



**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

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**KPMG LLP**  
1601 Market Street  
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## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of the State of Delaware Transportation Trust Fund (TTF), a blended component unit of the Delaware Transportation Authority, which is a blended component unit of the State of Delaware, as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of TTF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 TTF's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the State of Delaware Transportation Trust Fund as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the management's discussion and analysis and required supplementary information for governments that use the modified approach for infrastructure assets on pages 3 – 8 and 32 – 33 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.



Our audit was conducted for the purpose of forming an opinion on TTF's basic financial statements as a whole. 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 Agreements; Schedules of Revenue Bonds Outstanding (June 30, 2012 and 2011); Statements of Operating Revenues and Expenses – Expressway Operations/Toll Administration; Schedule of Cash Basis Expenditures Compared to Budget – Expressway Operations/Toll Administration; and Schedule of Revenue Bond Coverage are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The additional information described above has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information described above is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

October 19, 2012

**DELAWARE TRANSPORTATION AUTHORITY  
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Management's Discussion and Analysis (Unaudited)

June 30, 2012 and 2011

This section of the Delaware Transportation Authority (the Authority) Transportation Trust Fund's (the Trust Fund) annual financial statements presents our discussion and analysis of the Trust Fund's financial performance during the fiscal years ended June 30, 2012 and 2011.

**Background**

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

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

**Financial Highlights**

- The Trust Fund issued \$222,870,000 of Senior Revenue Refunding Bonds, 2012 Series, to reduce future debt service payments. The transaction decreased total indebtedness by \$27,825,000 and reduced future debt-service payments by \$31,811,076.
- Motor Vehicle sales continued to be strong, as a result, Motor Vehicle Document Fee Revenues increased by \$2.8 million, a 4.1% gain over FY2011. This comes after a strong performance last year, when revenues increased by \$9.9 million (+17.0%) over FY2010.
- Total operating revenues increased to \$428.8 million, an increase of 0.7% compared to FY2011.

**Overview of the Financial Statements**

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

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

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

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June 30, 2012 and 2011

**Financial Analysis of the Trust Fund**

***Balance Sheets***

The Trust Fund's total assets decreased 1.1% to \$1,627.7 million at June 30, 2012, compared to \$1,646.3 million at June 30, 2011, and \$1,537.3 million at June 30, 2010. Total liabilities decreased 7.0% to \$1,212.4 million at June 30, 2012, compared to \$1,303.1 million at June 30, 2011, and \$1,271.2 million at June 30, 2010. Net assets at June 30, 2012 increased 21.0% to \$415.3 million, compared to \$343.2 million at June 30, 2011, and \$266.1 million at June 30, 2010.

<b>Transportation Trust Fund's Net Assets</b>					
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>Percentage change 2012-2011</u>	<u>Percentage change 2011-2010</u>
	(Dollars in millions)				
Current assets	\$ 301.7	403.2	339.2	(25.2)%	18.9%
Capital assets	1,234.7	1,165.2	1,136.0	6.0	2.6
Other noncurrent assets	91.3	77.9	62.1	17.2	25.4
Total assets	<u>\$ 1,627.7</u>	<u>1,646.3</u>	<u>1,537.3</u>	(1.1)	7.1
Current liabilities	\$ 146.1	133.6	127.3	9.4%	4.9%
Revenue bonds payable	1,007.1	1,133.3	1,110.5	(11.1)	2.1
Other noncurrent liabilities	59.2	36.2	33.4	63.5	8.4
Total liabilities	<u>\$ 1,212.4</u>	<u>1,303.1</u>	<u>1,271.2</u>	(7.0)	2.5
Net assets:					
Invested in capital assets, net of debt	\$ 156.2	62.2	40.2	151.1%	54.7%
Restricted	166.9	170.8	159.9	(2.3)	6.8
Unrestricted	92.2	110.2	66.0	(16.3)	67.0
Total net assets	<u>\$ 415.3</u>	<u>343.2</u>	<u>266.1</u>	21.0	29.0

The decrease in current assets is attributed to the smaller cash and cash equivalent and investment balances, which declined as the Trust Fund expended the carryover bond proceeds from FY2011. Also, no bond proceeds were added, as new debt issued during the fiscal year was solely for the purpose of refunding existing debt. During FY2011, the increase in current assets was attributed to the larger cash and cash equivalents, and investment balances as a result of delays in the capital program decreasing capital spending during the fiscal year.

Total liabilities decreased by 7.0% to \$1,212.4 million. Revenue bonds payable decreased as indebtedness was reduced by \$27.8 million due to the bond refunding during the fiscal year and from not issuing additional debt during the fiscal year. A bond issue premium resulted in an increase in other noncurrent liabilities. The small increase in liabilities during fiscal year 2011 is primarily attributed to escrow deposits relating to the GARVEE bond debt service and an increase in revenue bonds payable from the issuance of Series 2010A and 2010B bonds during 2011.

Net assets invested in capital assets, net of debt, increased by 151.1% to \$156.2 million in FY2012, and by 54.7% to 62.2 million in FY2011. This was primarily a result of capital spending for the US 301 project and the

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Turnpike/SR-1 interchange project in excess of new debt issuances. Unrestricted net assets decreased by 16.3% to \$92.2 million for FY2012, due to the decision to draw down existing cash balances instead of issuing new debt during the year. For FY2011, unrestricted net assets increased by 67.0% to \$110.2 million as a result of delayed capital spending.

***Change in Net Assets***

Total net assets at June 30, 2012 were \$415.3 million, compared to \$343.2 million at June 30, 2011, and \$266.1 million at June 30, 2010. Total operating revenues increased 0.7% to \$428.8 million for fiscal year 2012, compared to \$425.6 million for fiscal year 2011, and \$414.0 million for fiscal year 2010. Total operating expenses increased 10.0% to \$374.7 million for fiscal year 2012, compared to \$340.5 million for fiscal year 2011, and \$343.1 million for fiscal year 2010.

**Transportation Trust Fund's Changes in Net Assets**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>Percentage change 2012-2011</u>	<u>Percentage change 2011-2010</u>
	(Dollars in millions)				
Operating revenues:					
Turnpike revenue	\$ 117.1	115.9	119.4	1.0%	(2.9)%
Motor fuel tax	112.9	113.7	112.9	(0.7)	0.7
Motor vehicle document fee	71.1	68.3	58.4	4.1	17.0
Motor vehicle registration fee	46.6	47.2	44.5	(1.3)	6.1
Other motor vehicle revenue	25.0	24.6	22.8	1.6	7.9
International Fuel Tax Agreement	3.0	2.9	2.9	3.4	—
Toll revenue – SR-1	44.9	44.4	45.5	1.1	(2.4)
Miscellaneous	8.2	8.6	7.6	(4.7)	13.2
Total operating revenues	<u>428.8</u>	<u>425.6</u>	<u>414.0</u>	0.8	2.8
Operating expenses:					
Toll operations expenses	17.3	16.6	17.9	4.2	(7.3)
Capital preservation and operations	279.7	250.2	251.5	11.8	(0.5)
DTC operations	77.5	73.5	73.5	5.4	—
Depreciation	0.2	0.2	0.2	—	—
Total operating expenses	<u>374.7</u>	<u>340.5</u>	<u>343.1</u>	10.0	(0.8)
Operating income	54.1	85.1	70.9	(36.4)	20.0
Nonoperating expenses – net	(25.2)	(35.2)	(61.3)	(28.4)	(42.6)
Transfers	43.2	27.2	3.4	58.8	700.0
Change in net assets	72.1	77.1	13.0	(6.5)	493.1
Total net assets, beginning of year	<u>343.2</u>	<u>266.1</u>	<u>253.1</u>	29.0	5.1
Total net assets, end of year	<u>\$ 415.3</u>	<u>343.2</u>	<u>266.1</u>	21.0	29.0

Total revenues remained, for the most part, flat over fiscal year 2012 gaining only 0.7% over FY2011. Motor vehicle document fees continued to increase an additional 4.1% over the 17.0% increase in 2011. Turnpike and

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SR-1 toll revenues increased by 1.0% and 1.1% respectively. In 2011, toll revenues were down 2.9% and 2.4%. Motor Fuel tax revenues continued to show weakness as fuel prices remained a concern, decreasing by 0.7% compared to last year.

