amortization and current portion	2,101,043	1,404,835
Total noncurrent assets	<u>1,198,101,174</u>	<u>1,187,946,596</u>
Total assets	<u>\$ 1,537,286,341</u>	<u>\$ 1,483,108,111</u>

See accompanying notes to financial statements.

Liabilities and Net Assets	2010	2009
	<u>2010</u>	<u>2009</u>
Current liabilities:		
Accounts payable	\$ 11,005,265	\$ 13,441,702
Accrued payroll payable	403,501	458,011
Compensated absences payable	59,705	58,776
Customer toll deposits	7,330,574	7,354,941
Deferred revenue	2,983,466	2,983,466
General obligation bonds payable	663,330	655,587
Revenue bonds payable – net of deferred amounts on refunding	71,489,182	74,089,970
Bond issue premium – net of accumulated amortization	7,548,149	7,775,660
Interest payable	25,800,022	25,387,581
Total current liabilities	<u>127,283,194</u>	<u>132,205,694</u>
Noncurrent liabilities:		
Compensated absences – net of current portion	307,090	326,910
General obligation bonds payable – net of current portion	787,984	1,451,314
Revenue bonds payable – net of deferred amounts on refunding and current portion	1,110,523,675	1,068,522,855
Bond issue premium – net of accumulated amortization and current portion	32,296,132	27,494,400
Total noncurrent liabilities	<u>1,143,914,881</u>	<u>1,097,795,479</u>
Total liabilities	<u>1,271,198,075</u>	<u>1,230,001,173</u>
Net assets:		
Invested in capital assets – net of related debt	40,209,286	10,985,572
Restricted	159,900,968	163,954,106
Unrestricted	65,978,012	78,167,260
Total net assets	<u>266,088,266</u>	<u>253,106,938</u>
Total liabilities and net assets	<u>\$ 1,537,286,341</u>	<u>\$ 1,483,108,111</u>

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Statements of Revenues, Expenses, and Change in Net Assets

Years ended June 30, 2010 and 2009

	2010	2009
Operating revenues:		
Pledged revenue:		
Turnpike revenue	\$ 119,398,945	\$ 121,225,273
Motor fuel tax revenue	112,888,804	114,579,330
Motor vehicle document fee revenue	58,353,219	56,200,134
Motor vehicle registration fee revenue	44,524,380	43,349,300
Other motor vehicle revenue	22,815,458	22,485,453
International Fuel Tax Agreement revenue	2,850,720	4,887,150
Total pledged revenue	360,831,526	362,726,640
Toll revenue – Delaware SR-1	45,502,245	44,496,240
Property management revenue	411,321	445,832
Railway tolls	924,356	1,513,315
Traffic violations	3,353,947	4,701,814
Miscellaneous	2,941,008	1,554,302
Total operating revenues	413,964,403	415,438,143
Operating expenses:		
Expressways operations/toll administration and interstate operating expenses	17,888,822	16,907,838
Expenses in accordance with Trust Agreement:		
Transportation capital preservation and operations	251,461,465	310,446,376
Delaware Transit Corporation operations	73,525,141	71,552,987
Depreciation	194,012	189,589
Total operating expenses	343,069,440	399,096,790
Operating income	70,894,963	16,341,353
Nonoperating revenues (expenses):		
Pledged revenue – income from investments	2,302,349	4,672,516
Net increase in the fair value of investments	563,456	962,903
Loss on note receivable	(20,297,835)	—
Interest income	38,089	87,265
Interest expense	(43,920,676)	(40,571,359)
Excess of nonoperating expenses over nonoperating revenues	(61,314,617)	(34,848,675)
Income (loss) before transfers	9,580,346	(18,507,322)
Transfer from Delaware Department of Transportation	289,380	—
Transfer from State General Fund	3,111,602	3,167,438
Change in net assets	12,981,328	(15,339,884)
Total net assets – beginning of year	253,106,938	268,446,822
Total net assets – end of year	\$ 266,088,266	\$ 253,106,938

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Receipts from customers	\$ 414,374,557	\$ 414,478,081
Payments to employees	(6,432,274)	(6,870,036)
Payments to suppliers	(338,952,992)	(389,175,522)
Net cash provided by operating activities	68,989,291	18,432,523
Cash flows from noncapital financing activities:		
Transfers from State General Fund	3,111,602	3,167,438
Transfers from Delaware Department of Transportation	289,380	—
Net cash provided by noncapital financing activities	3,400,982	3,167,438
Cash flows from capital and related financing activities:		
Payments of revenue bond principal	(74,380,000)	(73,510,000)
Proceeds from revenue bond sale	113,490,000	223,190,000
Payments of general obligation bond principal	(655,587)	(676,105)
Premium from revenue bond sale	12,455,754	14,070,933
Bond issuance costs from revenue bond sale	(926,913)	(1,580,719)
Acquisition of capital assets	(28,432,107)	(44,113,306)
Payments of interest	(50,971,923)	(43,821,441)
Net cash (used in) provided by capital and related financing activities	(29,420,776)	73,559,362
Cash flows from investing activities:		
Repayment on loan receivable	1,294,686	1,902,349
Purchase of investments	(3,622,350,856)	(2,695,511,904)
Proceeds from sale of investments	3,573,707,668	2,594,977,223
Interest received	2,620,988	4,740,571
Net cash used in investing activities	(44,727,514)	(93,891,761)
Net (decrease) increase in cash and cash equivalents	(1,758,017)	1,267,562
Cash and cash equivalents – beginning of year	11,083,544	9,815,982
Cash and cash equivalents – end of year	\$ 9,325,527	\$ 11,083,544

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Statements of Cash Flows

Years ended June 30, 2010 and 2009

	2010	2009
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 70,894,963	\$ 16,341,353
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	194,012	189,589
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	434,521	(2,244,638)
(Decrease) increase in accounts payable	(2,436,437)	2,858,544
(Decrease) increase in accrued payroll and related expenses	(73,401)	3,099
(Decrease) increase in customer toll deposits	(24,367)	1,314,535
Decrease in deferred revenue	—	(29,959)
Net cash provided by operating activities	\$ 68,989,291	\$ 18,432,523
Supplemental disclosures of noncash investing and capital and related financing activity:		
Interest capitalized on Diamond State Port Corporation loan	\$ —	\$ 67,267
Loss on Diamond State Port Corporation loan	20,297,835	—

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2010 and 2009

(1) Organization and Trust Agreements

(a) Organization

The Delaware Transportation Authority (the Authority) is a body corporate and politic constituting an instrumentality of the State of Delaware (the State). The Department of Transportation (the Department) has overall responsibility for coordinating and developing comprehensive, balanced transportation planning and policy for the State. The Authority assists in the implementation of this policy and has the power to develop a unified system of air, water, vehicular, and specialized transportation in the State, subject to oversight by the Department and the State.

