

# Delaware River & Bay Authority

## 2007 Annual Report





**Governor of Delaware**  
Ruth Ann Minner



**Governor of New Jersey**  
Jon S. Corzine

The mission of the Delaware River and Bay Authority is to provide safe, efficient and modern terminals, crossings, vessels and related transportation while participating in controlled economic development opportunities supported by a technically proficient and professionally motivated workforce dedicated to providing high quality customer service.

# Delaware River & Bay Authority

## 2007 Annual Report

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## Overview 2007

The mission of the Delaware River and Bay Authority is to provide safe, efficient and modern terminals, crossings, vessels and related transportation while participating in controlled economic development opportunities.

The DRBA Board and its workforce recognize the importance to the region and the public of all of the Authority's physical assets. The revenues generated by those assets are invested into improving and maintaining the infrastructure which in turn benefits the public that use them.

Whether the concern is manifested in maintenance and improvements to the mighty twin spans of the Delaware Memorial Bridge or to the vessels of the Cape May-Lewes Ferry (CMLF) or to the approach roads to either the bridge or the ferry, the ferry terminals or to any other facility owned and operated by the DRBA, including its five airports, the first concern of the authority is that the public be safe.

Similarly, the DRBA reconfirmed its commitment to employee safety in 2007 with a yearlong emphasis that generated reductions in workplace injuries and workdays lost to injury or illness.

In keeping with its uppermost emphasis on public safety and security, on July 17, 2007 the DRBA adopted a toll increase to become effective on January 1, 2008. The DRBA Board of Commissioners unanimously voted to increase the commercial toll rate on the Delaware Memorial Bridge from \$3 per axle to \$4 per axle effective January 1, 2008, to assure generation of an additional \$10.9 million to fund the DRBA Capital Improvement Program (CIP) through the end of 2009. This capital improvement

plan assures that DRBA infrastructure is maintained, improved and upgraded. This plan will continue to assure the safety of the motoring public, the safe operation of the CMLF and keep the airports up to par in terms of safety and security for the public and business tenants.

In approving the new commercial rate, the first toll increase since 2000, the Board deemed its action necessary and prudent to assure that the Authority meets and can continue to meet its fiduciary obligation to maintain and improve its vital transportation facilities and public infrastructure. The increase was approved at the end of a transparent public process in which the DRBA conducted numerous public workshops in both states to inform stakeholders about vital capital needs and to solicit public comment on the capital program and the proposed toll action.

In 2007, the DRBA generated about \$98 million in revenue, with approximately 75 percent of this sum generated from bridge tolls. The revenue supports \$71 million for operations, millions more for capital investment as well as \$22 million for debt service. The 2007 operating budget of some \$71 million was fiscally prudent. It eliminated 21 vacant full-time positions, made necessary reductions in community contributions, insurance costs, and education and training expenditures, as well as lowering marketing and advertising costs for total savings of \$2 million, yet provided a general salary increase of 4 percent for employees.

In fact, not long after the Board took action on commercial tolls to secure the capital program through 2009, the Midwest bridge tragedy reminded the nation of the importance of safely maintaining



public transportation infrastructure.

The DRBA capital improvement plan is a five-year program to assure that the unblemished infrastructure safety record of the Delaware Memorial Bridge continues into the future so that motorists and commercial drivers who use it daily can do so with continuing confidence in the strength and safety of the twin bridges.

There is a lot to maintain. The main facilities of the Delaware Memorial Bridge are comprised of the twin spans, three miles of approach roads on either side of the bridges, 16 bridge structures, and administrative, maintenance and toll buildings.

Similarly extensive in scope are the facilities of the CMLF, which include the ferries, two marine terminals, approach roads on both sides of the crossing, one bridge structure and administration, maintenance and public buildings. Additionally, the DRBA's Three Forts Crossing includes one passenger vessel and three marine docking facilities at Delaware City, Fort Mott and Pea Patch Island.

The five DRBA airports represent an extensive network of air transportation and business infrastructure, including runways and taxiways, aircraft parking areas, hangars, commercial buildings, operation facilities and passenger terminals.

In its official explanation of the five-year capital program that the commercial toll increase assures, the DRBA declared, "The Capital Improvement Program addresses the needs over the next five years to properly maintain and enhance the Authority's facilities to meet the increasing demands primarily associated with the transportation industry in order to maintain the high level of safe public service that this Authority has achieved since it was formed in 1962. We must continue to protect our investment as well as the public we serve through an effective and prudent CIP."

Combined, the total DRBA CIP calls for spending \$196 million on the bridges, ferries and airports owned and maintained by the Authority to serve the public with a CIP focused on maintaining the Authority's record for keeping the public safe and for making public safety paramount in everything that it does.



### *Maintaining an aging infrastructure*

The challenging five-year CIP contains maintenance and improvements only for the five years beginning in 2007. But the professional staff of the DRBA knows that there will be other needs that will require funding in the years after 2010. Some of the major projects facing the DRBA in the future include: bridge re-decking and lead paint abatement; a new toll collection system; Phase IV – Delaware approach roads improvements; and an extensive vessel improvement program.

All told, those out-year improvements will cost more than \$300 million and will require future toll rate increases beginning in 2010.

### *Assuring adequate resources*

The action taken by the DRBA Board in 2007 assures the Authority will have adequate resources for these vital tasks and to fulfill the CIP designed to deliver them.

In fact, the DRBA's fidelity to its fiduciary and financial obligations to the public in 2007 again received favorable notice from the Government Finance Officers Association of the United States and Canada, which awarded its Certificate of Achievement for Excellence in Financial Reporting to the Authority. The DRBA received the award, the highest recognition for government accounting and financial reporting bestowed by the Association, for the second consecutive year.

## Five-Year Capital Improvement Programs

*"We must continue to protect our investment as well as the public we serve through an effective and prudent CIP."*

2.875"



Examples of CIP projects that aim to assure the continuing safety of the Delaware Memorial Bridge with a total five-year budget of \$112.85 million include:

- Annual resurfacing of the bridge decks
- Annual repairs to bridge steelwork
- Widening of the Delaware approaches to the bridge
- Toll plaza improvements and upgrades
- Replacement of all expansion joints on both spans, including four tower expansion joints and more than 180 deck expansion joints
- Replacement of the I-295 bridge overpass
- Inspection of the bridge and cable systems on both spans
- Rehabilitation of 21 river piers in the Delaware River
- Security improvements and investments to guard against the threat of terrorism



Examples of CIP projects to assure the continuing safety and proper maintenance of the CMLF system with a five-year investment of \$60 million include:

- Improvements to vessels
- Rehabilitation of ferry approach roads
- Rehabilitation of piers and bulkheads
- Dredging
- Police Operations Center upgrades
- Design and construction of new vessels
- Rehabilitation of parking and staging areas

The airport CIP provides: New Castle Airport, \$8.99 million; Millville Airport, \$3.83 million; Cape May Airport, \$3.83 million; Delaware Park, \$2.95 million; and the Dover Civil Air Terminal, \$2.42 million. In all, the CIP calls for total investment in airport improvements of \$22.68 million for the five-year period. Plans include:

- Taxiway improvements
- Runway improvements and rehabilitations
- Relocation of fuel storage facilities
- Security enhancements
- Terminal apron improvements
- Lighting improvements
- Drainage improvements



The CIP budget for the Three Forts Crossing is \$510,000 over the five-year period.

## From the Chairman

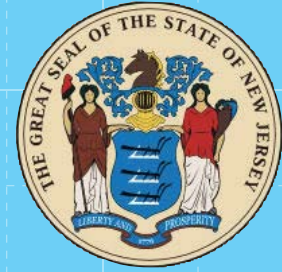
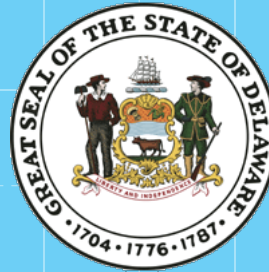
### *To the Governors and Legislatures of the States of Delaware and New Jersey*

On behalf of the Commission members and the administration and staff of the Delaware River and Bay Authority, I'm delighted to take this opportunity to highlight some of the actions undertaken by the Authority in 2007.

Our primary emphasis once again has been on maintaining the infrastructure that allows us to fulfill our mission — whether that infrastructure is the graceful twin spans of the Delaware Memorial Bridge, the docks, terminals and motor vessels that comprise the Cape May-Lewes Ferry system, or the runways and hangars at our five airports.

Our systematic attention to detail led us this past year to develop and approve a five-year capital improvement plan for each of the five branches of the Authority. Finding the revenues to implement those plans, however, is as vital as the planning. As a result, after a long and inclusive public hearing process, the Commission approved a toll increase for commercial traffic on the twin bridges during the past year. The toll increase, which went into effect on January 1, 2008, allows us to make the necessary improvements to our transportation facilities that enhance the safety of those members of the public who travel our roadways.

In addition to raising revenues through toll increases, the Authority and its administration also considered the changing economy and how it was effecting our various businesses. Our findings determined that we needed to be responsive even as the economy was evolving. As a result, in 2007 the Authority took the unusual step of deciding to sell one of its ferry vessels, the M.V. Cape May. The largest of the Cape May-Lewes Ferry fleet, the M.V. Cape May is the least cost-effective vessel to operate. Therefore, the Commission decided to sell the vessel and operate the ferry service with four vessels in the future. In another cost-saving action, the Commission,



on advice of staff, decided that all four of the remaining vessels will be docked at the Cape May Terminal only, rather than splitting the fleet between the Cape May and Lewes Terminals. The Commission will continue to explore ways to economize without negatively impacting safety or service.

I'm also pleased to note that in 2007, the Authority recorded an exceptional year for workplace safety. Occupational illnesses and injuries were reduced by 36 percent from 2006 as we recorded our most injury-free year ever. Among the reasons for the improvement were emphasis on safety by department heads and managerial supervision. On behalf of the entire Commission, we thank our administration, staff and workers throughout the Authority for their continuing attention to the safety of the public and themselves.