Total operating expenses for fiscal year 2012 increased by 10.0%. The largest increase was in capital preservation and operations due to increased capital spending and accelerated paving and rehabilitation program expenditures. Delaware Transit Corporation operating expenses also increased in response to increased ridership.

Net nonoperating expenses for fiscal year 2012 decreased by 28.4% to \$25.2 million. This was due to an increase in federal grant revenues and an increase in the fair market value of investments held at year-end. In 2011, net nonoperating expenses decreased by 42.6% to \$35.2 million as a result of an increase in federal grant revenues and the fact that a one-time loss on notes receivable of \$20.3 million was recorded in FY10.

During fiscal year 2012, the following transfers were received from the State's General Fund: Escheat revenues in the amount of \$40.0 million, due to a change in legislation, which increased the annual contribution from the previous level of \$20.0 million. \$0.3 million collected by the Division of Revenue from Motor Vehicle Dealer Fees and \$2.9 million in General Fund support for the Department of Motor Vehicles (DMV). In fiscal year 2011, \$24.0 million in support was received after being suspended in fiscal years 2008, 2009 and 2010; \$0.3 million was collected by the Division of Revenue from motor vehicle dealer fees and \$2.9 million was received in General Fund support for the DMV.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

As of June 30, 2012, the Trust Fund had invested \$1,238.4 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, 2012 totaled \$1,234.7 million. This amount represents a net increase (including additions and disposals, net of depreciation) of \$69.5 million, primarily for the Turnpike/SR-1 interchange project and the US 301 project. As of June 30, 2011, the Trust Fund had invested \$1,168.7 million in capital assets. Net of accumulated depreciation, the Trust Fund's net capital assets at June 30, 2011 totaled \$1,165.2 million. This amount represents a net increase of \$29.2 million from fiscal year 2010, 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 Delaware Department of Transportation'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.

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

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

At December 31, 2011, 99.8% of the Trust Fund's roadway condition assessments were in the fair or better category. This was the same as the 2009 rating. At June 30, 2012, 90.6% of the bridge structures were in the good or better category, a small decrease from the prior year at 92.3%, and 93.4% of the bridge deck ratings were in the good or better category, which was no change from the prior year.

For FY2012 and FY2011, significant variances between estimated and actual maintenance and preservation costs, as reported on page 32, are due to the methodology used to develop these numbers. The estimated costs represent annual Bond Bill authorizations and federal spending appropriations, the actual spending of which may occur over several years, whereas the actual amounts relate to spending in a single year, regardless of when the spending was authorized or appropriated.

***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, 2012, the Authority had \$1,106.7 million in revenue bonds outstanding, an 8.6% decrease from June 30, 2011. On June 30, 2012 and 2011, the Authority had a total of \$235.6 million in authorized but unissued revenue bonds. On April 11, 2012, the Trust Funds issued \$222.9 million of Transportation System Senior Revenue Bonds, 2012 Series, to provide for an advance refunding of \$250.7 million prior Transportation System Senior Revenue Bonds. The refunding was to reduce the total future debt service payments. The transaction resulted in an economic gain of \$27.1 million and a reduction of \$31.8 million in future debt service payments. Of the twelve 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 Aa2 by Standard and Poor's and Moody's Investors Services, respectively. At June 30, 2010, the Authority had \$1,210.9 million in revenue bonds outstanding, a 2.3% increase from June 30, 2010. During 2011, the Authority issued senior revenue bonds for \$47.7 million and senior revenue Build America Bonds (BAB) for \$72.1 million. The \$47.7 million issuance provided for the advanced refunding of \$20.6 million in existing bonds and \$27.1 million in new money.

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**Next Year's Budget**

The Department's fiscal year 2013 Operating Annual Budget adopted by the General Assembly in June 2012 totals \$346.6 million and the fiscal year 2013 Capital Improvements Act totals \$173.5 million in State-authorized funds. The Capital Improvements Act authorizes funding of the following improvements: \$98.8 million of Road System, \$21.8 million of Grants and Allocations, \$13.3 million of Transit System, and \$39.6 million for Support System. The spending of these capital authorizations will occur over several years. The Capital Transportation Plan spending forecast for fiscal year 2013 is \$601.7 million, inclusive of \$286.0 and \$315.7 million in state and federal funds, respectively. The State forecast includes \$60.6 million in GARVEE spending.

**Contacting the Trust Fund's Financial Management**

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

**DELAWARE TRANSPORTATION AUTHORITY  
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Balance Sheets

June 30, 2012 and 2011

Assets	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 17,333,528	17,501,798
Restricted	7,196,618	64,042,007
Investments – at fair value:		
Unrestricted	94,649,196	127,815,239
Restricted	171,577,442	185,341,783
Accrued interest receivable	643,165	694,941
Accounts receivable	9,929,296	7,563,858
Prepaid expenses	60,975	—
Bond issuance costs – net of accumulated amortization	319,747	263,205
Total current assets	<u>301,709,967</u>	<u>403,222,831</u>
Noncurrent assets:		
Capital assets:		
Infrastructure and land	1,230,246,094	1,160,554,034
Buildings and land improvements	8,136,689	8,136,689
	<u>1,238,382,783</u>	<u>1,168,690,723</u>
Less accumulated depreciation	3,681,730	3,489,513
Capital assets	1,234,701,053	1,165,201,210
Investments – at fair value:		
Unrestricted	25,809,386	12,749,614
Restricted	63,112,858	62,906,082
Bond issuance costs – net of accumulated amortization and current portion	2,373,959	2,182,781
Total noncurrent assets	<u>1,325,997,256</u>	<u>1,243,039,687</u>
Total assets	<u>\$ 1,627,707,223</u>	<u>1,646,262,518</u>

See accompanying notes to financial statements.

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Balance Sheets

June 30, 2012 and 2011

<b>Liabilities and Net Assets</b>	<b>2012</b>	<b>2011</b>
	<u>                    </u>	<u>                    </u>
Current liabilities:		
Accounts payable	\$ 14,457,549	6,086,929
Accrued payroll payable	243,656	446,758
Compensated absences payable	68,275	53,629
Customer toll deposits	12,335,843	10,788,734
Deferred revenue	649,030	—
Escrow deposits	2,015,501	3,612,108
General obligation bonds payable	195,189	346,503
Revenue bonds payable – net of deferred amounts on refunding	80,537,770	75,960,451
Bond issue premium – net of accumulated amortization	12,872,769	7,952,314
Interest payable	22,727,471	28,400,631
	<u>146,103,053</u>	<u>133,648,057</u>
Noncurrent liabilities:		
Compensated absences – net of current portion	238,151	260,051
Return of federal funds	2,999,719	5,999,719
General obligation bonds payable – net of current portion	246,292	441,481
Revenue bonds payable – net of deferred amounts on refunding and current portion	1,007,131,297	1,133,291,243
Bond issue premium – net of accumulated amortization and current portion	55,690,042	29,450,245
	<u>1,066,305,501</u>	<u>1,169,442,739</u>
Total noncurrent liabilities	<u>1,066,305,501</u>	<u>1,169,442,739</u>
Total liabilities	<u>1,212,408,554</u>	<u>1,303,090,796</u>
Net assets:		
Invested in capital assets – net of related debt	156,163,826	62,163,744
Restricted	166,870,590	170,782,875
Unrestricted	92,264,253	110,225,103
	<u>415,298,669</u>	<u>343,171,722</u>
Total net assets	<u>415,298,669</u>	<u>343,171,722</u>
Total liabilities and net assets	<u>\$ 1,627,707,223</u>	<u>1,646,262,518</u>

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Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2012 and 2011