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

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

(b) Trust Agreements

The Trust Agreements in effect at June 30, 2010 and 2009 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 bond holders through assets and revenues pledged to the Trust Fund. Pledged revenues fund certain accounts created under Section 4.02 of the Trust Agreement, and to the extent those revenues are not needed for that purpose, they are deposited, lien-free, to the Trust Fund. Surplus pledged revenues and nonpledged revenues of the Trust Fund may be used to fund the operations of the Department.

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

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(2) Summary of Significant Accounting Policies

(a) *Basis of Accounting*

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

(b) *Cash and Cash Equivalents*

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

(c) *Allowance for Doubtful Accounts*

Accounts receivable are expected to be fully collectible at June 30, 2010 and 2009, and accordingly, a provision for uncollectible accounts has not been established.

(d) *Investments*

Investments are recorded at their fair value. Investments at June 30, 2010 and 2009 consisted of United States Government Obligations and Commercial Paper classified as "Qualified Investments" by the Trust Agreement.

(e) *Management Estimates*

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

(f) *Financial Accounting Standards Board (FASB) Pronouncements*

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

(g) *Capital Assets*

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

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

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

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

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

The Authority maintains two asset management systems, one for the roads and one for the bridges. The Authority completes condition assessments on its roads and bridges within the three year period.

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

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

(h) *Compensated Absences*

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

(i) *Bond Issue Premiums and Issuance Costs*

Amortization of bond issue premiums/discounts and issuance costs is provided using the effective-interest method over the life of the bond issue. Net amortization resulted in \$7,753,720 and \$7,112,690 of reductions of interest expense in 2010 and 2009, respectively.

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(j) Revenues and Expenses

The Authority defines nonoperating revenues as investment and interest income. All other revenues are derived from normal operations of the Authority. Nonoperating expenses are defined as interest expense. All other expenses are a result of normal operations.

(3) Cash and Investments

(a) Cash Management Policy and Investment Guidelines

The policy for the investment of the Authority's funds is the responsibility of the Cash Management Policy Board (the Board). The Board, created by State law, establishes policies for, and the terms, conditions, and other matters relating to, the investment of all money belonging to the Authority. Under the Board's *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* (the Policy), all deposits and investments of the Authority are categorized as "Authority Accounts." Investments of the Authority are further restricted to "Qualified Investments" as defined in the Trust Agreement.

As defined by the Policy, the investment objectives of Authority Accounts include maximizing yield and maintaining the safety of principal. At June 30, 2010 and 2009, investments of the Authority are primarily in U.S. government securities, U.S. government agency securities, and commercial paper rated in the highest rating category by either Moody's or Standard & Poor's. All of these meet the objectives defined by the Policy and are Qualified Investments in accordance with the Trust Agreement.

The Policy is available on the Internet at www.state.de.us/treasure.

(b) Custodial Credit Risk

Deposits

The carrying amounts of the Authority's deposits at June 30, 2010 and 2009 were \$9,325,527 and \$11,083,544, respectively, and the bank balances were \$8,397,210 and \$9,579,024, respectively. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits in transit. The entire bank balances at June 30, 2010 and 2009 of \$8,397,210 and \$9,579,024, respectively, were covered by federal depository insurance for \$250,000, or by collateral held by the Authority's Trustee, in the Authority's name, for the remainder, in accordance with the Policy and the Trust Agreement.

Investments

Investments of the Authority are stated at fair value, which approximates cost. At June 30, 2010 and 2009, all of the Authority's investments were insured or registered with securities held by the Authority or the counterparty in the Authority's name.

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(c) Interest Rate Risk

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

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

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

Investment type	June 30, 2009			
	Fair value	Investment maturities (in years)		
		Less than 1	1 – 5	6 – 10
U.S. Government Securities	\$ 12,756,885	\$ 7,564,250	\$ 5,192,635	—
U.S. Government Agency Securities	188,871,154	135,625,931	38,545,180	14,700,043
Commercial Paper	131,520,231	131,520,231	—	—
	<u>\$ 333,148,270</u>	<u>\$ 274,710,412</u>	<u>\$ 43,737,815</u>	<u>\$ 14,700,043</u>

(d) Credit Risk

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

In addition, the Trust Agreement limits investments in Commercial Paper to those with a Moody's rating of P-1 or a Standard & Poor's rating of A-1 for short-term investments. The Trust had investments in Commercial Paper of \$180,063,113 and \$131,520,231 at June 30, 2010 and 2009, respectively. All Commercial Paper held was short-term and rated in accordance with the Trust

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Agreement. The investments in U.S. Government Agency Securities all carried the highest rating by Moody's and Standard & Poor's. All remaining investments were in U.S. Government Securities, which carry no credit risk.

(e) Investments in Excess of 5%

The following issuers have investments at fair value in excess of 5% of the investment portfolio at June 30, 2010:

Federal National Mortgage Association	\$ 74,209,091	19%
Federal Home Loan Mortgage Corporation	54,258,247	14
BNP Paribas Finance Inc	30,392,765	8

(f) Investment Commitments

The Authority has made no investment commitments as of June 30, 2010.

(4) Accounts Receivable

Balances in accounts receivable were as follows at June 30:

	<u>2010</u>	<u>2009</u>
Concessions	\$ 203,954	\$ 200,100
Railway tolls	565,000	770,000
DMV direct access	593,637	547,729
Traffic violations revenues	388,346	—
Miscellaneous revenues	355,811	—
E-ZPass revenues	4,640,345	5,663,785
	<u>\$ 6,747,093</u>	<u>\$ 7,181,614</u>

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(5) Capital Assets

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

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

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Infrastructure	\$ 936,504,633	\$ 30,200,306	\$ —	\$ 966,704,939
Land	122,444,104	13,913,000	—	136,357,104
	<u>\$ 1,058,948,737</u>	<u>\$ 44,113,306</u>	<u>\$ —</u>	<u>\$ 1,103,062,043</u>
Capital assets being depreciated:				
Buildings	\$ 7,683,385	\$ —	\$ —	\$ 7,683,385
Land improvements	163,924	—	—	163,924
	7,847,309	—	—	7,847,309
Less accumulated depreciation for buildings and land improvements	<u>2,913,695</u>	<u>189,589</u>	<u>—</u>	<u>3,103,284</u>
Total capital assets being depreciated, net	<u>\$ 4,933,614</u>	<u>\$ (189,589)</u>	<u>\$ —</u>	<u>\$ 4,744,025</u>

Depreciation expense was \$194,012 and \$189,589 for fiscal years 2010 and 2009, respectively.