A handwritten signature in black ink that reads "F. Michael Parkowski".

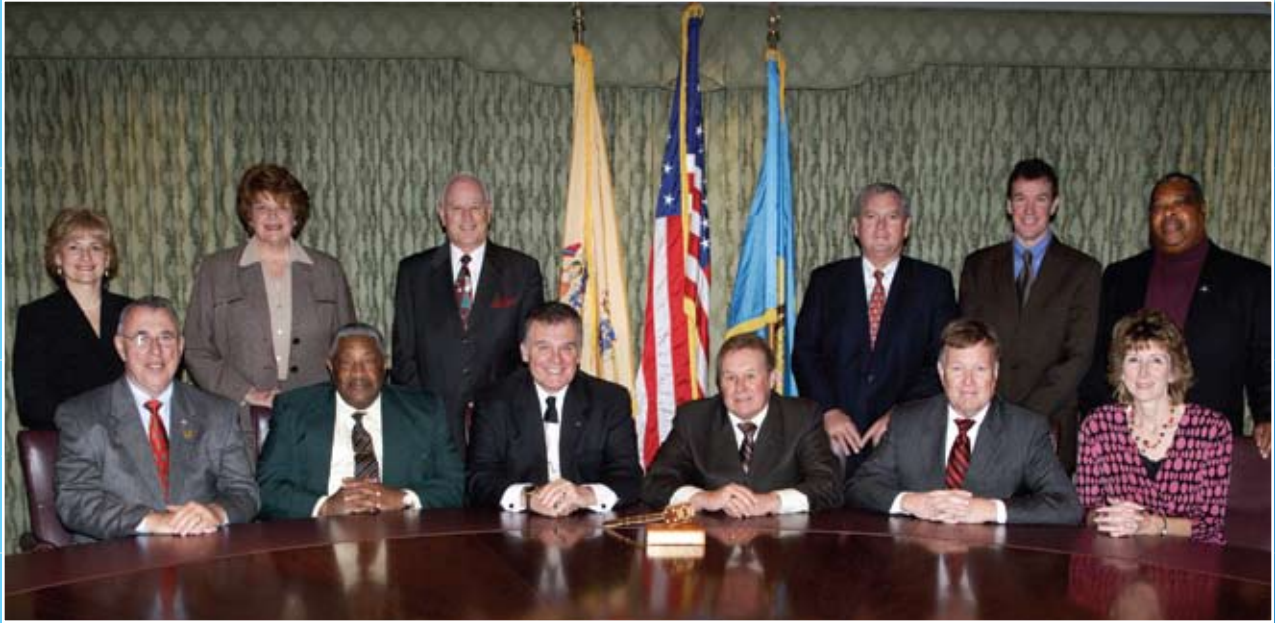
*F. Michael Parkowski*  
Chairman

*Delaware River and Bay Authority Commission*

## DRBA Commission

6.625"

3.25"



### DRBA Commissioners – Delaware



*Chairman*  
*Michael Parkowski*  
*Dover*



*Thomas Cooper*  
*Seaford*



*Verna Hensley*  
*Middletown*



*Samuel Lathem*  
*Bear*



*William Lowe, III*  
*Lewes*



*Gary Patterson*  
*Dover*

### DRBA Commissioners – New Jersey



*Vice Chairman*  
*James Hogan*  
*Franklinville*



*Susan DeLanzo*  
*Cape May Court*  
*House*



*Edward Dorn*  
*Pedricktown*



*Niels Favre*  
*Cape May*



*Gary Simmerman*  
*Hopewell*  
*Township*



*Ceil Smith*  
*Salem*

## *In Memoriam*

Sad news came late in 2007 concerning the deaths, just three days apart, of two former Delaware DRBA commissioners.



*Dr. Garrett Browne Lyons, Sr.*, of Rockland and Henlopen Acres, died December 14, at the age of 74. Dr. Lyons served as a member of the DRBA Board of Commissioners from 1974 until 2001, including several terms as Board Chairman.

In a life filled with accomplishments and honors, Dr. Lyons gave great service to the State of Delaware and to the DRBA. A native of Wilmington, he attended the University of Delaware, received his degree in dentistry from Georgetown University Dental School, served in the U.S. Air Force Dental Corps during the Korean Conflict and went on to serve 47 years as Dental Director of the Alfred I. DuPont Institute. He was instrumental in establishing dental services for the elderly at Nemours Health Center and was a lifelong member of the Delaware Dental Society, which he served as president, vice president, treasurer and secretary at various times.

In his public sector life he was a member of the Delaware State Board of Dental Examiners, served as Chairman of the Delaware Democratic Party in 1971, was a member of Senator William Roth's Academy Review Board, was elected and served as Commissioner of the Town of Henlopen from 1995 until he retired in 2001. He also served on the boards of numerous business and civic organizations including Farmers Bank, Mellon Bank, Blood Bank of Delaware, Beebe Hospital and Blue Cross Blue Shield of Delaware. His survivors include his wife of 51 years, Mary Jane Horty Lyons, two sons and their spouses, seven grandchildren and a sister.

Dr. Lyons provided great service to the DRBA over many years and will be missed by many and remembered warmly by all.

So too does the DRBA remember *Edward J. Bennett*, of Dover and Rehoboth Beach, who passed away at the age of 70 on December 17.

Mr. Bennett served as a member of the DRBA Board of Commissioners from 1997 to 2003. A graduate of the University of Delaware, where he captained the lacrosse team, and a U.S. Army veteran, Mr. Bennett became president of Bennett Security Services in 1965, the first privately owned security company on the Delmarva Peninsula.

His public career included service in the Delaware House of Representatives from 1976 to 1994, a period in which he chaired many of the committees of the House. In 1994 he was appointed Chairman of the Delaware Health Care Commission and earlier he served as a member of the Delaware Economic and Financial Advisory Council, the state's official revenue forecasting body.

Mr. Bennett's numerous civic contributions included service on the Kent General Hospital Building Fund, the St. Jones River Improvement Association and the Silver Lake Commission, the boards of the Better Business Bureau and the Delaware State Chamber of Commerce, and memberships in Ducks Unlimited, the Friends of Wesley College, the Greater Dover Committee and Delaware Veterans Inc.

His survivors include his wife of 43 years, Judy Lynn Johnson Bennett, a son and daughter and four grandchildren.

Mr. Bennett made many contributions to the public life of Delaware including his service to the DRBA and is remembered and will be missed as well.



## Delaware Memorial Twin Bridges

The Delaware Memorial Bridge is one of the most iconic and most traveled spans on the eastern seaboard and in 2007 again showed its worth to the traveling public and to the commercial transportation industry. In 2007, 15,192,307 non-commercial and 2,459,094 commercial vehicles crossed the twin spans, for a total of 17,651,401 vehicles.

During 2007, the bridge passed its annual inspection with excellent grades. The annual inspection, conducted by the original bridge design engineers, looks at the roadway deck, steelwork, towers, cable system and other vital components of the bridge. The inspection is conducted to federal bridge inspection standards. The results of the inspection guide ongoing five-year capital maintenance and improvement programs to assure that the bridge continues to exceed federal standards.

As noted elsewhere in this report, the Delaware River Bay Authority increased the toll for commercial vehicles from \$3 to \$4 per axle during 2007 effective January 1, 2008. It also effected changes in the E-Z Pass program designed to reduce costs while maintaining this efficient and useful service for the public. The DRBA Board of Commissioners approved E-Z Pass changes to become effective in 2008. The Board voted to charge all DRBA E-Z Pass accounts a service fee of \$1.50 per month and to charge new customers for the cost of the E-Z Pass transponder that registers their toll activity. The two changes in E-Z Pass administration will save the Authority \$700,000 per year in its E-Z Pass operating budget.

The DRBA E-Z Pass Customer Service Center at the Bridge Plaza in New Castle marked its fifth year in operation during 2007. DRBA E-Z Pass has been a great success story. Growing by more than 10 percent per year, the DRBA E-Z Pass enrollment topped 37,000 in 2007. Customer Service Center employees respond to 50,000 telephone calls from E-Z Pass holders and 25,000 walk-in visitors each year.

The E-Z Pass system works not only for motorists and commercial vehicles that use it, but also for the DRBA and other public transportation agencies that offer the service to the public in several ways, including assuring that tolls are paid.