	<b>2012</b>	<b>2011</b>
Operating revenues:		
Pledged revenue:		
Turnpike revenue	\$ 117,132,849	115,895,081
Motor fuel tax revenue	112,908,210	113,753,475
Motor vehicle document fee revenue	71,140,742	68,347,132
Motor vehicle registration fee revenue	46,632,409	47,171,633
Other motor vehicle revenue	25,017,296	24,586,694
International Fuel Tax Agreement revenue	2,968,470	2,859,019
Total pledged revenue	375,799,976	372,613,034
Toll revenue – Delaware SR-1	44,889,227	44,429,312
Railway tolls	1,236,462	1,270,118
Traffic violations	4,639,464	4,348,989
Miscellaneous	2,200,628	2,942,043
Total operating revenues	428,765,757	425,603,496
Operating expenses:		
Expressways operations/toll administration and interstate operating expenses	17,308,105	16,594,681
Expenses in accordance with Trust Agreement:		
Transportation capital preservation and operations	279,656,709	250,162,909
Delaware Transit Corporation operations	77,521,008	73,524,092
Depreciation	192,217	192,217
Total operating expenses	374,678,039	340,473,899
Operating income	54,087,718	85,129,597
Nonoperating revenues (expenses):		
Pledged revenue – income from investments	3,159,782	3,573,314
Net increase (decrease) in the fair value of investments	807,018	(973,326)
Bad debt recovery	820,566	788,914
Federal grants	12,075,650	7,801,534
Interest expense	(42,070,709)	(46,469,920)
Excess of nonoperating expenses over nonoperating revenues	(25,207,693)	(35,279,484)
Income before transfers	28,880,025	49,850,113
Transfer from State General Fund	43,246,922	27,233,343
Change in net assets	72,126,947	77,083,456
Total net assets – beginning of year	343,171,722	266,088,266
Total net assets – end of year	\$ 415,298,669	343,171,722

See accompanying notes to financial statements.

**DELAWARE TRANSPORTATION AUTHORITY  
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Statements of Cash Flows

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers	\$ 428,596,458	426,499,231
Payments to employees	(6,135,835)	(6,060,388)
Payments to suppliers	<u>(363,250,698)</u>	<u>(333,149,769)</u>
Net cash provided by operating activities	<u>59,209,925</u>	<u>87,289,074</u>
Cash flows from noncapital financing activities:		
Transfers from State General Fund	<u>43,246,922</u>	<u>27,233,343</u>
Net cash provided by noncapital financing activities	<u>43,246,922</u>	<u>27,233,343</u>
Cash flows from capital and related financing activities:		
Payments of revenue bond principal	(76,320,000)	(71,760,000)
Payment to escrow agent for refunding of revenue bonds	(270,163,203)	(21,057,176)
Proceeds from revenue bond sale	222,870,000	119,835,000
Payments of general obligation bond principal	(346,503)	(663,330)
Premium from revenue bond sale	42,290,886	6,988,431
Bond issuance costs from revenue bond sale	(525,984)	(362,312)
Federal reimbursement of debt service	12,075,650	7,801,534
Acquisition of capital assets	(69,692,060)	(29,349,264)
Payments of interest	<u>(56,565,663)</u>	<u>(52,835,053)</u>
Net cash used in capital and related financing activities	<u>(196,376,877)</u>	<u>(41,402,170)</u>
Cash flows from investing activities:		
Collection on loans previously written off	820,566	788,914
Escrow deposits received/(refunded)	(1,596,607)	2,374,302
Purchase of investments	(3,253,406,589)	(4,126,922,516)
Proceeds from sale of investments	3,287,877,443	4,119,491,386
Interest received	<u>3,211,558</u>	<u>3,365,945</u>
Net cash provided by (used in) investing activities	<u>36,906,371</u>	<u>(901,969)</u>
Net increase (decrease) in cash and cash equivalents	(57,013,659)	72,218,278
Cash and cash equivalents – beginning of year	<u>81,543,805</u>	<u>9,325,527</u>
Cash and cash equivalents – end of year	<u>\$ 24,530,146</u>	<u>81,543,805</u>

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

Statements of Cash Flows

Years ended June 30, 2012 and 2011

	<b>2012</b>	<b>2011</b>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 54,087,718	85,129,597
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	192,217	192,217
Changes in assets and liabilities:		
Increase in accounts receivable	(2,365,438)	(816,765)
Increase in prepaid expenses	(60,975)	—
Increase (decrease) in accounts payable	8,370,620	(4,918,336)
Decrease in accrued payroll and related expenses	(210,356)	(9,858)
Increase in customer toll deposits	1,547,109	3,458,160
Increase (decrease) in deferred revenue	649,030	(1,745,660)
Increase (decrease) in return of federal funds	(3,000,000)	5,999,719
Net cash provided by operating activities	\$ 59,209,925	87,289,074

See accompanying notes to financial statements.

**DELAWARE TRANSPORTATION AUTHORITY  
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Notes to Financial Statements

June 30, 2012 and 2011

**(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, 2012 and 2011 are the Motor Fuel Tax Revenue Bond Trust Agreement (the Motor Fuel Tax Agreement), dated September 1, 1981, as supplemented, and the Transportation Trust Fund Agreement (the Trust Agreement), dated August 1, 1988, as supplemented.

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

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

**DELAWARE TRANSPORTATION AUTHORITY  
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Notes to Financial Statements

June 30, 2012 and 2011

**(2) Summary of Significant Accounting Policies**

**(a) *Basis of Accounting***

The Authority operates as a special purpose government engaged solely in business-type activities. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

**(b) *Cash and Cash Equivalents***

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

**(c) *Allowance for Doubtful Accounts***

Accounts receivable are expected to be fully collectible at June 30, 2012 and 2011, and accordingly, a provision for uncollectible accounts has not been established.

**(d) *Investments***

Investments are recorded at their fair value. Investments at June 30, 2012 and 2011 consisted of U.S. 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 Pronouncements***

The Authority has elected not to apply Financial Accounting Standards Board 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 Trust Fund's financial statements.

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

**DELAWARE TRANSPORTATION AUTHORITY  
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Notes to Financial Statements

June 30, 2012 and 2011

follows the State’s policy with the exception of improvements to land and buildings, which are capitalized, regardless of cost.

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

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

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

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

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

	<b>Years</b>
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.

**DELAWARE TRANSPORTATION AUTHORITY  
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Notes to Financial Statements

June 30, 2012 and 2011

(i) ***Bond Issue Premiums and Issuance Costs***

Amortization of bond issue premiums/discounts and issuance costs is provided using the effective-interest method over the life of the bond issue. Net amortization resulted in \$9,706,037 and \$9,186,755 of reductions of interest expense in 2012 and 2011, respectively.

(j) ***Revenues and Expenses***

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

**(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, 2012 and 2011, 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. All of these meet the objectives defined by the Policy and are Qualified Investments in accordance with the Trust Agreement.

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

(b) ***Custodial Credit Risk***

**Deposits**

The carrying amounts of the Authority's deposits at June 30, 2012 and 2011 were \$24,530,146 and \$81,543,805, respectively, and the bank balances were \$23,676,435 and \$80,532,846, respectively. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits in transit. The entire bank balances at June 30, 2012 and 2011 of \$23,676,435 and \$80,532,846, respectively, were covered by federal depository insurance or by collateral held by the Authority's Trustee, in the Authority's name, in accordance with the Policy and the Trust Agreement. Noninterest bearing accounts had unlimited federal depository insurance coverage, and interest-bearing accounts were covered by federal depository insurance for \$250,000.

**DELAWARE TRANSPORTATION AUTHORITY  
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Notes to Financial Statements

June 30, 2012 and 2011

**Investments**

Investments of the Authority are stated at fair value, which approximates cost. At June 30, 2012 and 2011, all of the Authority's investments were insured or registered with securities held by the Authority or the counterparty in the Authority's name.