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(6) Loans Receivable

During fiscal year 2002, the Authority loaned \$27,500,000 to Diamond State Port Corporation. The funds were loaned at an interest rate of 4.6%. Originally, the loan was to be repaid in 40 semiannual payments of \$1,058,920, with the final payment to be made in January 2023. The loan was subsequently restructured effective July 1, 2004. Unpaid interest through January 1, 2005, in the amount of \$1,911,372, was capitalized into the loan balance, and the payments were deferred until July 1, 2005. Effective July 1, 2005, the loan was again restructured. Additional unpaid interest through January 1, 2006, in the amount of \$1,386,641, was capitalized into the loan balance, and the payments were deferred until July 1, 2006. Effective July 1, 2006, the loan was again restructured. Additional unpaid interest through January 1, 2007, in the amount of \$1,181,392, was capitalized into the loan balance. The State paid \$10,000,000 towards the principal of the loan on behalf of the Diamond State Port Corporation in August 2006, and payments were deferred until March 31, 2007. Effective May 31, 2009, the loan was again restructured. Additional unpaid interest through June 1, 2010 of \$811,673 was capitalized into the loan balance. The new interest rate is set at 3.99%, and the loan is to be repaid in 37 semiannual installments of \$813,870, commencing on March 31, 2011, with the final payment to be made on March 31, 2029.

The Diamond State Port Corporation will only be able to repay this loan with continued annual support from the General Assembly. Due to the uncertainty of future payments, the Authority recorded a loss of \$20,297,835 for the year ended June 30, 2010. At June 30, 2010 and 2009, the outstanding loan balance was \$0 and \$20,297,835, respectively.

During fiscal year 2005, the Department reached a settlement agreement with CSX Transportation, Inc. (CSX), in which CSX agreed to fund a portion of the costs of reconstruction of certain railway bridges in the City of Wilmington, Delaware. The settlement was for \$6,000,000 and was recorded as a loan receivable and deferred revenue in the accompanying balance sheets. Payments were received in 10 semiannual installments of \$666,387, including interest at 3.91%. Revenue is recorded as actual expenses are incurred. Revenue recorded for the years ended June 30, 2010 and 2009 was \$0 and \$29,959, respectively. Remaining deferred revenue at June 30, 2010 and 2009 was \$2,983,466 and \$2,983,466, respectively.

The Department has requested federal assistance with these projects. To the extent such federal assistance is received, the loan balance may be reduced in future periods by 75% of the total federal assistance received, in accordance with the settlement agreement. The loan balance at June 30, 2010 and 2009 was \$0 and \$1,294,686, respectively.

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(7) Changes in Long-Term Liabilities

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

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

Long-term liability activity for the year ended June 30, 2009 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Revenue bonds :					
Revenue bonds, gross	\$ 994,575,000	\$ 223,190,000	\$ (73,510,000)	\$ 1,144,255,000	\$ 74,380,000
Deferred amount on refunding	(1,938,947)	—	296,772	(1,642,175)	(290,030)
Revenue bonds, net	992,636,053	223,190,000	(73,213,228)	1,142,612,825	74,089,970
General obligation bonds	2,783,006	—	(676,105)	2,106,901	655,587
Bond issue premium, net of accumulated amortization	28,364,564	14,070,933	(7,165,437)	35,270,060	7,775,660
Compensated absences	388,894	—	(3,208)	385,686	58,776
Long-term liabilities	<u>\$ 1,024,172,517</u>	<u>\$ 237,260,933</u>	<u>\$ (81,057,978)</u>	<u>\$ 1,180,375,472</u>	<u>\$ 82,579,993</u>

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

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(8) General Obligation Bonds Outstanding

General obligation bonds outstanding at June 30, 2010 and 2009 are detailed as follows:

Sale #	Description and interest rates	Maturity date (fiscal year)	Balance outstanding	
			June 30	
			2010	2009
194	GO 2005B, 5.00%	2015	\$ 587,160	\$ 687,344
191	GO + Refunding 2004A, 3.00% – 6.00%	2014	60,066	75,082
188	GO Refunding 2003B, 4.00% – 5.00%	2012	698,388	1,185,925
185	GO + Refunding 2002A, 4.00% – 5.25%	2013	105,700	158,550
	Total		1,451,314	2,106,901
	Less current portion		663,330	655,587
	Long-term portion		\$ 787,984	\$ 1,451,314

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

The annual requirement to amortize all general obligation bonds payable as of June 30, 2010 was as follows:

	Principal maturity	Interest maturity	Total
Year ending June 30:			
2011	\$ 663,330	\$ 56,194	\$ 719,524
2012	346,503	30,923	377,426
2013	195,189	17,951	213,140
2014	142,866	9,777	152,643
2015	103,426	4,137	107,563
	\$ 1,451,314	\$ 118,982	\$ 1,570,296

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(9) Revenue Bonds Outstanding

Revenue bonds outstanding at June 30, 2010 and 2009 are detailed as follows:

<u>Date of issue/ maturity</u>	<u>Amount of original issue</u>	<u>Description and fixed interest rates</u>	<u>Balance outstanding</u>	
			<u>June 30</u>	
			<u>2010</u>	<u>2009</u>
Senior bonds:				
2000/2020	\$ 83,995,000	Transportation System Senior Revenue Bonds, 2000 Series, 5.50%	\$ 3,910,000	\$ 7,625,000
2001/2021	85,000,000	Transportation System Senior Revenue Bonds, 2001 Series, 4.50% – 5.00%	24,415,000	28,085,000
2002/2022	173,680,000	Transportation System Senior Revenue Bonds, 2002 Series B, 4.00% – 5.25%	98,245,000	102,070,000
2003/2023	277,210,000	Transportation System Senior Revenue Bonds, 2003 Series, 4.50% – 5.00%	153,305,000	178,405,000
2004/2024	167,550,000	Transportation System Senior Revenue Bonds, 2004 Series, 4.00% – 5.00%	149,330,000	153,260,000
2005/2025	150,000,000	Transportation System Senior Revenue Bonds, 2005 Series, 4.25% – 5.00%	139,510,000	146,500,000
2006/2026	127,445,000	Transportation System Senior Revenue Bonds, 2006 Series, 3.50% – 5.00%	116,240,000	120,700,000
2007/2021	87,890,000	Transportation System Senior Revenue Bonds, 2007A Series, 4.00% – 5.00%	79,280,000	87,285,000
2008/2028	84,720,000	Transportation System Senior Revenue Bonds, 2008A Series, 4.00% – 5.00%	82,450,000	84,720,000