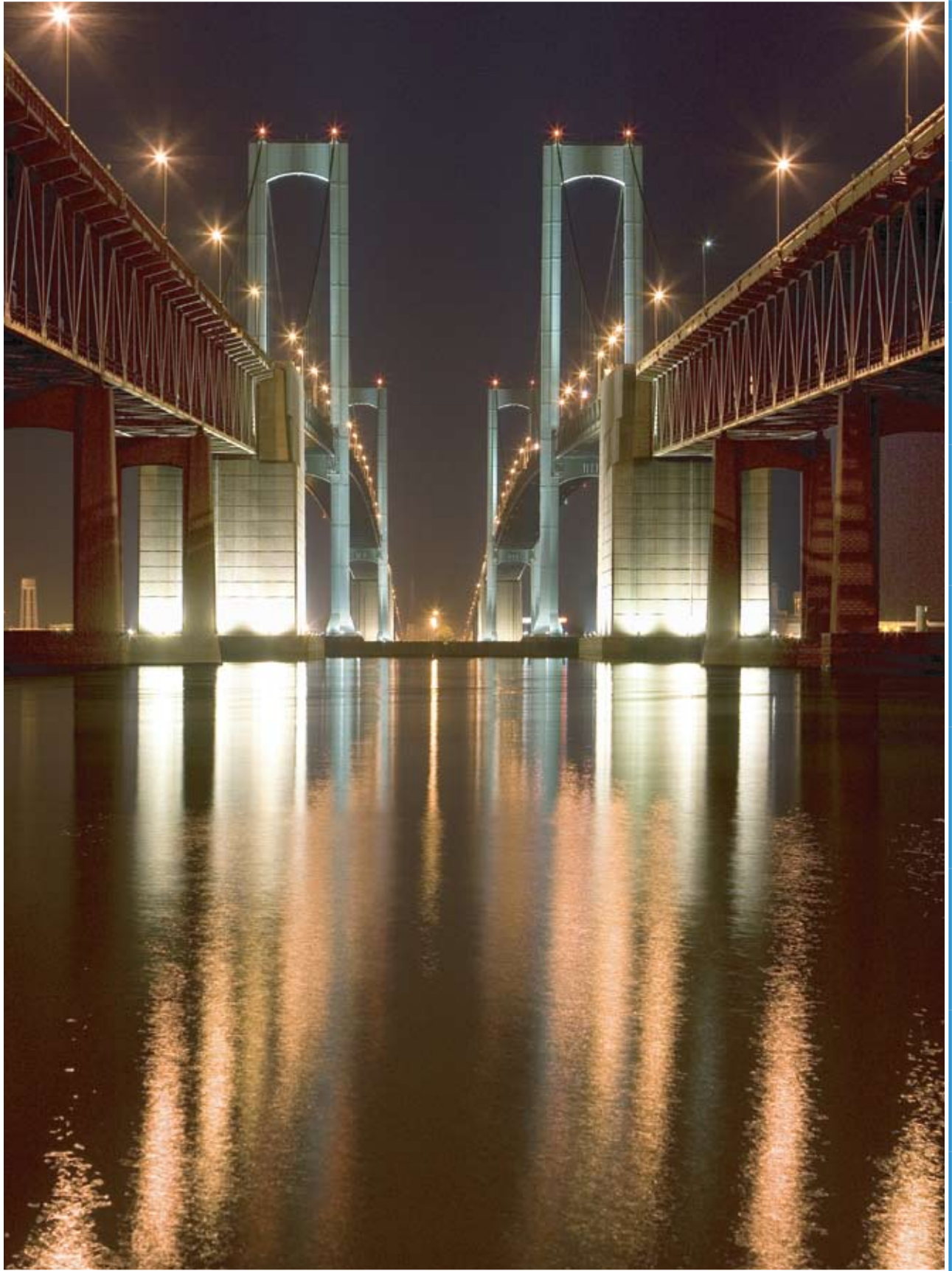
However, there are a few members of the traveling public who seek to evade tolls, and in 2007, the DRBA determined to strike back at them on behalf of the honest, toll-paying public. Working with the Delaware State Police and the Delaware Department of Transportation, the DRBA instituted a program to identify toll violators by using photographs of license plates and other vehicle identification records. Previously, toll violators were prosecuted as traffic offenders. Under the new multi-agency initiative established in cooperation with the Delaware Department of Justice, toll evaders who exceed \$1,000 in toll violations can be prosecuted for theft of services, which is a felony under the Delaware Criminal Code.

In one of the first such cases instituted as a result of this crackdown, a New Jersey man was arrested and charged with 136 counts of toll evasion on the Delaware Memorial Bridge. In addition to criminal charges, he faced court action to make restitution to the DRBA of \$5,440 in toll fees. The same individual faced 200 counts of toll evasion at the Delaware DOT I-95 toll facility in Newark. In another case, DRBA police arrested an out-of-state truck driver who had altered his license plate to evade detection by the E-Z Pass system as he entered its lanes. The individual committed this violation 70 times over a 10-month period but in the end, because of the diligence of the DRBA police and the new emphasis on catching and prosecuting toll violators, he faced felony charges and a bill from the DRBA for \$2,800 in tolls and administrative charges.

The emphasis on stopping toll cheating was featured at the International Bridge, Tunnel and Turnpike Association Violation Enforcement Summit during July. DRBA Chief Information Officer Gerry DiNicola Owens took part in a panel and presented information about the DRBA's history with these toll evaders. She discussed the steps taken within the DRBA to address the issue as well as the interstate cooperation to expand the program. Because toll evasion has become a national problem, the E-Z Pass Interagency Group has established a Violation Subcommittee to share information on major toll evaders, develop reciprocal legislation and establish methods to limit and prosecute electronic toll violations. The DRBA is a member of the subcommittee.

6.875"

9.0"



6.875"

9.0"



## Cape May-Lewes Ferry

During 2007 the Cape May-Lewes Ferry (CMLF) carried 982,414 passengers and transported 341,440 vehicles. These traffic figures represent a slight decrease from 2006.

Confronted by an ongoing operating deficit for the CMLF, the DRBA Board of Commissioners approved an executive recommendation to sell the M.V. Cape May, one of five vessels in the CMLF service. In July, the M.V. Cape May was declared surplus property and the DRBA sought to sell the vessel to the highest bidder.

The Cape May was selected for disposal because the service operation no longer required a fifth vessel. For example, during 2006 the CMLF completed 5,676 crossings of the Delaware Bay. The fifth vessel was needed only on 15 days to complete but 40 of those crossings. The other four vessels, the MV Twin Capes, MV Cape Henlopen, MV Delaware and MV New Jersey, provided the rest of the service.

Therefore, it did not make sense to continue to finance the upkeep and maintenance of a vessel used fewer than on 4 percent of the

total days in the year. Further, the MV Cape May requires a crew of 17 compared to 12-member crews for the other vessels and uses about 25 gallons more fuel per hour than the typical vessel in the CMLF fleet. Additionally, the Cape May has about 20,000 square feet of exterior white painted surface to maintain compared to 12,000 square feet for the typical vessel in the fleet, resulting in increased costs for paint and labor.

Taken together all these factors pointed to the sensible decision to sell the M.V. Cape May, a 320-foot long, 68-foot wide vessel displacing 2,100 tons with a capacity of 90 vehicles and 1,104 passengers.

This action is part of a comprehensive plan to improve efficiency and reduce the operating deficit of the ferry service, which was \$6.8 million in 2006—not including other expenses and overhead like security, insurance premiums, and food and retail.

In April, the CMLF got a new Director of Ferry Operations when Heath Gehrke was selected to fill the position. Gehrke, of Frederica, Del., had been the Assistant Director of Ferry

6,675"



4.0"

Operations. As director he oversees a staff of 250 permanent and seasonal employees with responsibility for marine operations, customer service, reservations, vessel maintenance, terminal operations, operating policy and procedures and financial and strategic planning.

Gehrke, who holds a Marine Master License, is a graduate of the United State Merchant Marine Academy with a B.S. in Marine Transportation and earned his M.B.A. from Purdue University. He is a Lieutenant Commander in the U.S. Naval Reserve.

During 2007 the CMLF teamed with the Chesapeake Bay Bridge-Tunnel (CBBT) to encourage travelers "to

take the Scenic Route." The aim is to encourage motoring travelers on the eastern seaboard to utilize the scenic routes and services of the CBBT, which operates the 23-mile long Chesapeake Bay

Bridge and Tunnel, and the CMLF for its scenic 17-mile Delaware Bay crossing. The two agencies joined in a "trail-blazer" campaign to promote each other's routes and services. The CBBT handed out flyers at its northbound tollbooth suggesting motorists continue the Scenic Route aboard the CMLF, providing directions through Maryland and Delaware to the Lewes Terminal. The DRBA in turn instituted highway signage to highlight the CBBT Southern Scenic Route.



## Three Forts Ferry Crossing

*History lovers spend an exciting day in the 19th century when they take round-trip boat excursions to military sites on the Delaware River. The DRBA's Three Forts Ferry Service runs between Fort Mott in New Jersey, Fort Delaware State Park on Pea Patch Island and Delaware City in Delaware. From April through October, visitors experience authentic re-enactments of Civil War episodes, both civilian and military, "lantern tours" of the fort at night and demonstrations of how life was lived in the 1800s in America.*



## DRBA Airports and Economic Development

Federal funding for new facilities and improvements, a great air show, aviation history on display and land made available for a major new motorsport facility were among the notable achievements that took place at the DRBA's five airports in New Jersey and Delaware during 2007.

In perhaps the year's biggest DRBA airport news, Delaware Governor Minner joined with Dassault Aircraft Services President Jack Young in August to announce that Dassault would undertake a multi-year expansion plan at New Castle Airport. The Dassault decision for Delaware will bring 100 new jobs to the state and allow for completion of the company's Falcon aircraft at the Dassault facility. Gov. Minner hailed the company's decision as she declared, "It is my goal to ensure that Delaware remains a leading choice for the location and expansion of business and this expansion will certainly bring additional strength to our state's manufacturing operations."

Dassault President Young responded, "We needed a facility that could handle the demands of our completion overflow with a dedicated workforce, an exacting eye to detail and a commitment to the customer."

The Dassault plan included acquisition of a 22,000-square-foot hanger for customized aircraft completions; an element of the company's manufacturing that had not taken place before at New Castle. In all, Dassault expected to complete about 12 Falcons per year starting in 2008. Among the 100 new employees to be added as a result of the expansion, about

70 will work on aircraft completions with the remainder employed in maintenance and technical services. The Dassault expansion is expected to grow the Delaware State Product by \$12 million annually.

The new Dassault operation at New Castle complements and expands its previous New Castle Airport operations focused on aircraft engineering, maintenance, refurbishment, repairs and flight support services.

New Castle Airport also welcomed a new tenant as the New Castle County Chamber of Commerce leased a 27,500-square-foot building for office use and to provide incubator units for start-up businesses.

The Chamber planned to use 8,000 square feet for its own office needs and to devote the remainder to business incubation to provide rents at reasonable rates for new businesses.

On July 28, the DRBA and the Delaware Emergency Management Agency conducted an emergency disaster exercise at New Castle Airport. The exercise simulated a terrorist

attack, so that federal, state and local emergency services, as well as law enforcement agencies and airfield personnel, could work and train together to prepare for any real emergency.