**(c) Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the value of an investment. The Policy provides that maximum maturity for investments in Authority accounts, at the time of purchase, shall not exceed ten years, except when it is prudent to match a 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, 2012				
	Fair value	Investment maturities (in years)			
		Less than 1	1 – 5	6 – 10	11 – 15
U.S. government securities	\$ 42,105,415	12,325,857	15,639,858	14,139,700	—
U.S. government agency securities	140,838,762	81,696,076	34,577,734	19,846,033	4,718,919
Commercial paper	172,204,705	172,204,705	—	—	—
	<u>\$ 355,148,882</u>	<u>266,226,638</u>	<u>50,217,592</u>	<u>33,985,733</u>	<u>4,718,919</u>

Investment type	June 30, 2011				
	Fair value	Investment maturities (in years)			
		Less than 1	1 – 5	6 – 10	11 – 15
U.S. government securities	\$ 29,973,391	17,589,824	11,200,135	1,183,432	—
U.S. government agency securities	123,509,799	60,337,517	33,988,759	29,183,523	—
Commercial paper	235,329,528	235,229,681	99,847	—	—
	<u>\$ 388,812,718</u>	<u>313,157,022</u>	<u>45,288,741</u>	<u>30,366,955</u>	<u>—</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

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investments in commercial paper of \$172,204,705 and \$235,329,528 at June 30, 2012 and 2011, respectively. All commercial paper held was short term and 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.

*(e) Investments in Excess of 5%*

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

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

- A. U.S. Government – no restrictions.
- B. Government agency – 50% total; 20% in any one agency.
- C. Certificates of deposits, 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.
  - 1. 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.

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Notes to Financial Statements

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

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

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

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

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

**(f) Investment Commitments**

The Authority has made no investment commitments as of June 30, 2012.

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Notes to Financial Statements

June 30, 2012 and 2011

**(4) Accounts Receivable**

Balances in accounts receivable were as follows at June 30:

	<b>2012</b>	<b>2011</b>
Concessions	\$ 299,952	284,456
Railway tolls	616,000	612,000
DMV direct access	510,520	629,899
E-ZPass revenues	8,502,824	6,037,503
	\$ 9,929,296	7,563,858

**(5) Capital Assets**

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

	<b>Beginning balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending balance</b>
Capital assets not being depreciated:				
Infrastructure	\$ 1,020,767,685	69,692,060	—	1,090,459,745
Land	139,786,349	—	—	139,786,349
	\$ 1,160,554,034	69,692,060	—	1,230,246,094
Capital assets being depreciated:				
Buildings	\$ 7,972,765	—	—	7,972,765
Land improvements	163,924	—	—	163,924
	8,136,689	—	—	8,136,689
Less accumulated depreciation for buildings and land improvements	3,489,513	192,217	—	3,681,730
Total capital assets being depreciated, net	\$ 4,647,176	(192,217)	—	4,454,959

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Notes to Financial Statements

June 30, 2012 and 2011

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Infrastructure	\$ 991,418,421	29,349,264	—	1,020,767,685
Land	139,789,349	—	—	139,789,349
	<u>\$ 1,131,207,770</u>	<u>29,349,264</u>	<u>—</u>	<u>1,160,557,034</u>
Capital assets being depreciated:				
Buildings	\$ 7,972,765	—	—	7,972,765
Land improvements	163,924	—	—	163,924
	8,136,689	—	—	8,136,689
Less accumulated depreciation for buildings and land improvements	<u>3,297,296</u>	<u>192,217</u>	<u>—</u>	<u>3,489,513</u>
Total capital assets being depreciated, net	<u>\$ 4,839,393</u>	<u>(192,217)</u>	<u>—</u>	<u>4,647,176</u>

Depreciation expense was \$192,217 for fiscal years 2012 and 2011.

**(6) Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2012 was as follows:

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

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June 30, 2012 and 2011

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

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

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

**(7) Return of Federal Funds**

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

The Department has agreed upon a payment plan with FHWA where all of the funds will be returned by the end of fiscal year 2015 in accordance with the years of obligation. The first payment of \$2 million was paid in June 2011, and the second payment of \$3 million was paid in June 2012. The balance is expected to be repaid in July 2015.

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2012 and 2011

**(8) General Obligation Bonds Outstanding**

General obligation bonds outstanding at June 30, 2012 and 2011 are detailed as follows:

Sale #	Description and interest rates	Maturity date (fiscal year)	Balance outstanding	
			June 30	
			2012	2011
194	GO 2005B, 5.00%	2015	\$ 358,598	473,708
191	GO + Refunding 2004A, 3.00% – 6.00%	2014	30,033	45,050
188	GO Refunding 2003B, 4.00% – 5.00%	2012	—	216,376
185	GO + Refunding 2002A, 4.00% – 5.25%	2013	52,850	52,850
	Totals		441,481	787,984
	Less current portion		195,189	346,503
	Long-term portion		\$ 246,292	441,481

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

The annual requirement to amortize all general obligation bonds payable as of June 30, 2012 was as follows:

	Principal maturity	Interest maturity	Total
Year ending June 30:			
2013	\$ 195,189	17,951	213,140
2014	142,866	9,777	152,643
2015	103,426	4,137	107,563
	\$ 441,481	31,865	473,346

**DELAWARE TRANSPORTATION AUTHORITY  
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Notes to Financial Statements

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**(9) Revenue Bonds Outstanding**

Revenue bonds outstanding at June 30, 2012 and 2011 are detailed as follows:

Date of issue/ maturity	Amount of original issue	Description and fixed interest rates	Balance outstanding	
			June 30,	
			2012	2011
Senior bonds:				
2002/2022	\$ 173,680,000	Transportation System Senior Revenue Bonds, 2002 Series B, 5.25%	\$ 8,675,000	94,215,000
2003/2023	277,210,000	Transportation System Senior Revenue Bonds, 2003 Series, 5.00%	51,720,000	126,955,000
2004/2024	167,550,000	Transportation System Senior Revenue Bonds, 2004 Series, 4.00% – 5.00%	71,195,000	145,205,000
2005/2025	150,000,000	Transportation System Senior Revenue Bonds, 2005 Series, 4.25% – 5.00%	70,825,000	134,245,000
2006/2026	127,445,000	Transportation System Senior Revenue Bonds, 2006 Series, 3.50% – 5.00%	106,725,000	111,600,000
2007/2021	87,890,000	Transportation System Senior Revenue Bonds, 2007A Series, 4.00% – 5.00%	66,485,000	70,945,000
2008/2028	84,720,000	Transportation System Senior Revenue Bonds, 2008A Series, 4.00% – 5.00%	71,840,000	77,275,000
2008/2029	117,875,000	Transportation System Senior Revenue Bonds, 2008B Series, 4.00 – 5.00%	110,245,000	114,135,000
2009/2029	105,315,000	Transportation System Senior Revenue Bonds, 2009A Series, 5.00%	103,815,000	105,315,000
2010/2019	47,715,000	Transportation System Senior Revenue Bonds, 2010A Series, 4.00% – 5.00%	44,385,000	47,715,000
2010/2030	72,120,000	Transportation System Senior Revenue Bonds, 2010B Series, 3.95% – 5.80%	72,120,000	72,120,000
2012/2024	222,870,000	Transportation System Senior Revenue Bonds, 2012 Series, 3.00% – 5.00%	222,870,000	—

**DELAWARE TRANSPORTATION AUTHORITY  
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Notes to Financial Statements

June 30, 2012 and 2011

Date of issue/ maturity	Amount of original issue	Description and fixed interest rates	Balance outstanding	
			June 30,	
			2012	2011
GARVEE bonds:				
2010/2025	\$ 113,490,000	Transportation System Grant Anticipation Bonds, 2010 Series, 2.00 – 5.00%	\$ 105,835,000	111,155,000
Totals, gross			1,106,735,000	1,210,880,000
Less deferred amount on refunding			19,065,933	1,628,306
Totals, net			1,087,669,067	1,209,251,694
Less current portion			80,537,770	75,960,451
Long-term portion			\$ 1,007,131,297	1,133,291,243

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

	2012	2011
Pledged operating revenues	\$ 375,799,976	372,613,034
Investment income	3,159,782	3,573,314
	\$ 378,959,758	376,186,348

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

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

The Authority had a total of \$235,628,520 in authorized but unissued revenue bonds at June 30, 2012 and 2011 to fund a portion of the Department of Transportation Capital Improvement Program.