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<u>Date of issue/ maturity</u>	<u>Amount of original issue</u>	<u>Description and fixed interest rates</u>	<u>Balance outstanding</u>	
			<u>June 30</u>	
			<u>2010</u>	<u>2009</u>
2008/2029	\$ 117,875,000	Transportation System Senior Revenue Bonds, 2008B Series, 4.00% – 5.00%	\$ 117,875,000	\$ 117,875,000
2009/2029	105,315,000	Transportation System Senior Revenue Bonds, 2009A Series, 5.00%	105,315,000	105,315,000
Junior bonds: 2002/2009	48,120,000	Transportation System Junior Revenue Bonds, 2002 Series, 5.00%	—	12,415,000
GARVEE bonds: 2010/2025	113,490,000	Transportation System Grant Anticipation Bonds, 2010 Series, 2.00% – 5.00%	113,490,000	—
		Total, gross	1,183,365,000	1,144,255,000
		Less deferred amount on refunding	1,352,143	1,642,175
		Total, net	1,182,012,857	1,142,612,825
		Less current portion	71,489,182	74,089,970
		Long-term portion	<u>\$ 1,110,523,675</u>	<u>\$ 1,068,522,855</u>

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

	<u>2010</u>	<u>2009</u>
Pledged operating revenues	\$ 360,831,526	\$ 362,726,640
Investment income	3,116,721	4,672,516
	<u>\$ 363,948,247</u>	<u>\$ 367,399,156</u>

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

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

The Authority had a total of \$200,199,267 and \$80,326,546 in authorized but unissued revenue bonds at June 30, 2010 and 2009, respectively, to fund a portion of the Department of Transportation Capital Improvement Program.

The annual requirement to amortize all revenue bonds payable as of June 30, 2010 was as follows:

	<u>Principal maturity</u>	<u>Interest maturity</u>	<u>Total</u>
Year(s) ending June 30:			
2011	\$ 71,760,000	\$ 53,061,115	\$ 124,821,115
2012	77,035,000	50,946,811	127,981,811
2013	79,590,000	47,118,867	126,708,867
2014	78,375,000	43,209,973	121,584,973
2015	78,680,000	39,456,028	118,136,028
2016 – 2020	365,770,000	143,644,268	509,414,268
2021 – 2025	309,960,000	63,864,151	373,824,151
2026 – 2030	122,195,000	12,484,896	134,679,896
	<u>\$ 1,183,365,000</u>	<u>\$ 453,786,109</u>	<u>\$ 1,637,151,109</u>

(10) Debt Defeasance

The Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt had been issued, and the proceeds had been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures.

For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability. As of June 30, 2010 and 2009, the amount of defeased debt outstanding amounted to \$151,610,621 and \$151,610,701, respectively.

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(11) Designated Net Assets

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

	2010	2009
DTC Transit Fund:		
Unexpended appropriations authorized by the State Budget Bills were carried forward as a designated net asset. For the years ended June 30, 2010 and 2009, the DTC Transit Fund expended authorized appropriations amounting to \$73,525,141 and \$71,552,987, respectively. The remaining totals of budgeted appropriations to be paid in future periods are:	\$ 162,180	\$ 817,121
Other Transportation Funds:		
Authorized appropriations expended to fund State highway administration, planning, operating costs, and Expressways Operations/Toll Administration operations for the years ended June 30, 2010 and 2009 were \$140,825,431 and \$139,597,225, respectively. Unexpended appropriations have been designated for approved expenses and are classified as designated net assets in the amounts of:	12,937,820	17,107,736
Total designated net assets	\$ 13,100,000	\$ 17,924,857

(12) Restricted Net Assets

Restricted net assets were as follows at June 30:

	2010	2009
Rebate Fund		
Amounts generated from operations to meet future arbitrage rebate requirements	\$ 461,864	\$ —
Debt Service Funds:		
Amounts generated from operations required by the Trust Agreement to be provided to meet current principal and interest payments	94,910,090	99,468,758
Debt Reserve Funds:		
Amounts generated from operations required by the Trust Agreement to be provided as a reserve for future principal and interest payments	64,529,014	64,485,348
Total restricted net assets	\$ 159,900,968	\$ 163,954,106

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2010 and 2009

(13) International Registration Plan

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

Net revenues recorded during fiscal years 2010 and 2009 were \$8,277,904 and \$8,756,346, respectively. IRP fees were included in motor vehicle registration fee revenue.

(14) 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 reallocated based on a proration of miles traveled in each jurisdiction. Net revenues recorded during fiscal years 2010 and 2009 were \$2,850,720 and \$4,887,150, respectively.

(15) Retirement Benefits

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

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

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

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2010 and 2009

The trend information for the current and preceding two years was as follows as of June 30 (required supplemental information unaudited):

Fiscal year	Annual retirement expense	Pension plan	Employer contribution rate		Total
			PRI	RHI	
2010	\$ 558,297	6.71%	1.40%	7.16%	15.27%
2009	636,174	6.68	2.20	6.99	15.87
2008	644,134	7.07	2.52	6.99	16.58

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

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

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

(16) Transfers

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

	<u>2010</u>	<u>2009</u>
Amounts transferred from State General Fund:		
Amounts transferred to the Revenue Fund:		
Division of Revenue, Motor Vehicle Dealer/Lessor License, and Document Fees	\$ 153,239	\$ 298,238
Amounts transferred to the Trust Fund:		
Division of Motor Vehicles	2,842,000	2,869,200
Division of Revenue, Motor Vehicle Dealer/Lessor License, and Document Fees	116,363	—
	<u>\$ 3,111,602</u>	<u>\$ 3,167,438</u>
Amounts transferred from Delaware Department of Transportation:		
Amounts transferred to the Trust Fund:		
Buildings and land improvements	\$ 289,380	\$ —

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2010 and 2009

(17) Related-Party Transactions

Per the terms of the Trust Agreement, the Trust Fund is responsible for reimbursing the State for the Department's operating, maintenance, and capital expenses financed by the State's General Fund. In addition, the Trust Fund is responsible for maintaining funds appropriated by the General Assembly for the Delaware Transit Corporation (DTC), and reimbursing DTC for its operating and capital expenses up to the total amount of the appropriated funds. Total reimbursements for the years ended June 30, 2010 and 2009 were \$324,986,606 and \$381,999,363, respectively. These amounts are included under the caption "Expenses in accordance with Trust Agreement" in the accompanying statements of revenues, expenses, and change in net assets.

(18) Commitments and Contingencies

The Authority had contractual commitments of \$18,270,914 for construction of various highway projects at June 30, 2010. Current and future appropriations will fund these commitments as work is performed.

(19) Risk Management

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

(20) Reclassification

For the year ended June 30, 2009, bond issuance costs were reclassified to conform to current year presentation. This reclassification had no effect on total net assets as of June 30, 2009 or the change in net assets for the year then ended.