At the Delaware Airpark in Cheswold, the DRBA was pleased to receive a grant of \$3.45 million from the U.S. Department of Transportation. The funding was earmarked for land acquisition to expand the 45-acre airport and for a new runway and taxiway system. Used by many to access the nearby Dover International Speedway, the airport has an existing east-west runway with a parallel taxiway. The funding will



*At the podium of the news conference announcing Dassault's plans for its New Castle facility, Delaware Governor Minner noted that "this expansion will certainly bring additional strength to our state's manufacturing operations."*

pay for a second east-west runway and parallel taxiway in accord with the airport's master plan. Delaware Airpark is a general aviation facility and also serves as the location for Delaware State University's flight training program.

During 2008, the DRBA welcomed the new major motorsport complex being built on 700 acres at Millville including 140 acres provided by the DRBA from the Millville Airport. The \$150-million facility will include Thunderbolt Raceway and the Lightning Road Course, echoing the names of the two most famous WWII-era aircraft based at the Airport when it was a U.S. Army Air Force Training Center.

When completed, the motorsport complex will feature road, oval and off-road racing venues as well as state-of-the-art spectator and participant facilities, providing a tremendous boost to economic development in Millville and Cumberland County.

For the third consecutive year, Millville Airport hosted the Millville Wheels and Wings

Air show as more than 75,000 members of the public attended the event highlighted by an

appearance of the U.S. Navy's Blue Angels. A crowd of 40,000 attended on the Saturday and 35,000 on the Sunday of the show. Other highlights included aviation performances by the Red Eagle Air Sports Team, other aerial demonstrations, and static displays including WW II Mitchells, a P-51 Mustang and P-47 Thunderbolt fighters. The event benefitted the Millville Army Airfield Museum.

Homage to aviation history takes place daily at the Cape May Airport where a tenant, the Naval Air Station Wildwood Aviation Museum, located in the 92,000-square-foot Hangar #1, honors the 41 Naval aviators who died while training at the airport during WWII. The not-for-

profit organization is supported by the New Jersey Historical Commission and by the DRBA Community Contribution program among others. The museum displays vintage aircraft but also boasts a large collection of aviation artifacts, military memorabilia and aircraft engines. Visitors are encouraged to "get up close and personal" with the exhibits and picture taking is a welcome visitor activity.



Officials gather at a news conference announcing the ground-breaking of the new motorsport complex being built on 700 acres at Millville.



The Blue Angels' "Fat Albert" takes part in the 2007 Wheels and Wings Air show at Millville Airport.

6.625"

9.0"



## Focus on Safety

The DRBA emphasizes safety and health on the job and in 2007 recorded an exceptional year for workplace safety.

Occupational illnesses and injuries were reduced by 36 percent from 2006 as the Authority recorded its most injury-free year yet. The previous record year was 2004. Workdays lost to illness also declined.

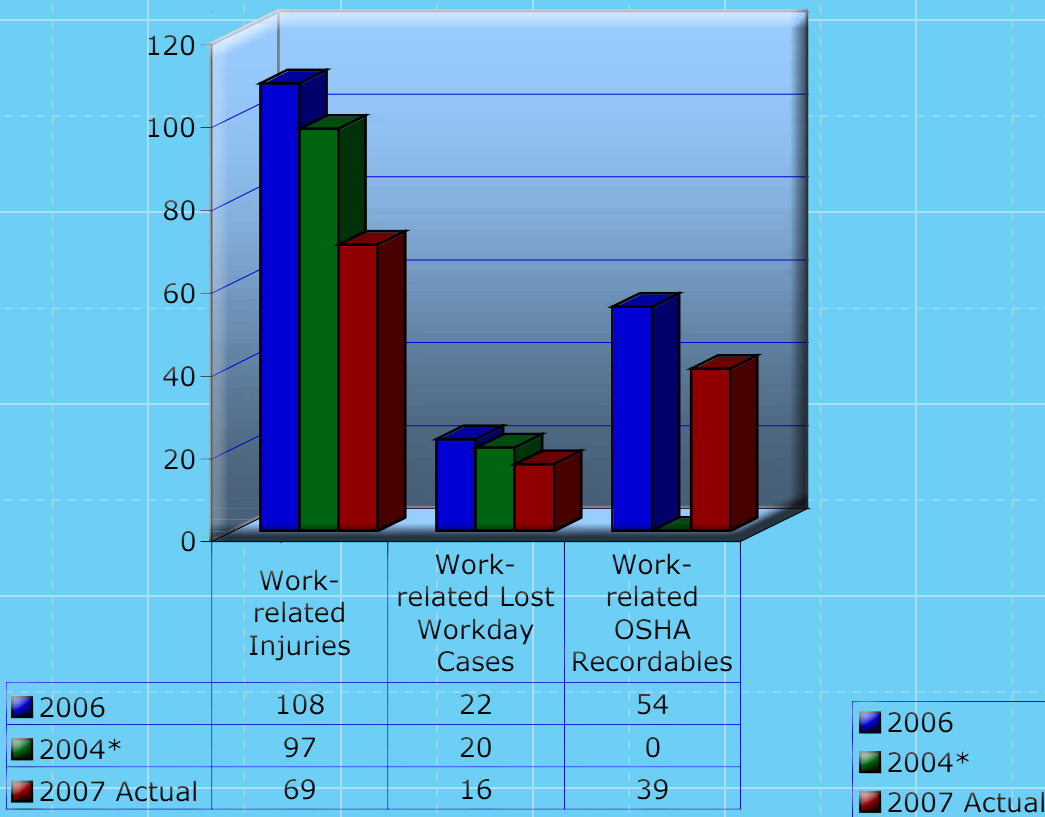
Among the reasons for the improvement were emphasis on safety by department heads, managerial supervision, vigilance and attention, positive employee attitudes, training, good weather, and the contracting out of ferry bilge cleaning.

Highlights of the year in the realm of safety included:

- 27 percent decline in lost workday cases
- 2 years of no injuries at the Millville airport location
- Engineering and Maintenance was the most improved department year over year

The chart below show the dramatic improvements achieved

**COMPARATIVE SAFETY STATISTICS FOR 2007**



\* 2004 was the best year on record before 2007

## Community Outreach

6.75"

8.75"



## Community Involvement

The DRBA Community Contribution Program reached out to 119 organizations and programs in Delaware and New Jersey during 2007, providing more than \$500,000 to support their worthy efforts in the communities of the DRBA region.

Examples included a grant of \$8,000 to the Arc of Salem County to assist in the installation of new automatic doors at the agency's front entrance. The improvement will provide easier access for 150 persons with developmental disabilities who enter the building each day. It will also assure speedy evacuation if necessary.

Also, the DRBA presented a \$10,000 gift to the Peter Spencer Family Life Foundation of Wilmington to help defray the cost of its annual August Quarterly Celebration. This event helps educate the Wilmington community about the history of Peter Spencer and the legacy of the "Big Quarterly." Started in 1814, the August Quarterly became a kind of Independence Day for black residents of the Delmarva Peninsula. It commemorates the founding of the Union Church of Africans, the first African American Church in the area.

These two awards are typical of the worthy organizations and programs serving the DRBA community in Delaware and New Jersey that receive support from the Authority throughout the year.

In May of this year, as in every year since 1955, a Memorial Day ceremony honored the men and women of Delaware and New Jersey who served

during World War II, the Korean conflict, the War in Vietnam, both Gulf Wars, and other conflicts. In all, more than 14,000 bistate veterans who have died in service

are listed at Veterans Memorial Park near the DRBA Administration Center.

It would not seem like Independence Day without a DRBA celebration. On July 3, the DRBA provided a fireworks cruise aboard the CMLF's M.V. Twin Capes while inviting the public to a fireworks display on the lawn of the Cape May Terminal.

As they have for so many years, DRBA employees reached out to families in need during the Thanksgiving holiday. Working to prepare and then deliver Thanksgiving dinner to those in need, DRBA employees shared the holiday's bounty with needy residents of Salem, Penns Grove, Pennsville and Carneys Point in New Jersey

and with families in Wilmington and New Castle, Delaware. During December, DRBA employees launched "Hope for the Holidays," an effort that provided hats, coats, gloves, other clothing, shoes and toys to families in Salem and Cumberland Counties in New Jersey and in New Castle and Kent Counties in Delaware. DRBA departments adopted families from lists provided by school districts in the four counties identifying families in need of help. The families included 94 children whose holidays were brightened by the generosity of the people of the DRBA..