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2012 and 2011

The annual requirement to amortize all revenue bonds payable as of June 30, 2012 was as follows:

	<u>Principal maturity</u>	<u>Interest maturity</u>	<u>Total</u>
Year(s) ending June 30:			
2013	\$ 83,230,000	48,096,911	131,326,911
2014	75,205,000	47,162,389	122,367,389
2015	77,655,000	43,465,369	121,120,369
2016	75,350,000	39,753,639	115,103,639
2017	72,840,000	36,243,389	109,083,389
2018 – 2022	366,785,000	128,329,003	495,114,003
2023 – 2027	271,790,000	49,289,742	321,079,742
2028 – 2032	83,880,000	7,362,379	91,242,379
	<u>\$ 1,106,735,000</u>	<u>399,702,821</u>	<u>1,506,437,821</u>

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

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

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

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

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

**(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.

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2012 and 2011

For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability. As of June 30, 2012 and 2011, the amount of defeased debt outstanding amounted to \$312,801,800 and \$62,106,800, respectively.

**(11) Pledged Revenues**

The State has pledged turnpike, motor fuel tax, and motor vehicle fee revenues, as well as investment income, to the Trust Fund in order to provide additional means to finance the maintenance and development of the State's highway transportation system, as well as security for the repayment of the outstanding revenue bonds of the Authority. Proceeds from the revenue bonds were used to finance infrastructure maintenance, preservation, and construction related projects. The revenue bonds are payable solely from these pledged revenue streams and are not backed by the faith and credit of the State or any such political subdivision. Annual principal and interest payments on the revenue bonds are expected to require less than 35% of pledged revenues. The total principal and interest remaining to be paid on the revenue bonds as of June 30, 2012 and 2011 was \$1,087,669,067 and \$1,209,251,694, respectively. Principal and interest paid on the revenue bonds for the years ended June 30, 2012 and 2011 was \$132,885,663 and \$124,595,053, respectively. Total pledged revenues for the years ended June 30, 2012 and 2011 were \$378,959,758 and \$376,186,348, respectively.

**(12) Designated Net Assets**

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

	<b>2012</b>	<b>2011</b>
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, 2012 and 2011, the DTC Transit Fund expended authorized appropriations amounting to \$77,521,008 and \$73,524,092 respectively. The remaining totals of budgeted appropriations to be paid in future periods are	\$ 158,981	164,289
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, 2012 and 2011 were \$147,487,412 and \$134,286,958, respectively. Unexpended appropriations have been designated for approved expenses and are classified as designated net assets in the amounts of	15,520,001	14,988,801
Total designated net assets	\$ 15,678,982	15,153,090

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2012 and 2011

**(13) Restricted Net Assets**

Restricted net assets were as follows at June 30:

	<b>2012</b>	<b>2011</b>
Rebate Fund:		
Amounts generated from operations to meet future arbitrage rebate requirements	\$ 1,225,875	994,570
Debt Service Funds:		
Amounts generated from operations required by the Trust Agreement to be provided to meet current principal and interest payments	99,484,355	101,774,934
Debt Reserve Funds:		
Amounts generated from operations required by the Trust Agreement to be provided as a reserve for future principal and interest payments	66,160,360	68,013,371
Total restricted net assets	\$ 166,870,590	170,782,875

**(14) International Registration Plan**

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

Net revenues recorded during fiscal years 2012 and 2011 were \$8,458,423 and \$9,006,644, respectively. IRP fees were included in motor vehicle registration fee revenue.

**(15) International Fuel Tax Agreement**

The Department of Transportation participates in the International Fuel Tax Agreement (IFTA). IFTA is an agreement among member jurisdictions whereby commercial license fees are collected and reallocated based on a proration of miles traveled in each jurisdiction. Net revenues recorded during fiscal years 2012 and 2011 were \$2,968,470 and \$2,859,019, respectively.

**(16) Retirement Benefits**

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

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2012 and 2011

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 that is in excess of the RHI is made to the Trust Fund.

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

<u>Fiscal year</u>	<u>Annual retirement expense</u>	<u>Pension plan</u>	<u>Employer contribution rate</u>		<u>Total</u>
			<u>PRI</u>	<u>RHI</u>	
2012	\$ 652,193	9.27%	0.50%	8.99%	18.76%
2011	591,590	8.30	0.81	8.09	17.20
2010	558,297	6.71	1.40	7.16	15.27

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 "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.

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

Notes to Financial Statements

June 30, 2012 and 2011

**(17) Transfers**

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

	<b>2012</b>	<b>2011</b>
Amounts transferred from State General Fund:		
Amounts transferred to the Trust Fund:		
Division of Motor Vehicles	\$ 2,950,000	2,950,000
Division of Revenue, Motor Vehicle Dealer/Lessor License, and Document Fees	296,922	283,343
Supplemental appropriation from fiscal year Bond Bill	40,000,000	14,000,000
Supplemental appropriation from fiscal year Grant-in-Aid Bill	—	10,000,000
	\$ 43,246,922	27,233,343
Amounts transferred from Delaware Department of Transportation:		
Amounts transferred to the Trust Fund:		
Buildings and land improvements	\$ —	—

**(18) Related Party Transactions**

Per the terms of the Trust Agreement, the Trust Fund is responsible for reimbursing the State for the Department's operating, maintenance, and capital expenses financed by the State's General Fund. In addition, the Trust Fund is responsible for maintaining funds appropriated by the General Assembly for 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, 2012 and 2011 were \$357,177,717 and \$323,687,001, respectively. These amounts are included under the caption "Expenses in accordance with Trust Agreement" in the accompanying statements of revenues, expenses, and change in net assets.

**(19) Commitments and Contingencies**

The Authority had contractual commitments of \$88,330,521 for construction of various highway projects at June 30, 2012. Current and future appropriations will fund these commitments as work is performed.

**(20) Risk Management**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

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

June 30, 2012 and 2011

<b>Bridge condition assessments</b>		<b>Structural rating numbers and percentages for bridges</b>					
<b>BCR condition rating</b>		<b>2012</b>		<b>2010</b>		<b>2009</b>	
		<b>Number</b>	<b>Percentage</b>	<b>Number</b>	<b>Percentage</b>	<b>Number</b>	<b>Percentage</b>
Good	6 – 9	106	90.6%	108	92.3%	110	93.2%
Fair	5	11	9.4	9	7.7	8	6.8
Poor	0 – 4	—	—	—	—	—	—
Totals		<u>117</u>	<u>100.0%</u>	<u>117</u>	<u>100.0%</u>	<u>118</u>	<u>100.0%</u>

  

<b>Deck rating numbers and percentages for bridges</b>		<b>2012</b>		<b>2010</b>		<b>2009</b>	
<b>OPC condition rating</b>		<b>Square feet</b>	<b>Percentage</b>	<b>Square feet</b>	<b>Percentage</b>	<b>Square feet</b>	<b>Percentage</b>
Good	6 – 9	1,478,847	93.4%	1,525,483	93.4%	1,578,689	96.6%
Fair	5	104,997	6.6	108,306	6.6	55,994	3.4
Poor	0 – 4	—	—	—	—	—	—
Totals		<u>1,583,844</u>	<u>100.0%</u>	<u>1,633,789</u>	<u>100.0%</u>	<u>1,634,683</u>	<u>100.0%</u>

  

<b>Roadway condition assessments</b>		<b>Centerline mile numbers and percentages for roadway</b>					
<b>BCR condition rating</b>		<b>2012</b>		<b>2010</b>		<b>2009</b>	
		<b>Centerline mile</b>	<b>Percentage</b>	<b>Centerline mile</b>	<b>Percentage</b>	<b>Centerline mile</b>	<b>Percentage</b>
Good	3.0 – 5.0	118.41	98.3%	119.59	99.3%	106.08	88.1%
Fair	2.5 – 3.0	1.73	1.4	0.57	0.5	4.61	3.8
Poor	Below 2.5	0.26	0.2	0.24	0.2	5.02	4.2
Under construction	Unrated	—	—	—	—	4.69	3.9
Totals		<u>120.40</u>	<u>99.9%</u>	<u>120.40</u>	<u>100.0%</u>	<u>120.40</u>	<u>100.0%</u>

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

	<b>2012</b>	<b>2011</b>	<b>2010</b>
Estimated	\$ 26,840	83,614	395
Actual	18,109	36,467	375

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

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

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

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

June 30, 2012 and 2011

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

It is the State’s policy to maintain at least 85% of its highways at a fair or better condition level and 75% of its bridge systems at a good or better condition level. No more than 10% of bridges and 15% of roads should be in substandard condition. The Department’s assessment plan will ensure that all infrastructure assets are assessed and evaluated within the three-year period. Due to the timing of these condition assessments, information for the fiscal year ended June 30, 2012 is not available for all assessments.