REQUIRED SUPPLEMENTARY INFORMATION

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

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

June 30, 2010 and 2009

Bridge condition assessments		Structural rating numbers and percentages for bridges					
		2009		2008		2007	
BCR condition rating		Number	Percentage	Number	Percentage	Number	Percentage
		Good	6 – 9	110	93.2%	108	90.8%
Fair	5	8	6.8	10	8.4	9	7.8
Poor	0 – 4	—	—	1	0.8	1	0.9
Total		118	100.0%	119	100.0%	115	100.0%

		Deck rating numbers and percentages for bridges					
		2009		2008		2007	
OPC condition rating		Square feet	Percentage	Square feet	Percentage	Square feet	Percentage
		Good	6 – 9	1,578,689	96.6%	1,578,689	96.6%
Fair	5	55,994	3.4	55,994	3.4	34,294	2.1
Poor	0 – 4	—	—	—	—	—	—
Total		1,634,683	100.0%	1,634,683	100.0%	1,616,933	100.0%

Roadway condition assessments		Centerline mile numbers and percentages for roadway					
		2008		2007		2006	
BCR condition rating		Centerline mile	Percentage	Centerline mile	Percentage	Centerline mile	Percentage
		Good	3.0 – 5.0	106.08	88.1%	104.96	87.2%
Fair	2.5 – 3.0	4.61	3.8	4.98	4.1	3.98	3.3
Poor	Below 2.5	5.02	4.2	2.91	2.4	3.36	2.8
Under construction	Unrated	4.69	3.9	7.55	6.3	—	—
Total		120.40	100.0%	120.40	100.0%	120.40	100.0%

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

	2010	2009	2008	2007	2006
Estimated	\$ 114	\$ 564	\$ 440	\$ 2,502	\$ 11,152
Actual	375	834	605	4,970	17,331

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

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

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

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

June 30, 2010 and 2009

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

It is the State’s policy to maintain at least 85% of its highways at a fair or better condition level and 75% of its bridge systems at a good or better condition level. No more than 10% of bridges and 15% of roads should be in substandard condition. Currently, bridge condition assessments are conducted every two years. Historically, road condition assessments were conducted every year. Recent changes to the road condition vendor contract has resulted in the inability to provide infrastructure ratings for fiscal year 2010. The Department’s assessment plan will ensure that all infrastructure assets are assessed and evaluated within the three year period. Due to the timing of these condition assessments, information for the fiscal year ended June 30, 2010 is not available.

ADDITIONAL INFORMATION

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Balance Sheet in accordance with Trust Agreement

June 30, 2010

(with comparative totals for June 30, 2009)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt Reserve</u>	<u>Total (memorandum only)</u>	
	<u>2010</u>	<u>2009</u>		<u>2010</u>	<u>2009</u>
Current assets:					
Cash and cash equivalents:					
Unrestricted	\$ 9,251,999	\$ 73,260	\$ —	\$ 9,325,259	\$ 11,078,226
Restricted	—	—	268	268	5,318
Investments – at fair value:					
Unrestricted	48,600,125	38,991,929	—	87,592,054	168,277,010
Restricted	—	220,056,593	14,750,299	234,806,892	106,433,402
Accrued interest receivable	—	45,571	442,001	487,572	768,122
Accounts receivable	5,437,936	1,309,157	—	6,747,093	7,181,614
Loan receivable	—	—	—	—	1,294,686
Bond issuance costs - net of accumulated amortization	—	226,029	—	226,029	123,137
Total current assets	<u>63,290,060</u>	<u>260,702,539</u>	<u>15,192,568</u>	<u>339,185,167</u>	<u>295,161,515</u>
Noncurrent assets:					
Capital assets:					
Infrastructure and land	—	1,131,204,770	—	1,131,204,770	1,103,062,043
Buildings and land improvements	—	8,136,689	—	8,136,689	7,847,309
	—	1,139,341,459	—	1,139,341,459	1,110,909,352
Less accumulated depreciation	—	3,297,296	—	3,297,296	3,103,284
Capital assets	—	1,136,044,163	—	1,136,044,163	1,107,806,068
Investments – at fair value:					
Unrestricted	—	10,157,658	—	10,157,658	1,510,320
Restricted	461,864	—	49,336,446	49,798,310	56,927,538
Loans receivable, net of current portion	—	—	—	—	20,297,835
Bond issuance costs - net of accumulated amortization and current portion	—	2,101,043	—	2,101,043	1,404,835
Total noncurrent assets	<u>461,864</u>	<u>1,148,302,864</u>	<u>49,336,446</u>	<u>1,198,101,174</u>	<u>1,187,946,596</u>
Total assets	<u>\$ 63,751,924</u>	<u>1,409,005,403</u>	<u>64,529,014</u>	<u>1,537,286,341</u>	<u>1,483,108,111</u>

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Balance Sheet in accordance with Trust Agreement

June 30, 2010

(with comparative totals for June 30, 2009)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt Reserve</u>	<u>Total (memorandum only)</u>	
				<u>2010</u>	<u>2009</u>
Current liabilities:					
Accounts payable	\$ 10,964,458	\$ 40,807	\$ —	\$ 11,005,265	\$ 13,441,702
Accrued payroll payable	403,501	—	—	403,501	458,011
Compensated absences payable	59,705	—	—	59,705	58,776
Customer toll deposits	7,330,574	—	—	7,330,574	7,354,941
Deferred revenues	—	2,983,466	—	2,983,466	2,983,466
General obligation bonds payable	—	663,330	—	663,330	655,587
Revenue bonds payable – net of deferred amounts on refunding	—	71,489,182	—	71,489,182	74,089,970
Bond issue premium – net of accumulated amortization	—	7,548,149	—	7,548,149	7,775,660
Interest payable	—	25,800,022	—	25,800,022	25,387,581
Total current liabilities	<u>18,758,238</u>	<u>108,524,956</u>	<u>—</u>	<u>127,283,194</u>	<u>132,205,694</u>
Noncurrent liabilities:					
Compensated absences – net of current portion	307,090	—	—	307,090	326,910
General obligation bonds payable – net of current portion	—	787,984	—	787,984	1,451,314
Revenue bonds payable – net of deferred amounts on refunding and current portion	—	1,110,523,675	—	1,110,523,675	1,068,522,855
Bond issue premium – net of accumulated amortization and current portion	—	32,296,132	—	32,296,132	27,494,400
Total noncurrent liabilities	<u>307,090</u>	<u>1,143,607,791</u>	<u>—</u>	<u>1,143,914,881</u>	<u>1,097,795,479</u>
Total liabilities	<u>19,065,328</u>	<u>1,252,132,747</u>	<u>—</u>	<u>1,271,198,075</u>	<u>1,230,001,173</u>
Net assets:					
Invested in capital assets – net of related debt	—	40,209,286	—	40,209,286	10,985,572
Restricted	461,864	94,910,090	64,529,014	159,900,968	163,954,106
Unrestricted	44,224,732	21,753,280	—	65,978,012	78,167,260
Total net assets	<u>44,686,596</u>	<u>156,872,656</u>	<u>64,529,014</u>	<u>266,088,266</u>	<u>253,106,938</u>
Total liabilities and net assets	<u>\$ 63,751,924</u>	<u>\$ 1,409,005,403</u>	<u>\$ 64,529,014</u>	<u>\$ 1,537,286,341</u>	<u>\$ 1,483,108,111</u>