*Presentation to the Arc of Salem County by Commissioners Dorn and Smith.*



*Presentation to the Peter Spencer Family Life Foundation of Wilmington by Commissioner Lathem and DRBA Executive Director James T. Johnson, Jr., P.E.*

## Community Contributions

<b>A</b> Access to Art Incorporated	\$7,000		
Act Out Theatre Incorporated	500	Easter Seals Delaware and Maryland's Eastern Shore	10,000
AFL-CIO Community Services of Delaware	5,000	Eastlawn Area Human Service Incorporated	2,500
Alzheimer's Association and Related Disorders Association Incorporated	2,200	Epilepsy Foundation of Delaware	1,000
American Red Cross Cape May County Chapter	1,500	First Night Dover Incorporated	5,000
Appel Farm Arts and Music Center	3,000	First State Roundball	1,850
Atlantic Cape Community College Foundation	6,550	Friends of Cape Henlopen State Park Incorporated	650
		Friends of Cape May Jazz Incorporated	3,000
<b>B</b> Bay Atlantic Symphony Incorporated	5,000	Gloucester County Children's Art Society	2,645
Bayshore Discovery Project Incorporated	5,000	Gloucester County Habitat for Humanity	15,000
Beebe Medical Foundation on behalf of Beebe Medical Center	10,000	Goodwill Industries of Delaware and Delaware County Incorporated	2,000
Big Brothers Big Sisters of Cumberland and Salem Counties Incorporated	5,000	Greater Lewes Foundation	12,500
Boys and Girls Club of Delaware	2,000	Habitat for Humanity of New Castle	10,000
Bridgeton Cumberland Tourist Association	5,000	Historic Cold Spring Village Foundation	2,700
Burdette Tomlin Memorial Foundation	5,000	Historical and Educational Lodge Hall Preservation Incorporated	10,000
<b>C</b> Cape May County Association of Police Chiefs	5,000	Historical Society of Delaware Incorporated	5,000
Cape May County Council on Alcoholism and Drug Abuse Incorporated	1,000	HomeCare and HospiceCare of South Jersey Incorporated	5,000
Cape May Stage Incorporated	5,000		
Cape Regional Medical Center Foundation (Burdette Tomlin Memorial Foundation)	5,000	<b>I</b> International Association of Approved Basketball Officials	4,000
Cape Volunteers in Medicine Incorporated	1,000		
Center for Community Arts Incorporated	3,000	<b>J</b> Junior Achievement of Delaware Incorporated	6,500
Challenged Children's Charities Corporation (Helen Diller Vacation Home for The Blind)	3,000		
Children's Beach House Incorporated	5,000	<b>K</b> Kalmar Nyckel Foundation	2,000
Connections Community Support Programs Incorporated	1,000	Kent County SPCA	4,000
CreditWorthy Incorporated	5,000	Kent-Sussex Industries Incorporated	3,000
Cumberland County College Foundation	5,000	Kinfolk Limited	3,500
<b>D</b> Delaware Breast Cancer Coalition Incorporated	4,000	<b>L</b> La Esperanza Incorporated	2,500
Delaware District 3 Little League Incorporated	5,000	Lewes in Bloom	500
Delaware Financial Literacy Institute	2,000		
Delaware Futures Incorporated	5,000	Make A Wish Foundation	10,000
Delaware Guidance Services for Children and Youth Incorporated	2,000	Meals on Wheels of Salem County Incorporated	5,000
Delaware Hospice Incorporated	4,000	Metropolitan Wilmington Urban League	2,000
Delaware Humanities Forum	1,000	Mid Jersey Cape Rotary Club	1,000
Delaware Military Academy	2,000	Mid-Atlantic Center for the Arts	7,500
Delaware State University	2,000	Millville Army Air Field Museum Incorporated	10,000
Delaware Technical and Community College Educational Foundation	15,000	Mom's House Incorporated (Dover)	5,000
Delaware Tourism Alliance	20,000	Most Worshipful Prince Hall Grand Lodge Free and Accepted Masons of Delaware	7,500
Delaware Transit Corporation	4,000		
Delaware Wrestling Alliance Incorporated	5,000		
Delmarva Walk to Emmaus	4,500		
DFRC Incorporated	1,500		

National Multiple Sclerosis Society	\$1,500	The Wellness Community Delaware (New Castle)	3,300
Nativity Preparatory School of Wilmington	3,000	The Wetlands Institute	3,000
Naval Air Station Wildwood Foundation	5,000	Township of Deerfield Recreation Committee	5,000
Nemours Foundation	1,000	Transportation Management Association Delaware	5,000
Newfield Terrace Community Action Organization	4,850	Tri-State Bird Rescue and Research Incorporated	7,000
Northeast Rally Club	1,000	United Way of Greater Cumberland County	2,500
Opportunity Center Incorporated	2,000	Woodstown Rotary Foundation Incorporated	1,000
Parent Information Center of Delaware	4,500	YMCA of Delaware (Bear-Glasgow)	1,000
Pencader Hundred Community Center Incorporated	10,000	YMCA of Delaware (YMCA Resource Center)	2,500
Pennsville Township Historical Society	1,500	YMCA of Salem County	5,000
Peter Spencer Family Life Foundation (August Quarterly Festival)	10,000		
Positive Impact Movement Incorporated	3,000		
Pratt-Corcoran Association for the Delaware College of Arts and Design	2,000		
Project New Start Community Development Corporation Incorporated	9,750		
Rehoboth Beach Film Society	2,500		
Salem Community College Foundation	15,000		
Salem County 2000 Incorporated	2,000		
Salem County Humane Society	1,000		
Salem County Inter-Agency Council of Human Services Incorporated	1,500		
Seamen's Center of Wilmington Incorporated	3,000		
Sewell C. Biggs Trust (The Sewell C. Biggs Museum of America Art)	2,000		
Shadow Equestrian Incorporated	3,000		
Social Venture Partners Delaware	5,000		
South Jersey Health System Foundation	5,000		
Southern New Jersey Council, Boy Scouts of America Incorporated	7,500		
Special Olympics Delaware Incorporated	5,500		
St. Patrick's Center Incorporated	5,000		
Stand Up For Salem Incorporated	5,000		
Stop The Violence Coalition Incorporated	500		
Sussex County Animal Association Incorporated	2,500		
The Achievers Incorporated	2,500		
The Arc of Salem County	8,000		
The Art Committee for the New Castle County Courthouse Incorporated	5,000		
The Center For Therapeutic and Educational Riding Incorporated	4,500		
The Overfalls Maritime Museum Foundation	2,500		
The Partnership Incorporated	5,000		
The Schwartz Center for the Arts	4,000		
The United Fund of Salem County Incorporated	5,000		

## **2007 FINANCIAL STATEMENTS**

The Delaware River and Bay Authority presents the 2007 Financial Statements of its Annual Report in electronic format for the first time. The Financial Statements, available in pdf format, can be found on this attached CD.

The Authority is pleased to be part of the “green” movement — saving paper and energy by not printing the many pages of the Financial Statements as has been done in the past.

The entire annual report, including these Financial Statements, can also be found on-line at [www.drba.net](http://www.drba.net).



# Delaware River & Bay Authority 2007 Financial Statements





**BOWMAN & COMPANY LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of  
The Delaware River and Bay Authority  
New Castle, DE

We have audited the accompanying statements of net assets, and the statements of revenues, expenses and changes in net assets, and cash flows together with the financial statements of the fiduciary fund of the Delaware River and Bay Authority as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Delaware River and Bay Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Delaware River and Bay Authority and the fiduciary fund of the Delaware River and Bay Authority as of December 31, 2007 and 2006 and the respective changes in financial position and cash flows, where applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

A handwritten signature in cursive script that reads "Bowman &amp; Company LLP".

**BOWMAN & COMPANY LLP**  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
April 29, 2008

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Delaware River and Bay Authority's financial statements and the notes thereto. The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), promulgated by the Government Accounting Standards Board. In accordance with GAAP, the Authority's revenues are recognized in the period they are earned and expenses are recognized in the period in which they are incurred. Fixed Assets are capitalized and (except land and construction-in-progress) are depreciated over their useful lives. Amounts held in the Debt Service, Debt Service Reserve and Construction Funds are restricted for debt service and construction purposes, respectively. See notes to the financial statements for a summary of the Authority's significant accounting policies.

The balance sheet presents information on all of the Authority's assets and liabilities, with the difference being reported as net assets. Over time, increases or decreases in net assets serve as a relative indicator of the change in financial position of the Authority.

The statement of revenues, expenses and changes in net assets shows the result of the Authority's total operations during the fiscal year and reflects both operating and non-operating activities. Changes in net assets reflect the current fiscal period's operating impact upon the overall financial position of the Authority.

The statement of cash flows provides a detailed analysis of all sources and uses of cash. The direct method of cash flows is presented, ending with a reconciliation of operating income to net cash provided by operating activities. The statement of cash flows is divided into the following activities: operating, capital financing, and investing.

Notes to the basic financial statements contain supplemental information, and offer explanations to the basic financial statements. The notes are intended to assist the reader in understanding the Authority's basic financial statements.

### FINANCIAL POSITION SUMMARY

Total Net Assets, the difference between the Authority's assets and liabilities, over time, serve as a useful indicator of the Authority's financial position. The Authority's total net assets were \$293 million as of December 31, 2007.

A condensed summary of the Authority's net assets at December 31, by amount and the percentage within each class is shown below (in thousands).

	<b>2007</b>	<b>%</b>	<b>2006</b>	<b>%</b>	<b>2005</b>	<b>%</b>
<b>ASSETS:</b>						
Current and Other Assets	\$ 164,998	25.9%	\$ 166,631	26.4%	\$ 177,273	27.9%
Capital Assets	<u>471,842</u>	74.1%	<u>465,407</u>	73.6%	<u>457,717</u>	72.1
Total Assets	636,840		632,038		634,990	
<b>LIABILITIES:</b>						
Current Liabilities	29,339	8.5%	28,912	8.3%	27,899	7.8%
Long-Term Liabilities	<u>314,554</u>	91.5%	<u>320,823</u>	91.7%	<u>327,912</u>	92.2%
Total Liabilities	343,893		349,735		355,811	
<b>NET ASSETS:</b>						
Invested in Capital Assets, Net of Debt	159,314	54.4%	167,286	59.9%	172,541	61.8%
Restricted	33,912	11.6%	32,904	11.7%	32,036	11.5%
Unrestricted	<u>99,721</u>	34.0%	<u>80,913</u>	28.4%	<u>74,602</u>	26.7%
<b>TOTAL NET ASSETS</b>	<u>\$ 292,947</u>		<u>\$ 281,103</u>		<u>\$ 279,179</u>	

The largest portion of the Authority's net assets at December 31, 2007 (54.4%), represents its investment in capital assets (i.e. bridges, ferries, buildings, improvements and equipment); less the related debt outstanding used to acquire those capital assets. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the Authority's net assets at December 31, 2007 (11.6%), represents resources that are subject to the external restrictions on how they can be used under Trust Agreement covenants. The remaining unreserved net assets (34.0%) may be used to meet the Authority's capital and ongoing obligations.