## **ADDITIONAL INFORMATION**

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

Balance Sheet in Accordance with Trust Agreement

June 30, 2012

(With Comparative Totals for June 30, 2011)

	<b>Operations</b>	<b>Trust Holdings</b>	<b>Debt Reserve</b>	<b>Totals (memorandum only)</b>	
				<b>2012</b>	<b>2011</b>
Current assets:					
Cash and cash equivalents:					
Unrestricted	\$ 16,975,820	357,708	—	17,333,528	17,501,798
Restricted	—	3,665,614	3,531,004	7,196,618	64,042,007
Investments – at fair value:					
Unrestricted	49,064,416	45,584,780	—	94,649,196	127,815,239
Restricted	868,984	160,594,760	10,113,698	171,577,442	185,341,783
Accrued interest receivable	2,631	214,433	426,101	643,165	694,941
Accounts receivable	9,313,296	616,000	—	9,929,296	7,563,858
Prepaid expenses	—	60,975	—	60,975	—
Bond issuance costs – net of accumulated amortization	—	319,747	—	319,747	263,205
Total current assets	76,225,147	211,414,017	14,070,803	301,709,967	403,222,831
Noncurrent assets:					
Capital assets:					
Infrastructure and land	—	1,230,246,094	—	1,230,246,094	1,160,554,034
Buildings and land improvements	—	8,136,689	—	8,136,689	8,136,689
	—	1,238,382,783	—	1,238,382,783	1,168,690,723
Less accumulated depreciation	—	3,681,730	—	3,681,730	3,489,513
Capital assets	—	1,234,701,053	—	1,234,701,053	1,165,201,210
Investments – at fair value:					
Unrestricted	—	25,809,386	—	25,809,386	12,749,614
Restricted	356,892	10,666,409	52,089,557	63,112,858	62,906,082
Bond issuance costs – net of accumulated amortization and current portion	—	2,373,959	—	2,373,959	2,182,781
Total noncurrent assets	356,892	1,273,550,807	52,089,557	1,325,997,256	1,243,039,687
Total assets	\$ 76,582,039	1,484,964,824	66,160,360	1,627,707,223	1,646,262,518

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

Balance Sheet in Accordance with Trust Agreement

June 30, 2012

(With Comparative Totals for June 30, 2011)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt Reserve</u>	<u>Totals (memorandum only)</u>	
				<u>2012</u>	<u>2011</u>
Current liabilities:					
Accounts payable	\$ 14,455,549	2,000	—	14,457,549	6,086,929
Accrued payroll payable	243,656	—	—	243,656	446,758
Compensated absences payable	68,275	—	—	68,275	53,629
Customer toll deposits	12,335,843	—	—	12,335,843	10,788,734
Deferred revenues	—	649,030	—	649,030	—
Escrow deposits	—	2,015,501	—	2,015,501	3,612,108
General obligation bonds payable	—	195,189	—	195,189	346,503
Revenue bonds payable – net of deferred amounts on refunding	—	80,537,770	—	80,537,770	75,960,451
Bond issue premium – net of accumulated amortization	—	12,872,769	—	12,872,769	7,952,314
Interest payable	—	22,727,471	—	22,727,471	28,400,631
Total current liabilities	<u>27,103,323</u>	<u>118,999,730</u>	<u>—</u>	<u>146,103,053</u>	<u>133,648,057</u>
Noncurrent liabilities:					
Compensated absences – net of current portion	238,151	—	—	238,151	260,051
Return of federal funds	—	2,999,719	—	2,999,719	5,999,719
General obligation bonds payable – net of current portion	—	246,292	—	246,292	441,481
Revenue bonds payable – net of deferred amounts on refunding and current portion	—	1,007,131,297	—	1,007,131,297	1,133,291,243
Bond issue premium – net of accumulated amortization and current portion	—	55,690,042	—	55,690,042	29,450,245
Total noncurrent liabilities	<u>238,151</u>	<u>1,066,067,350</u>	<u>—</u>	<u>1,066,305,501</u>	<u>1,169,442,739</u>
Total liabilities	<u>27,341,474</u>	<u>1,185,067,080</u>	<u>—</u>	<u>1,212,408,554</u>	<u>1,303,090,796</u>
Net assets:					
Invested in capital assets – net of related debt	—	156,163,826	—	156,163,826	62,163,744
Restricted	1,225,875	99,484,355	66,160,360	166,870,590	170,782,875
Unrestricted	48,014,690	44,249,563	—	92,264,253	110,225,103
Total net assets	<u>49,240,565</u>	<u>299,897,744</u>	<u>66,160,360</u>	<u>415,298,669</u>	<u>343,171,722</u>
Total liabilities and net assets	<u>\$ 76,582,039</u>	<u>1,484,964,824</u>	<u>66,160,360</u>	<u>1,627,707,223</u>	<u>1,646,262,518</u>

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

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

Year Ended June 30, 2012

(With Comparative Totals for the Year Ended June 30, 2011)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt Reserve</u>	<u>Totals (memorandum only)</u>	
				<u>2012</u>	<u>2011</u>
Operating revenues:					
Pledged revenue:					
Turnpike revenue	\$ 117,132,849	—	—	117,132,849	115,895,081
Motor fuel tax revenue	112,908,210	—	—	112,908,210	113,753,475
Motor vehicle document fee revenue	71,140,742	—	—	71,140,742	68,347,132
Motor vehicle registration fee revenue	46,632,409	—	—	46,632,409	47,171,633
Other motor vehicle revenue	25,017,296	—	—	25,017,296	24,586,694
International Fuel Tax Agreement revenue	2,968,470	—	—	2,968,470	2,859,019
Total pledged revenue	<u>375,799,976</u>	<u>—</u>	<u>—</u>	<u>375,799,976</u>	<u>372,613,034</u>
Toll revenue – Delaware SR-1	44,889,227	—	—	44,889,227	44,429,312
Railway tolls	—	1,236,462	—	1,236,462	1,270,118
Traffic violations	—	4,639,464	—	4,639,464	4,348,989
Miscellaneous	—	2,200,628	—	2,200,628	2,942,043
Total operating revenues	<u>420,689,203</u>	<u>8,076,554</u>	<u>—</u>	<u>428,765,757</u>	<u>425,603,496</u>
Operating expenses:					
Expressways Operations/Toll Administration and interstate operating expenses	17,308,105	—	—	17,308,105	16,594,681
Expenses in accordance with Trust Agreement:					
Transportation capital preservation and operations	130,179,307	149,477,402	—	279,656,709	250,162,909
Delaware Transit Corporation operations	77,521,008	—	—	77,521,008	73,524,092
Depreciation	—	192,217	—	192,217	192,217
Total operating expenses	<u>225,008,420</u>	<u>149,669,619</u>	<u>—</u>	<u>374,678,039</u>	<u>340,473,899</u>
Operating income (loss)	<u>\$ 195,680,783</u>	<u>(141,593,065)</u>	<u>—</u>	<u>54,087,718</u>	<u>85,129,597</u>