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

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

Year ended June 30, 2010

(with comparative totals for the year ended June 30, 2009)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt Reserve</u>	<u>Total (memorandum only)</u>	
				<u>2010</u>	<u>2009</u>
Operating revenues:					
Pledged revenue:					
Turnpike revenue	\$ 119,398,945	\$ —	\$ —	\$ 119,398,945	\$ 121,225,273
Motor fuel tax revenue	112,888,804	—	—	112,888,804	114,579,330
Motor vehicle document fee revenue	58,353,219	—	—	58,353,219	56,200,134
Motor vehicle registration fee revenue	44,524,380	—	—	44,524,380	43,349,300
Other motor vehicle revenue	22,815,458	—	—	22,815,458	22,485,453
International Fuel Tax Agreement revenue	2,850,720	—	—	2,850,720	4,887,150
Total pledged revenue	360,831,526	—	—	360,831,526	362,726,640
Toll revenue – Delaware SR-1	45,502,245	—	—	45,502,245	44,496,240
Property management revenue	—	411,321	—	411,321	445,832
Railway tolls	—	924,356	—	924,356	1,513,315
Traffic violations	—	3,353,947	—	3,353,947	4,701,814
Miscellaneous	—	2,941,008	—	2,941,008	1,554,302
Total operating revenues	406,333,771	7,630,632	—	413,964,403	415,438,143
Operating expenses:					
Expressways operations/toll administration and interstate operating expenses	17,888,822	—	—	17,888,822	16,907,838
Expenses in accordance with Trust Agreement:					
Transportation capital preservation and operations	122,936,609	128,524,856	—	251,461,465	310,446,376
Delaware Transit Corporation operations	73,525,141	—	—	73,525,141	71,552,987
Depreciation	—	194,012	—	194,012	189,589
	214,350,572	128,718,868	—	343,069,440	399,096,790
Operating income (loss)	191,983,199	(121,088,236)	—	70,894,963	16,341,353

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

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

Year ended June 30, 2010

(with comparative totals for the year ended June 30, 2009)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt Reserve</u>	<u>Total (memorandum only)</u>	
				<u>2010</u>	<u>2009</u>
Nonoperating revenues (expenses):					
Pledged revenue – income from investments	\$ (313,219)	\$ 312,687	\$ 2,302,881	\$ 2,302,349	\$ 4,672,516
Net increase in the fair value of investments	26,299	72,837	464,320	563,456	962,903
Loss on note receivable	—	(20,297,835)	—	(20,297,835)	—
Interest income	—	38,089	—	38,089	87,265
Interest expense	—	(43,920,676)	—	(43,920,676)	(40,571,359)
Total nonoperating revenues (expenses)	<u>(286,920)</u>	<u>(63,794,898)</u>	<u>2,767,201</u>	<u>(61,314,617)</u>	<u>(34,848,675)</u>
Income (loss) before transfers	191,696,279	(184,883,134)	2,767,201	9,580,346	(18,507,322)
Transfer from State General Fund	153,239	2,958,363	—	3,111,602	3,167,438
Transfer from Delaware Department of Transportation	—	289,380	—	289,380	—
Transfer in of funds in accordance with Trust Agreement	644,883,548	421,753,838	80	1,066,637,466	1,422,539,840
Transfer out of funds in accordance with Trust Agreement	<u>(840,322,770)</u>	<u>(223,591,081)</u>	<u>(2,723,615)</u>	<u>(1,066,637,466)</u>	<u>(1,422,539,840)</u>
Change in net assets	(3,589,704)	16,527,366	—	12,981,328	(15,339,884)
Total net assets – beginning of year	<u>48,276,300</u>	<u>140,345,290</u>	<u>64,485,348</u>	<u>253,106,938</u>	<u>268,446,822</u>
Total net assets – end of year	<u>\$ 44,686,596</u>	<u>156,872,656</u>	<u>64,529,014</u>	<u>266,088,266</u>	<u>253,106,938</u>

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Statement of Cash Flows in accordance with Trust Agreement

June 30, 2010

(with comparative totals for the year ended June 30, 2009)

	Operations	Trust Holdings	Debt Reserve	Total (memorandum only)	
				2010	2009
Cash flows from operating activities:					
Receipts from customers	\$ 407,283,082	\$ 7,091,475	\$ —	\$ 414,374,557	\$ 414,478,081
Payments to employees	(6,432,274)	—	—	(6,432,274)	(6,870,036)
Payments to suppliers	(210,267,325)	(128,685,667)	—	(338,952,992)	(389,175,522)
Net cash provided by (used in) operating activities	190,583,483	(121,594,192)	—	68,989,291	18,432,523
Cash flows from noncapital financing activities:					
Transfers from State General Fund	153,239	2,958,363	—	3,111,602	3,167,438
Transfers from Delaware Department of Transportation	—	289,380	—	289,380	—
Transfer in of funds in accordance with Trust Agreement	644,883,548	421,753,838	80	1,066,637,466	—
Transfer out of funds in accordance with Trust Agreement	(840,322,770)	(223,591,081)	(2,723,615)	(1,066,637,466)	—
Net cash provided by (used in) noncapital financing activities	(195,285,983)	201,410,500	(2,723,535)	3,400,982	3,167,438
Cash flows from capital and related financing activities:					
Payments of revenue bond principal	—	(74,380,000)	—	(74,380,000)	(73,510,000)
Proceeds from revenue bond sale	—	113,490,000	—	113,490,000	223,190,000
Payments of general obligation bond principal	—	(655,587)	—	(655,587)	(676,105)
Premium from revenue bond sale	—	12,455,754	—	12,455,754	14,070,933
Bond issuance costs from revenue bond sale	—	(926,913)	—	(926,913)	(1,580,719)
Acquisition of capital assets	—	(28,432,107)	—	(28,432,107)	(44,113,306)
Payments of interest	—	(50,971,923)	—	(50,971,923)	(43,821,441)
Net cash provided by (used in) capital and related financing activities	—	(29,420,776)	—	(29,420,776)	73,559,362
Cash flows from investing activities:					
Repayment on loan receivable	—	1,294,686	—	1,294,686	1,902,349
Purchase of investments	(1,759,629,882)	(1,557,917,263)	(304,803,711)	(3,622,350,856)	(2,695,511,904)
Proceeds from sale of investments	1,762,830,680	1,505,803,521	305,073,467	3,573,707,668	2,594,977,223
Interest received	(312,859)	485,118	2,448,729	2,620,988	4,740,571
Net cash provided by (used in) investing activities	2,887,939	(50,333,938)	2,718,485	(44,727,514)	(93,891,761)
Net increase (decrease) in cash and cash equivalents	(1,814,561)	61,594	(5,050)	(1,758,017)	1,267,562
Cash and cash equivalents – beginning of year	11,066,560	11,666	5,318	11,083,544	9,815,982
Cash and cash equivalents – end of year	\$ 9,251,999	\$ 73,260	\$ 268	\$ 9,325,527	\$ 11,083,544