### SUMMARY OF NET ASSETS

Net Assets increased in the amount of \$11.8 million during FY 2007. As compared to FY 2006, net assets increased \$8.7 million or 279.1%. This increase can be attributable to increases in operating revenues, investment income and sales of capital assets and decreases in operating expenses and non-operating expenses. A condensed summary of the Authority's changes in net assets is shown below (in thousands).

	<b>2007 Actual</b>	<b>Percent Increase/ (Decrease)</b>	<b>2006 Actual</b>	<b>Percent Increase/ (Decrease)</b>	<b>2005 Actual</b>	<b>Percent Increase/ (Decrease)</b>
Operating Revenues	\$100,948	1.1%	\$ 99,854	2.7%	\$ 97,273	-0.1%
Operating Expenses	<u>70,468</u>	-3.5%	<u>73,025</u>	13.0%	<u>64,620</u>	1.7%
Income Before Depreciation and Other Non-Operating Income and Expenses	30,480	13.6%	26,829	-17.8%	32,653	-3.3%
Depreciation	<u>20,179</u>	8.0%	<u>18,684</u>	12.5%	<u>16,603</u>	0.6%
Operating Income	10,301	26.5%	8,145	-49.3%	16,050	-7.1%
Non-Operating Income (Expenses)	<u>(8,093)</u>	-40.0%	<u>(13,496)</u>	7.5%	<u>(12,557)</u>	-20.5%
Income Before Capital Contributions	2,208	-141.3%	(5,351)	-253.2%	3,493	134.9%
Capital Contributions	<u>9,636</u>	13.7%	<u>8,475</u>	9.4%	<u>7,750</u>	9.1%
Increase in Net Assets	<u><u>\$11,844</u></u>	279.1%	<u><u>\$3,124</u></u>	-72.2%	<u><u>\$11,243</u></u>	30.9%

### FINANCIAL HIGHLIGHTS

- Operating revenues increased \$1.1 million or 1.1% from \$99.8 million to \$100.9 million during FY 2007.
- Operating expense, before depreciation, and other general expenses decreased \$2.6 million or 3.5% from \$73 to \$70.5 million. The decrease was the result of reductions in insurance, vessel operations and facility/equipment maintenance.
- As a result of the above, operating income before depreciation and other general expenses increased \$3.7 million or 13.6% from \$26.8 million to \$30.5 million in FY 2007.
- Non-operating income (expense) decreased \$5.4 million or 40% from a net expense of \$13.5 million in FY 2006 to a net expense of \$8.1 million in FY 2007. This decrease in net expense is the result of a \$1.4 million increase in investment income, a \$.75 million decrease in write off of construction in progress and a \$.66 million increase in gain on sale of capital assets as compared to FY 2006. In addition, there were no arbitrage rebate expenses incurred in FY 2007 as compared to the \$2.5 million in FY 2006.
- Capital Contributions received in the form of grants from the Federal Aviation Administration and other services increased \$1.2 million or 13.7% from \$8.5 million in FY 2006 to \$9.6 million in FY 2007.

### OPERATIONAL HIGHLIGHTS

During FY 2007, the Authority's traffic decreased as compared to FY 2006. Overall traffic at the Delaware Memorial Bridge decreased .4% during FY 2007 as compared to FY 2006, with commercial traffic increasing 1.6% and non-commercial traffic decreasing .7%. It is important to note that while commercial traffic represented approximately 14.1% of total traffic in FY 2007, it accounted for approximately 45% of total revenue. More detailed information on traffic and revenue can be found in Note 4 in the notes to the financial statements.

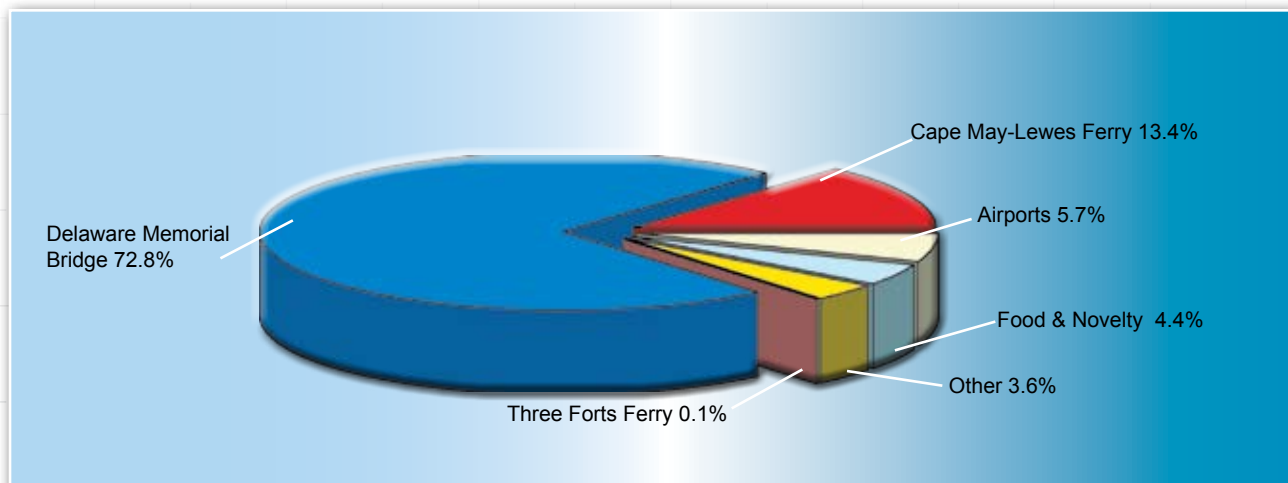
Overall traffic at the Cape May-Lewes Ferry decreased 2.1% during FY 2007 as compared to FY 2006 as vehicles decreased 2.8% and Ferry passengers decreased 1.9%. Ferry passengers comprised approximately 74.2% of total traffic in FY 2007 and accounted for 44.2% of total revenue.

Traffic for the Three Forts Ferry Crossing increased 43.2% during FY 2007 as compared to FY 2006. This increase is attributable to a full season of activity at Fort Delaware State Park. During FY 2006 the State Park closed in August for renovations. The Ferry service normally runs from April through October.

	<b>2007 Actual</b>	<b>Percent Increase/ (Decrease)</b>	<b>2006 Actual</b>	<b>Percent Increase/ (Decrease)</b>	<b>2005 Actual</b>	<b>Percent Increase/ (Decrease)</b>
<b>Delaware Memorial Bridge</b>						
Commercial	2,492,173	1.6%	2,451,857	0.7%	2,434,050	1.8%
Non-Commercial	<u>15,151,708</u>	-0.7%	<u>15,255,637</u>	0.6%	<u>15,159,360</u>	-0.6%
Total DMB:	17,643,881	-0.4%	17,707,494	0.6%	17,593,410	-0.3%
<b>Cape May-Lewes Ferry</b>						
Vehicles	341,440	-2.8%	351,188	-2.3%	359,450	-0.2%
Passengers	<u>982,414</u>	-1.9%	<u>1,001,188</u>	-2.7%	<u>1,028,553</u>	0.8%
Total CMLF:	1,323,854	-2.1%	1,352,376	-2.6%	1,388,003	0.5%
<b>Three Forts</b>						
Passengers	22,519	43.2%	15,723	-29.0%	22,142	-11.9%

### REVENUES

The following chart shows the major sources and the percentage of operating revenues for the fiscal year ended December 31, 2007.



## Management's Discussion and Analysis

### REVENUES

A summary of total revenues for the fiscal years ended December 31, 2007, 2006 and 2005 and the amount and percentage of change in relation to prior fiscal year amounts as follows (in thousands).

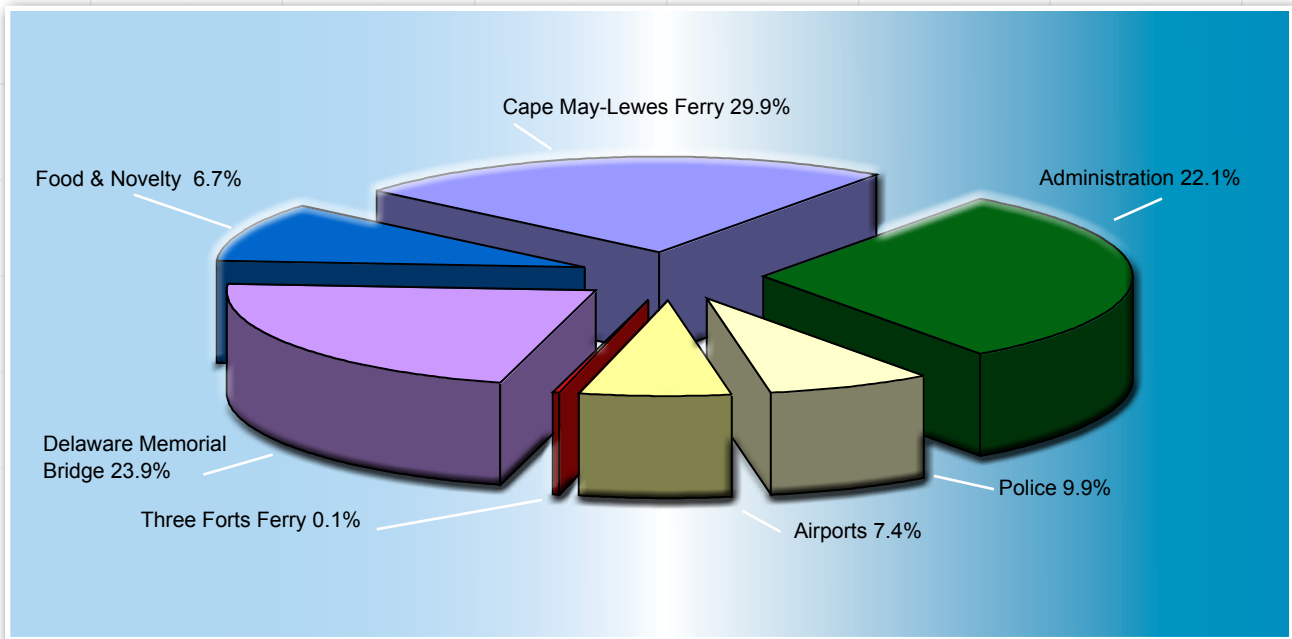
	<u>2007 Actual</u>	<u>Percent Increase/ (Decrease)</u>	<u>2006 Actual</u>	<u>Percent Increase/ (Decrease)</u>	<u>2005 Actual</u>	<u>Percent Increase/ (Decrease)</u>
<b>OPERATING</b>						
Delaware Memorial Bridge	\$ 73,525	0.7%	\$ 73,031	0.9%	\$ 72,349	0.7%
Cape May-Lewes Ferry	13,502	-1.5%	13,701	8.6%	12,615	-2.5%
Airports	5,837	8.8%	5,364	9.5%	4,899	-3.2%
Three Forts	53	-31.2%	77	-28.7%	108	-9.2%
Food and Novelty	4,405	6.5%	4,137	-1.2%	4,186	6.9%
Other	3,626	2.3%	3,544	13.5%	3,122	-9.2%
<b>TOTAL OPERATING</b>	100,948	1.1%	99,854	2.6%	97,279	-0.1%
<b>NON-OPERATING</b>						
Investment Income	7,542	22.0%	6,180	44.2%	4,285	44.5%
Sale of Equipment	750	742.7%	89	-12.7%	102	-44.9%
<b>TOTAL NON-OPERATING</b>	8,292	32.3%	6,269	42.9%	4,387	39.3%
Capital Contributions	9,636	13.7%	8,475	9.4%	7,750	9.1%
<b>TOTAL REVENUES</b>	<u>\$ 118,876</u>	3.7%	<u>\$ 114,598</u>	4.7%	<u>\$ 109,416</u>	1.7%