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

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

Year Ended June 30, 2012

(With Comparative Totals for the Year Ended June 30, 2011)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt Reserve</u>	<u>Totals (memorandum only)</u>	
				<u>2012</u>	<u>2011</u>
Nonoperating revenues (expenses):					
Pledged revenue – income from investments	\$ (320,049)	1,374,078	2,105,753	3,159,782	3,573,314
Net increase (decrease) in the fair value of investments	(12,637)	(36,231)	855,886	807,018	(973,326)
Bad debt recovery	—	820,566	—	820,566	788,914
Federal grants	—	12,075,650	—	12,075,650	7,801,534
Interest expense	(123,438)	(41,947,271)	—	(42,070,709)	(46,469,920)
Total nonoperating revenues (expenses)	<u>(456,124)</u>	<u>(27,713,208)</u>	<u>2,961,639</u>	<u>(25,207,693)</u>	<u>(35,279,484)</u>
Income (loss) before transfers	195,224,659	(169,306,273)	2,961,639	28,880,025	49,850,113
Transfer from State General Fund	—	43,246,922	—	43,246,922	27,233,343
Transfer in of funds in accordance with Trust Agreement	646,815,214	593,339,516	—	1,240,154,730	1,172,285,662
Transfer out of funds in accordance with Trust Agreement	<u>(846,544,816)</u>	<u>(388,795,264)</u>	<u>(4,814,650)</u>	<u>(1,240,154,730)</u>	<u>(1,172,285,662)</u>
Change in net assets	(4,504,943)	78,484,901	(1,853,011)	72,126,947	77,083,456
Total net assets – beginning of year	<u>53,745,508</u>	<u>221,412,843</u>	<u>68,013,371</u>	<u>343,171,722</u>	<u>266,088,266</u>
Total net assets – end of year	<u>\$ 49,240,565</u>	<u>\$ 299,897,744</u>	<u>\$ 66,160,360</u>	<u>\$ 415,298,669</u>	<u>\$ 343,171,722</u>

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

Statement of Cash Flows in Accordance with Trust Agreement

June 30, 2012

(With Comparative Totals for the Year Ended June 30, 2011)

	Operations	Trust Holdings	Debt Reserve	Totals (memorandum only)	
				2012	2011
Cash flows from operating activities:					
Receipts from customers	\$ 419,874,874	8,721,584	—	428,596,458	426,499,231
Payments to employees	(6,135,835)	—	—	(6,135,835)	(6,060,388)
Payments to suppliers	(210,714,321)	(152,536,377)	—	(363,250,698)	(333,149,769)
Net cash provided by (used in) operating activities	203,024,718	(143,814,793)	—	59,209,925	87,289,074
Cash flows from noncapital financing activities:					
Transfers from State General Fund	—	43,246,922	—	43,246,922	27,233,343
Transfer in of funds in accordance with Trust Agreement	646,815,214	593,339,516	—	1,240,154,730	1,172,285,662
Transfer out of funds in accordance with Trust Agreement	(846,544,816)	(388,795,264)	(4,814,650)	(1,240,154,730)	(1,172,285,662)
Net cash provided by (used in) noncapital financing activities	(199,729,602)	247,791,174	(4,814,650)	43,246,922	27,233,343
Cash flows from capital and related financing activities:					
Payments of revenue bond principal	—	(76,320,000)	—	(76,320,000)	(71,760,000)
Payment to escrow agent for refunding of revenue bonds	—	(270,163,203)	—	(270,163,203)	(21,057,176)
Proceeds from revenue bond sale	—	222,870,000	—	222,870,000	119,835,000
Payments of general obligation bond principal	—	(346,503)	—	(346,503)	(663,330)
Premium from revenue bond sale	—	42,290,886	—	42,290,886	6,988,431
Bond issuance costs from revenue bond sale	—	(525,984)	—	(525,984)	(362,312)
Federal reimbursement of debt service	—	12,075,650	—	12,075,650	7,801,534
Acquisition of capital assets	—	(69,692,060)	—	(69,692,060)	(29,349,264)
Payments of interest	(123,438)	(56,442,225)	—	(56,565,663)	(52,835,053)
Net cash used in capital and related financing activities	(123,438)	(196,253,439)	—	(196,376,877)	(41,402,170)
Cash flows from investing activities:					
Collection on loans previously written off	—	820,566	—	820,566	788,914
Escrow deposits received (refunded)	—	(1,596,607)	—	(1,596,607)	2,374,302
Purchase of investments	(2,038,374,557)	(1,156,580,330)	(58,451,702)	(3,253,406,589)	(4,126,922,516)
Proceeds from sale of investments	2,035,096,322	1,188,326,259	64,454,862	3,287,877,443	4,119,491,386
Interest received	(320,969)	1,401,086	2,131,441	3,211,558	3,365,945
Net cash provided by (used in) investing activities	(3,599,204)	32,370,974	8,134,601	36,906,371	(901,969)
Net increase (decrease) in cash and cash equivalents	(427,526)	(59,906,084)	3,319,951	(57,013,659)	72,218,278
Cash and cash equivalents – beginning of year	17,403,346	63,929,406	211,053	81,543,805	9,325,527
Cash and cash equivalents – end of year	\$ 16,975,820	4,023,322	3,531,004	24,530,146	81,543,805

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

Statement of Cash Flows in Accordance with Trust Agreement

June 30, 2012

(With Comparative Totals for the Year Ended June 30, 2011)

	<u>Operations</u>	<u>Trust Holdings</u>	<u>Debt Reserve</u>	<u>Totals (memorandum only)</u>	
				<u>2012</u>	<u>2011</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 195,680,783	(141,593,065)	—	54,087,718	85,129,597
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and retirements of property and equipment	—	192,217	—	192,217	192,217
Changes in assets and liabilities:					
Increase in accounts receivable	(2,361,438)	(4,000)	—	(2,365,438)	(816,765)
Increase in prepaid expenses	—	(60,975)	—	(60,975)	—
Increase (decrease) in accounts payable	8,368,620	2,000	—	8,370,620	(4,918,336)
Decrease in accrued payroll and related expenses	(210,356)	—	—	(210,356)	(9,858)
Increase in customer toll deposits	1,547,109	—	—	1,547,109	3,458,160
Increase (decrease) in deferred revenue	—	649,030	—	649,030	(1,745,660)
Increase (decrease) in return of federal funds	—	(3,000,000)	—	(3,000,000)	5,999,719
Net cash provided by (used in) operating activities	<u>\$ 203,024,718</u>	<u>(143,814,793)</u>	<u>—</u>	<u>59,209,925</u>	<u>87,289,074</u>

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

Schedule of Revenue Bonds Outstanding

June 30, 2012

Principal	Senior											Total Senior Bond Series	
	2002 SER B Series	2003 Series	2004 Series	2005 Series	2006 Series	2007 SER A Series	2008 SER A Series	2008 SER B Series	2009 SER A Series	2010 SER A Series	2010 SER B Series		2012 Series
FY13	\$ 8,675,000	16,405,000	12,810,000	12,345,000	5,115,000	4,680,000	5,705,000	4,045,000	3,690,000	3,640,000	—	—	77,110,000
FY14	—	17,225,000	13,240,000	12,220,000	5,320,000	5,710,000	1,735,000	4,205,000	3,875,000	3,785,000	—	2,245,000	69,560,000
FY15	—	18,090,000	9,620,000	7,580,000	5,585,000	5,960,000	1,825,000	4,375,000	4,070,000	3,970,000	—	9,085,000	70,160,000
FY16	—	—	16,965,000	7,870,000	5,865,000	105,000	14,620,000	4,550,000	4,270,000	4,170,000	—	9,945,000	68,360,000
FY17	—	—	13,135,000	2,795,000	6,160,000	4,975,000	15,355,000	4,730,000	4,485,000	8,530,000	—	5,395,000	65,560,000
FY18	—	—	5,425,000	—	6,470,000	5,220,000	2,110,000	4,970,000	4,710,000	9,975,000	—	25,600,000	64,480,000
FY19	—	—	—	—	6,790,000	5,455,000	2,215,000	5,215,000	4,945,000	4,830,000	—	38,800,000	68,250,000
FY20	—	—	—	8,105,000	7,060,000	5,730,000	2,330,000	5,480,000	5,195,000	5,485,000	5,070,000	21,555,000	66,010,000
FY21	—	—	—	3,385,000	7,365,000	22,130,000	2,445,000	5,750,000	5,455,000	—	5,200,000	12,715,000	64,445,000
FY22	—	—	—	4,680,000	7,675,000	6,520,000	2,540,000	6,040,000	5,725,000	—	5,340,000	23,100,000	61,620,000
FY23	—	—	—	—	7,980,000	—	2,645,000	6,340,000	6,010,000	—	5,495,000	30,280,000	58,750,000
FY24	—	—	—	—	8,330,000	—	2,750,000	6,660,000	6,310,000	—	5,655,000	24,800,000	54,505,000
FY25	—	—	—	—	8,695,000	—	2,865,000	7,000,000	6,625,000	—	5,830,000	19,350,000	50,365,000
FY26	—	—	—	11,845,000	9,000,000	—	2,980,000	7,360,000	6,960,000	—	6,015,000	—	44,160,000
FY27	—	—	—	—	9,315,000	—	3,105,000	7,745,000	7,305,000	—	6,215,000	—	33,685,000
FY28	—	—	—	—	—	—	3,240,000	8,150,000	7,670,000	—	6,450,000	—	25,510,000
FY29	—	—	—	—	—	—	3,375,000	8,580,000	8,055,000	—	6,695,000	—	26,705,000
FY30	—	—	—	—	—	—	—	9,050,000	8,460,000	—	6,945,000	—	24,455,000
FY31	—	—	—	—	—	—	—	—	—	—	7,210,000	—	7,210,000
FY32	—	—	—	—	—	—	—	—	—	—	—	—	—
	\$ 8,675,000	51,720,000	71,195,000	70,825,000	106,725,000	66,485,000	71,840,000	110,245,000	103,815,000	44,385,000	72,120,000	222,870,000	1,000,900,000