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Statement of Cash Flows in accordance with Trust Agreement

June 30, 2010

(with comparative totals for the year ended June 30, 2009)

	Operations	Trust Holdings	Debt Reserve	Total (memorandum only)	
				2010	2009
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 191,983,199	\$ (121,088,236)	\$ —	\$ 70,894,963	\$ 16,341,353
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and retirements of property and equipment	—	194,012	—	194,012	189,589
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	973,678	(539,157)	—	434,521	(2,244,638)
Increase (decrease) in accounts payable	(2,275,626)	(160,811)	—	(2,436,437)	2,858,544
Increase (decrease) in accrued payroll and related expenses	(73,401)	—	—	(73,401)	3,099
Increase (decrease) in customer toll deposits	(24,367)	—	—	(24,367)	1,314,535
Decrease in deferred revenue	—	—	—	—	(29,959)
Net cash provided by (used in) operating activities	\$ 190,583,483	\$ (121,594,192)	\$ —	\$ 68,989,291	\$ 18,432,523
Supplemental disclosure of noncash investing and capital and related financing activities:					
Interest capitalized on Diamond State Port Corporation loan	\$ —	\$ —	\$ —	\$ —	\$ 67,267
Loss on Diamond State Port Corporation loan	—	20,297,835	—	20,297,835	—

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Schedule of Revenue Bonds Outstanding

June 30, 2010

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

Principal	GARVEE	Total	Totals
	2010 Series	GARVEE Bond Series	
FY11	\$ 2,335,000	\$ 2,335,000	\$ 71,760,000
FY12	5,320,000	5,320,000	77,035,000
FY13	6,120,000	6,120,000	79,590,000
FY14	5,645,000	5,645,000	78,375,000
FY15	7,495,000	7,495,000	78,680,000
FY16	6,990,000	6,990,000	76,280,000
FY17	7,280,000	7,280,000	74,840,000
FY18	7,625,000	7,625,000	73,215,000
FY19	7,985,000	7,985,000	71,555,000
FY20	8,375,000	8,375,000	69,880,000
FY21	8,785,000	8,785,000	68,105,000
FY22	9,210,000	9,210,000	65,520,000
FY23	9,625,000	9,625,000	62,795,000
FY24	10,145,000	10,145,000	58,780,000
FY25	10,555,000	10,555,000	54,760,000
FY26	—	—	38,145,000
FY27	—	—	27,470,000
FY28	—	—	19,060,000
FY29	—	—	20,010,000
FY30	—	—	17,510,000
	<u>\$ 113,490,000</u>	<u>\$ 113,490,000</u>	<u>\$ 1,183,365,000</u>

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Schedule of Revenue Bonds Outstanding

June 30, 2009

Principal	Senior											Total Senior Bond Series
	2000 Series	2001 Series	2002 SER B Series	2003 Series	2004 Series	2005 Series	2006 Series	2007 SER A Series	2008 SER A Series	2008 SER B Series	2009 SER A Series	
FY10	\$ 3,715,000	\$ 3,670,000	\$ 3,825,000	\$ 25,100,000	\$ 3,930,000	\$ 6,990,000	\$ 4,460,000	\$ 8,005,000	\$ 2,270,000	\$ —	\$ —	\$ 61,965,000
FY11	3,910,000	3,855,000	4,030,000	26,350,000	4,125,000	5,265,000	4,640,000	8,335,000	5,175,000	3,740,000	—	69,425,000
FY12	—	4,045,000	4,240,000	15,620,000	12,285,000	15,365,000	4,875,000	4,460,000	5,435,000	3,890,000	1,500,000	71,715,000
FY13	—	—	8,675,000	16,405,000	12,810,000	12,345,000	5,115,000	4,680,000	5,705,000	4,045,000	3,690,000	73,470,000
FY14	—	—	9,200,000	17,225,000	13,240,000	12,220,000	5,320,000	5,710,000	1,735,000	4,205,000	3,875,000	72,730,000
FY15	—	—	14,080,000	18,090,000	9,620,000	7,580,000	5,585,000	5,960,000	1,825,000	4,375,000	4,070,000	71,185,000
FY16	—	—	9,985,000	—	22,025,000	7,870,000	5,865,000	105,000	14,620,000	4,550,000	4,270,000	69,290,000
FY17	—	5,175,000	5,435,000	—	18,450,000	2,795,000	6,160,000	4,975,000	15,355,000	4,730,000	4,485,000	67,560,000
FY18	—	5,405,000	5,685,000	8,560,000	10,955,000	11,505,000	6,470,000	5,220,000	2,110,000	4,970,000	4,710,000	65,590,000
FY19	—	—	11,445,000	8,985,000	5,755,000	12,765,000	6,790,000	5,455,000	2,215,000	5,215,000	4,945,000	63,570,000
FY20	—	5,935,000	6,235,000	9,435,000	6,000,000	8,105,000	7,060,000	5,730,000	2,330,000	5,480,000	5,195,000	61,505,000
FY21	—	—	6,535,000	—	6,255,000	3,385,000	7,365,000	22,130,000	2,445,000	5,750,000	5,455,000	59,320,000
FY22	—	—	6,205,000	10,405,000	6,520,000	4,680,000	7,675,000	6,520,000	2,540,000	6,040,000	5,725,000	56,310,000
FY23	—	—	6,495,000	10,870,000	6,805,000	6,025,000	7,980,000	—	2,645,000	6,340,000	6,010,000	53,170,000
FY24	—	—	—	11,360,000	7,090,000	6,135,000	8,330,000	—	2,750,000	6,660,000	6,310,000	48,635,000
FY25	—	—	—	—	7,395,000	11,625,000	8,695,000	—	2,865,000	7,000,000	6,625,000	44,205,000
FY26	—	—	—	—	—	11,845,000	9,000,000	—	2,980,000	7,360,000	6,960,000	38,145,000
FY27	—	—	—	—	—	—	9,315,000	—	3,105,000	7,745,000	7,305,000	27,470,000
FY28	—	—	—	—	—	—	—	—	3,240,000	8,150,000	7,670,000	19,060,000
FY29	—	—	—	—	—	—	—	—	3,375,000	8,580,000	8,055,000	20,010,000
FY30	—	—	—	—	—	—	—	—	—	9,050,000	8,460,000	17,510,000
	<u>\$ 7,625,000</u>	<u>\$ 28,085,000</u>	<u>\$ 102,070,000</u>	<u>\$ 178,405,000</u>	<u>\$ 153,260,000</u>	<u>\$ 146,500,000</u>	<u>\$ 120,700,000</u>	<u>\$ 87,285,000</u>	<u>\$ 84,720,000</u>	<u>\$ 117,875,000</u>	<u>\$ 105,315,000</u>	<u>\$ 1,131,840,000</u>