Total Authority revenues increased \$4.3 million or 3.7% from \$114.6 in FY 2006 to \$118.9 in FY 2007. The increase in revenues is attributable to the following operating and non-operating activities:

- Total Operating Revenue increased 1.1% during FY 2007 to \$101 million as compared to \$99.9 million during FY 2006.
- Bridge toll revenue increased .7% over FY 2006, as commercial revenue increased \$.72 million or 2.17% and non-commercial revenue decreased \$.22 million or .54% as compared to FY 2006.
- Ferry toll revenue decreased 1.5% in FY 2007 as both vehicle and passenger revenues decreased .8% and 2.3%, respectively as compared to FY 2006.
- Food and novelty revenues increased \$.3 million or 6.5% over FY 2006, while overall traffic at the Cape May-Lewes Ferry decreased 2.1% in FY 2007.
- Airport revenues increased \$.47 million or 8.8% in FY 2007 as lease revenues at New Castle and Millville Airports increased 16.4% and 9.6%, respectively.
- Non-operating income increased \$2.0 million or 32.3% over FY 2006. This increase can be attributed to a 22% increase in investment income and a \$1.2 million increase on sales of equipment as the Authority sold two (2) hangars located at the New Castle Airport.
- Capital contribution increased \$1.2 million or 13.7% over FY 2006.

## EXPENSES

The following chart shows the Authority's operating divisions and the percentage of budgetary expenses for the year ended December 31, 2007.



A summary of total expenses for the fiscal years ended December 31, 2007, 2006 and 2005 and the amount and percentage of change in relation to the prior fiscal amounts as follows (in thousands).

	<u>2007 Actual</u>	<u>Percent Increase/ (Decrease)</u>	<u>2006 Actual</u>	<u>Percent Increase/ (Decrease)</u>	<u>2005 Actual</u>	<u>Percent Increase/ (Decrease)</u>
<b>OPERATING</b>						
Administration	\$ 14,597	-4.1%	\$ 15,228	7.1%	\$ 14,220	8.7%
Delaware Memorial Bridge	15,696	-1.9%	15,992	11.3%	14,368	-7.2%
Cape May-Lewes Ferry	20,837	-2.0%	21,259	10.6%	19,221	4.7%
Authority Police	6,742	4.0%	6,480	12.1%	5,780	3.0%
Airports Division	5,074	13.8%	4,457	7.2%	4,156	1.8%
Three Forts	138	-23.3%	180	18.4%	152	-24.0%
Food & Novelty	4,648	0.3%	4,634	7.0%	4,332	8.4%
Depreciation	20,180	8.0%	18,684	12.5%	16,603	0.6%
Other Expenses	<u>2,735</u>	-43.0%	<u>4,795</u>	100.6%	<u>2,390</u>	-13.1%
<b>TOTAL OPERATING</b>	90,647	-1.2%	91,709	12.9%	81,222	1.4%
<b>NON-OPERATING</b>						
Interest on Bonds	14,842	-0.5%	14,922	-3.4%	15,452	-3.0%
Other Non-Operating	<u>1,543</u>	-68.1%	<u>4,842</u>	224.3%	<u>1,493</u>	-50.3%
<b>TOTAL NON-OPERATING</b>	16,385	-17.1%	19,764	16.6%	16,945	-10.5%
<b>TOTAL EXPENSES</b>	<u>\$107,032</u>	-4.0%	<u>\$111,473</u>	13.6%	<u>\$ 98,167</u>	-0.9%

## EXPENSES

Total Authority expenses decreased \$4.4 million or 4.0% from \$111.5 million in FY 2006 to \$107.0 million in FY 2007. Listed below are the major highlights which affected Authority expenses in FY 2007.

- Employment costs, consisting of wages and benefits increased \$1.8 million or 4.1% in FY 2007 to \$44.7 million as compared to \$42.9 in FY 2006. Total wages for FY 2007 decreased .4% from FY 2006 as the number of full time employees decreased 8% from FY 2006. Total benefits increased 11.9% in FY 2007 as health care and pension expenditures increased 17.1% and 17.4% respectively over FY 2006.
- Insurance costs decreased \$.74 million or 12.5% in FY 2007, primarily due to reductions in premiums for workers compensation and general and excess liability coverages.
- Facility and Equipment Maintenance expense decreased \$.82 million as compared to FY 2006. Annual maintenance painting on the Delaware Memorial Bridge decreased \$.76 million in FY 2007 as the majority of the work performed on the Twin Spans was for planned capital enhancements.
- Vessel operations for the Cape May-Lewes Ferry decreased \$.70 million in FY 2007.
- Utility expenses increased \$.29 million or 9.8% over FY 2006 from \$2.9 million for \$3.2 million in FY 2007. Electric and natural gas increased \$.33 million or 13.5% over FY 2006, while telephone expenses decreased \$52 thousand or 14.25% as compared to FY 2006.
- Depreciation expense increased \$1.5 million or 8% over FY 2006 as total capital assets increased \$25 million over FY 2006.
- Other operating expenses decreased \$2 million or 43% from FY 2006, the result of an one-time expenditure to the Authority's pension plan contributed in FY 2006.
- Non-operating expenses decreased \$3.3 million or 68.1% as compared to FY 2006, primarily due to FY 2006 expenditures for arbitrage rebates on the 2000A and 2000B Revenue Bonds.

## SUMMARY OF CASH FLOW ACTIVITIES

The following table shows a summary of the major sources and uses of cash and cash equivalents for the periods ending December 31, 2007, 2006 and 2005. Cash equivalents are considered highly liquid investments with a maturity of three months or less (in thousands).

	<b>2007 Actual</b>	<b>Percent Increase/ (Decrease)</b>	<b>2006 Actual</b>	<b>Percent Increase/ (Decrease)</b>	<b>2005 Actual</b>	<b>Percent Increase/ (Decrease)</b>
Cash Flow from Operating Activities	\$32,211	31.5%	\$24,499	-31.0%	\$35,530	6.9%
Cash Flow from Capital and Related Financing Activities	(42,105)	-2.7%	(43,287)	8.3%	(39,976)	4.1%
Cash Flow from Investing Activities	<u>8,200</u>	-59.2%	<u>20,104</u>	318.7%	<u>4,801</u>	-5.3%
Net Increase (Decrease) in Cash and Cash Equivalents	(1,694)	-228.7%	1,316	270.7%	355	-441.3%
Cash and Cash Equivalents, Jan. 1, 2007	<u>5,514</u>	31.3%	<u>4,198</u>	9.2%	<u>3,843</u>	-2.6%
Cash and Cash Equivalents, Dec. 31, 2007	<u><u>\$3,820</u></u>	-30.7%	<u><u>\$5,514</u></u>	31.3%	<u><u>\$4,198</u></u>	9.3%

The Authority's available cash equivalents decreased from \$5.5 million at the end of FY 2006 to \$3.8 million at the end of FY 2007.

### CAPITAL ASSETS

The Authority's investment in capital assets for its activities through December 31, 2007 amounted to \$472.4 million (net of depreciation), which represents a 1.5% increase in capital assets over FY 2006.

Capital assets acquisitions are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including debt issuance, federal grants and Authority revenues. Additional information on the Authority's Capital assets and commitments can be found in Note 3 in the notes to the financial statements.

The following table shows a summary of the Authority's investment in capital assets (net of depreciation) for the periods ending December 31, 2007, 2006, and 2005 (in thousands).