Principal	GARVEE 2010 Series	Total GARVEE Bond Series	Totals
	FY13	\$ 6,120,000	6,120,000
FY14	5,645,000	5,645,000	75,205,000
FY15	7,495,000	7,495,000	77,655,000
FY16	6,990,000	6,990,000	75,350,000
FY17	7,280,000	7,280,000	72,840,000
FY18	7,625,000	7,625,000	72,105,000
FY19	7,985,000	7,985,000	76,235,000
FY20	8,375,000	8,375,000	74,385,000
FY21	8,785,000	8,785,000	73,230,000
FY22	9,210,000	9,210,000	70,830,000
FY23	9,625,000	9,625,000	68,375,000
FY24	10,145,000	10,145,000	64,650,000
FY25	10,555,000	10,555,000	60,920,000
FY26	—	—	44,160,000
FY27	—	—	33,685,000
FY28	—	—	25,510,000
FY29	—	—	26,705,000
FY30	—	—	24,455,000
FY31	—	—	7,210,000
FY32	—	—	—
	\$ 105,835,000	105,835,000	1,106,735,000

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

Schedule of Revenue Bonds Outstanding

June 30, 2011

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

Principal	GARVEE 2010 Series	Total GARVEE Bond Series	Totals
	FY12	\$ 5,320,000	5,320,000
FY13	6,120,000	6,120,000	83,230,000
FY14	5,645,000	5,645,000	82,160,000
FY15	7,495,000	7,495,000	82,650,000
FY16	6,990,000	6,990,000	80,450,000
FY17	7,280,000	7,280,000	78,195,000
FY18	7,625,000	7,625,000	77,785,000
FY19	7,985,000	7,985,000	76,385,000
FY20	8,375,000	8,375,000	74,500,000
FY21	8,785,000	8,785,000	73,305,000
FY22	9,210,000	9,210,000	70,860,000
FY23	9,625,000	9,625,000	68,290,000
FY24	10,145,000	10,145,000	64,435,000
FY25	10,555,000	10,555,000	60,590,000
FY26	—	—	44,160,000
FY27	—	—	33,685,000
FY28	—	—	25,510,000
FY29	—	—	26,705,000
FY30	—	—	24,455,000
FY31	—	—	7,210,000
	\$ 111,155,000	111,155,000	1,210,880,000

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

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

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Toll revenues – Delaware Turnpike	\$ 112,806,575	112,048,105
Toll revenues – Delaware SR-1	44,889,227	44,429,312
	<u>157,695,802</u>	<u>156,477,417</u>
Add – toll variance and violations	2,483,907	1,914,689
	<u>160,179,709</u>	<u>158,392,106</u>
Service area rentals – Marriott restaurants	1,842,174	1,781,558
Other turnpike revenues	193	150,729
Total turnpike revenues	<u>162,022,076</u>	<u>160,324,393</u>
Delaware Turnpike expenses:		
Personnel	2,516,226	2,598,317
Utilities	138,272	127,892
Contracted services	624,475	523,846
	<u>3,278,973</u>	<u>3,250,055</u>
Toll administration expenses:		
Personnel	598,130	707,482
Capital outlay and travel	327,202	186,058
Utilities	—	32,537
Contracted services	8,890,264	8,617,754
	<u>9,815,596</u>	<u>9,543,831</u>
Delaware SR-1 expenses:		
Personnel	3,021,479	2,754,589
Utilities	275,678	295,934
Contracted services	916,379	750,272
	<u>4,213,536</u>	<u>3,800,795</u>
Total expenses	<u>17,308,105</u>	<u>16,594,681</u>
Excess of revenues over expenses	<u>\$ 144,713,971</u>	<u>143,729,712</u>

See accompanying independent auditors' report.

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

Schedule of Revenue Bond Coverage

June 30, 2012

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.

	<b>Gross pledged revenue</b>	<b>Debt service requirements</b>			<b>Coverage*</b>
		<b>Principal</b>	<b>Interest</b> (In thousands)	<b>Total</b>	
Fiscal year:					
2003	\$ 302,754	41,490	44,957	86,447	3.50
2004	308,091	47,640	38,176	85,816	3.59
2005	300,820	53,920	39,370	93,290	3.22
2006	337,350	58,445	40,573	99,018	3.41
2007	346,954	61,370	45,534	106,904	3.25
2008	381,590	67,640	46,210	113,850	3.35
2009	367,399	73,510	43,619	117,129	3.14
2010	363,948	74,380	50,885	125,265	2.91
2011	376,186	71,760	52,585	124,345	3.03
2012	378,960	76,320	56,411	132,731	2.86

\* 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.

**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

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

Years Ended June 30, 2012 and 2011

	<b>2012</b>			<b>2011</b>		
	<b>Budget</b>	<b>Actual*</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual*</b>	<b>Variance</b>
Delaware Turnpike expenditures:						
Personnel	\$ 2,918,000	2,612,592	305,408	2,918,000	2,576,958	341,042
Utilities	177,500	152,492	25,008	177,500	146,500	31,000
Contracted services	567,800	563,508	4,292	621,500	554,329	67,171
	<u>3,663,300</u>	<u>3,328,592</u>	<u>334,708</u>	<u>3,717,000</u>	<u>3,277,787</u>	<u>439,213</u>
Toll administration expenditures:						
Personnel	519,300	635,992	(116,692)	519,300	742,292	(222,992)
Capital outlay and travel	47,000	9,106	37,894	47,000	472,306	(425,306)
Contracted services	9,210,900	9,210,931	(31)	8,749,500	8,493,454	256,046
	<u>9,777,200</u>	<u>9,856,029</u>	<u>(78,829)</u>	<u>9,315,800</u>	<u>9,708,052</u>	<u>(392,252)</u>
Delaware SR-1 expenditures:						
Personnel	2,963,100	3,097,607	(134,507)	2,963,100	2,750,997	212,103
Utilities	353,800	339,500	14,300	353,800	339,500	14,300
Contracted services	746,700	785,996	(39,296)	848,300	741,650	106,650
	<u>4,063,600</u>	<u>4,223,103</u>	<u>(159,503)</u>	<u>4,165,200</u>	<u>3,832,147</u>	<u>333,053</u>
Total expenditures	<u>\$ 17,504,100</u>	<u>17,407,724</u>	<u>96,376</u>	<u>17,198,000</u>	<u>16,817,986</u>	<u>380,014</u>
Prior year purchase orders		\$ 2,210,462			1,613,703	
Current year purchase orders		(2,003,647)			(2,210,462)	
Purchase order variance		(161,119)			(134,494)	
Prior year accrued expenses		(1,757,178)			(1,249,230)	
Current year accrued expenses		1,611,863			1,757,178	
Accrual basis expenses		<u>\$ 17,308,105</u>			<u>16,594,681</u>	

\* Includes purchase orders outstanding at June 30.

See accompanying independent auditors' report.