Principal	Junior 2002 Series	Total Junior Bond Series	Totals
	FY10	\$ 12,415,000	\$ 12,415,000
FY11	—	—	69,425,000
FY12	—	—	71,715,000
FY13	—	—	73,470,000
FY14	—	—	72,730,000
FY15	—	—	71,185,000
FY16	—	—	69,290,000
FY17	—	—	67,560,000
FY18	—	—	65,590,000
FY19	—	—	63,570,000
FY20	—	—	61,505,000
FY21	—	—	59,320,000
FY22	—	—	56,310,000
FY23	—	—	53,170,000
FY24	—	—	48,635,000
FY25	—	—	44,205,000
FY26	—	—	38,145,000
FY27	—	—	27,470,000
FY28	—	—	19,060,000
FY29	—	—	20,010,000
FY30	—	—	17,510,000
	<u>\$ 12,415,000</u>	<u>\$ 12,415,000</u>	<u>\$ 1,144,255,000</u>

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

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

Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Toll revenues – Delaware Turnpike	\$ 115,860,387	\$ 117,506,703
Toll revenues – Delaware SR-1	45,502,245	44,496,240
	<u>161,362,632</u>	<u>162,002,943</u>
Add – toll variance and violations	1,149,946	1,076,478
	<u>162,512,578</u>	<u>163,079,421</u>
Service area rentals:		
Marriott restaurants	2,015,533	1,654,012
Service stations:		
Exxon	—	26,000
Sunoco	169,719	728,452
	<u>2,185,252</u>	<u>2,408,464</u>
Other Turnpike revenues	203,360	233,628
Total Turnpike revenues	<u>164,901,190</u>	<u>165,721,513</u>
Delaware Turnpike expenses:		
Personnel	2,506,644	2,768,724
Utilities	160,839	174,116
Contracted services	502,515	410,846
	<u>3,169,998</u>	<u>3,353,686</u>
Toll administration expenses:		
Personnel	1,075,267	1,075,727
Capital outlay and travel	33,150	57,742
Utilities	32,537	86,106
Contracted services	9,822,841	8,356,760
	<u>10,963,795</u>	<u>9,576,335</u>
Delaware SR-1 expenses:		
Personnel	2,850,363	3,025,585
Utilities	325,792	357,831
Contracted services	578,874	594,401
	<u>3,755,029</u>	<u>3,977,817</u>
Total expenses	<u>17,888,822</u>	<u>16,907,838</u>
Excess of revenues over expenses	<u>\$ 147,012,368</u>	<u>\$ 148,813,675</u>

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

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

Years ended June 30, 2010 and 2009

	2010			2009		
	Budget	Actual*	Variance	Budget	Actual*	Variance
Delaware Turnpike expenditures:						
Personnel	\$ 2,918,000	\$ 2,546,072	\$ 371,928	\$ 2,974,500	\$ 2,774,565	\$ 199,935
Utilities	146,500	177,500	(31,000)	146,500	177,500	(31,000)
Contracted services	621,500	571,909	49,591	621,500	487,984	133,516
	<u>3,686,000</u>	<u>3,295,481</u>	<u>390,519</u>	<u>3,742,500</u>	<u>3,440,049</u>	<u>302,451</u>
Toll administration expenditures:						
Personnel	1,139,900	1,079,345	60,555	1,159,400	1,073,352	86,048
Capital outlay and travel	47,000	41,613	5,387	67,000	44,091	22,909
Utilities	65,600	92,900	(27,300)	233,000	93,500	139,500
Contracted services	9,531,500	9,226,623	304,877	9,990,300	8,908,657	1,081,643
	<u>10,784,000</u>	<u>10,440,481</u>	<u>343,519</u>	<u>11,449,700</u>	<u>10,119,600</u>	<u>1,330,100</u>
Delaware SR-1 expenditures:						
Personnel	3,185,500	2,880,257	305,243	3,317,900	3,019,019	298,881
Utilities	412,100	353,800	58,300	244,700	341,500	(96,800)
Contracted services	848,300	748,562	99,738	440,400	621,970	(181,570)
	<u>4,445,900</u>	<u>3,982,619</u>	<u>463,281</u>	<u>4,003,000</u>	<u>3,982,489</u>	<u>20,511</u>
Total expenditures	\$ <u>18,915,900</u>	17,718,581	\$ <u>1,197,319</u>	\$ <u>19,195,200</u>	17,542,138	\$ <u>1,653,062</u>
Prior year purchase orders		2,263,770			1,916,898	
Current year purchase orders		(1,613,703)			(2,263,770)	
Purchase order variance		(375,096)			(337,290)	
Prior year accrued expenses		(1,353,960)			(1,304,098)	
Current year accrued expenses		<u>1,249,230</u>			<u>1,353,960</u>	
Accrual basis expenses		\$ <u>17,888,822</u>			\$ <u>16,907,838</u>	

* Includes purchase orders outstanding at June 30.

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Schedule of Revenue Bond Coverage

June 30, 2010

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.

Fiscal year	Gross pledged revenue	Debt service requirements			Coverage*
		Principal	Interest (In thousands)	Total	
2001	\$ 293,026	\$ 35,315	\$ 37,537	\$ 72,852	4.02
2002	303,794	39,565	35,269	74,834	4.06
2003	302,754	41,490	44,957	86,447	3.50
2004	308,091	47,640	38,176	85,816	3.59
2005	300,820	53,920	39,370	93,290	3.22
2006	337,350	58,445	40,573	99,018	3.41
2007	346,954	61,370	45,534	106,904	3.25
2008	381,590	67,640	46,210	113,850	3.35
2009	367,399	73,510	43,619	117,129	3.14
2010	363,948	74,380	50,885	125,265	2.91

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

See accompanying independent auditors' report.