	<b>2007 Actual</b>	<b>Percent Increase/ (Decrease)</b>	<b>2006 Actual</b>	<b>Percent Increase/ (Decrease)</b>	<b>2005 Actual</b>	<b>Percent Increase/ (Decrease)</b>
Land	\$ 11,416	0.0%	\$ 11,416	0.0%	\$ 11,416	0.0%
Land Improvements	57,583	-2.4%	58,985	0.7%	58,583	-0.5%
Buildings	101,508	4.3%	97,357	15.9%	84,029	-2.2%
Machinery & Equipment	19,455	-12.5%	22,231	70.5%	13,037	-9.8%
Infrastructure	155,796	1.9%	152,853	6.4%	143,668	0.4%
Vessels	69,485	-1.0%	70,156	-1.8%	71,433	-4.3%
Construction in Progress	<u>56,599</u>	8.0%	<u>52,410</u>	-30.6%	<u>75,551</u>	38.8%
	<u>\$ 471,842</u>	1.4%	<u>\$ 465,408</u>	1.7%	<u>\$ 457,717</u>	3.4%

The major capital investments undertaken or completed during FY 2007 include:

- Miscellaneous Steel Enhancements – Delaware Memorial Bridge (\$6.7 million)
- Vessel Drydocking, Repairs and Improvements – Cape May-Lewes Ferry (\$3.2 million)
- Deck Resurfacing – Delaware Memorial Bridge (\$2.0 million)
- Hangar Purchase and Improvements – New Castle Airport (\$4.9 million)
- Multi-Purpose Hangar – Delaware Air Park (\$2.7 million)
- Office Space Fit Out and Renovation – Salem Business Park (\$1.3 million)
- Miscellaneous Capital Improvements and Equipment – Delaware Memorial Bridge (\$1.1 million)
- Rehabilitation Lighting and Signage – Millville Airport (\$.5 million)

## DEBT ADMINISTRATION

The Authority's total debt decreased by \$7.5 million or 2.4% during FY 2007. As of December 31, 2007, the Authority had \$307.9 million of revenue bonds outstanding, compared to \$315.4 million at December 31, 2006. These bonds were issued in 2000, 2003, 2004 and 2005 under a Trust Agreement which stipulates that the Authority shall, at all times, fix, revise, charge and collect tolls and other charges each year equal to not less than 125% of the principal and interest requirements for such fiscal year. The Authority has satisfied this requirement for the years ended December 31, 2007, 2006 and 2005 with debt coverage ratios of 160%, 148% and 151% respectively.

The long term debt ratings on the Authority's bond issues are shown below.

<u>Issue</u>	<u>Moody's</u>	<u>S&amp;P</u>
Series 2000A Revenue Bonds	A1	A+
Series 2000B Variable Rate Revenue Bonds	Aaa/VMIG1	AAA/A-1+
Series 2003 Revenue Bonds	A1	A+
Series 2004 Refunding Revenue Bonds	A1	A+
Series 2005 Refunding Revenue Bonds	A1	A+

All ratings for the Authority's outstanding bonds have remained the same since their original issue. Both rating agencies continue to view the Authority with a long-term stable outlook. Additional information on the Authority's long-term debt can be found in Note 5 in the notes to the financial statements.

## ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the Authority's customers, investors and other interested parties with an overview of Authority finances and to demonstrate the Authority's accountability for funds it receives. Questions regarding any information involved in this report or requests for additional information should be addressed to the office of the Chief Financial Officer, Delaware River and Bay Authority, P.O. Box 71, New Castle, Delaware 19720.

As of December 31, 2007 and 2006

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 3,807,578	\$ 5,479,728
Investments	80,872,317	69,351,659
Operating Revenues Receivable (Net of Allowance for Uncollected Tolls of \$54,047 for 2007 and \$48,478 for 2006)	3,945,212	4,801,356
Accrued Investment Income Receivable	435,235	430,897
Note Receivable (Current Portion)	204,343	
Other Accounts Receivable	300,914	220,743
Federal Grants Receivable	2,369,031	856,075
Inventory	5,010,250	4,998,004
Prepaid Expenses	474,840	283,274
Restricted Assets:		
Cash and Cash Equivalents	12,103	33,932
Investments	59,571,292	72,328,844
Accrued Investment Income Receivable	406,509	263,075
<b>Total Current Assets</b>	<b><u>157,409,624</u></b>	<b><u>159,047,587</u></b>
Noncurrent Assets:		
Property, Plant and Equipment:		
Completed (Net of Accumulated Depreciation)	415,243,456	412,997,842
Construction in Progress	56,598,828	52,409,834
	471,842,284	465,407,676
Other Assets:		
Unamortized Debt Issue Costs	3,893,651	4,182,729
Note Receivable	3,694,628	3,400,000
<b>Total Noncurrent Assets</b>	<b><u>479,430,563</u></b>	<b><u>472,990,405</u></b>
<b>Total Assets</b>	<b><u>636,840,187</u></b>	<b><u>632,037,992</u></b>
<b>LIABILITIES</b>		
Current Liabilities:		
Payable from Unrestricted Assets:		
Accounts Payable	\$4,086,160	\$2,980,277
Accrued Wages Payable	585,620	508,320
Unpaid Health Claims	1,247,221	654,035
Electronic Toll Liability	430,467	621,045
Unearned Revenue	5,019,681	5,242,937
Customer and Security Deposits	1,390,202	1,224,292
Compensated Absences	534,778	508,150
Payable from Restricted Assets:		
Accounts Payable	1,600,273	2,876,299
Interest Payable	7,070,946	7,201,975
Loans Payable	33,502	
Revenue Bonds Payable (Current Portion)	7,340,000	7,095,000
<b>Total Current Liabilities</b>	<b><u>29,338,850</u></b>	<b><u>28,912,330</u></b>
Long Term Liabilities:		
Compensated Absences	5,506,305	5,404,408
Loans Payable	1,166,498	1,200,000
Revenue Bonds Payable	307,881,528	315,418,383
<b>Total Long Term Liabilities</b>	<b><u>314,554,331</u></b>	<b><u>322,022,791</u></b>
<b>Total Liabilities</b>	<b><u>343,893,181</u></b>	<b><u>350,935,121</u></b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	159,314,407	168,486,079
Restricted:		
Trust Agreement Covenants	33,911,805	32,903,520
Unrestricted	99,720,794	79,713,272
<b>Total Net Assets</b>	<b><u>\$ 292,947,006</u></b>	<b><u>\$ 281,102,871</u></b>

See the accompanying Notes to Financial Statements.

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**Statements of Revenues, Expenses and Changes in Net Assets**

For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>OPERATING REVENUES:</b>		
Bridge Tolls	\$ 73,525,058	\$ 73,031,619
Ferry Tolls	13,555,341	13,778,387
Food and Novelty Sales	4,404,875	4,137,079
Airport Lease Revenue	5,837,345	5,363,724
Other Operating Revenue	<u>3,625,589</u>	<u>3,544,050</u>
Total Operating Revenue	<u>100,948,208</u>	<u>99,854,859</u>
<b>OPERATING EXPENSES:</b>		
Administrative and General:		
Wages and Benefits	7,160,957	7,107,897
Other Expenses	10,171,324	12,915,924
Operations:		
Wages and Benefits	37,837,764	36,353,664
Other Expenses	15,297,497	16,648,022
Depreciation Expense	<u>20,179,522</u>	<u>18,684,272</u>
Total Operating Expenses	<u>90,647,064</u>	<u>91,709,779</u>
Operating Income	<u>10,301,144</u>	<u>8,145,080</u>
<b>NON-OPERATING INCOME (EXPENSE):</b>		
Investment Income	7,542,228	6,179,702
Investment Fees	(431,091)	(460,383)
Interest on Bonds	(14,842,098)	(14,921,709)
Amortization of Debt Issue Costs	(289,078)	(328,184)
Write-Off Construction in Progress	(822,965)	(1,568,448)
Interest Rebate		(2,485,404)
Gain on Sale of Capital Assets	<u>750,160</u>	<u>88,544</u>
Net Non-Operating Income (Expense)	<u>(8,092,844)</u>	<u>(13,495,882)</u>
Income (Loss) Before Contributions	2,208,300	(5,350,802)
Capital Contributions	<u>9,635,835</u>	<u>8,474,638</u>
Change in Net Assets	11,844,135	3,123,836
Net Assets Jan. 1, as previously reported	281,102,871	279,179,035
Prior Period Adjustment		<u>(1,200,000)</u>
Net Assets Jan. 1, as restated	<u>281,102,871</u>	<u>277,979,035</u>
Net Assets Dec. 31	<u>\$ 292,947,006</u>	<u>\$ 281,102,871</u>

See the accompanying Notes to Financial Statements.

For the years ended December 31, 2007 and 2006

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Customers and Users	\$97,850,668	\$96,217,640
Payments to Employees	(44,277,009)	(43,015,913)
Payments to Suppliers	(24,489,453)	(31,721,695)
Other Operating Receipts	<u>3,421,246</u>	<u>3,018,555</u>
Net Cash Provided by Operating Activities	<u>32,505,452</u>	<u>24,498,587</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Interest Rebate		(2,485,404)
Acquisition and Construction of Capital Assets	(32,122,703)	(27,756,795)
Proceeds of Sale of Capital Assets	4,159,742	109,240
Capital Contributions	8,122,879	8,824,069
Principal Paid on Capital Debt	(7,095,000)	(6,625,000)
Interest Paid on Capital Debt	<u>(15,169,981)</u>	<u>(15,352,985)</u>
Net Cash (Used in) Provided by Capital and Related Financing Activities	<u>(42,105,063)</u>	<u>(43,286,875)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Income	7,394,456	6,024,610
Investment Fees	(431,091)	(460,383)
Net Change in Investments	<u>1,236,895</u>	<u>14,539,424</u>
Net Cash Provided by (Used in) Investing Activities	<u>8,200,260</u>	<u>20,103,651</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(1,399,351)	1,315,363
Cash and Cash Equivalents -- Jan 1	<u>5,513,660</u>	<u>4,198,297</u>
Cash and Cash Equivalents -- Dec 31	<u>\$4,114,309</u>	<u>\$5,513,660</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Income	\$10,301,144	\$8,145,080
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:		
Depreciation Expense	20,179,522	18,684,272
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	775,974	(822,995)
(Increase) Decrease in Note Receivable	(204,343)	(3,400,000)
(Increase) Decrease in Inventory	(12,247)	87,993
(Increase) Decrease in Prepaid Expenses	(191,567)	422,293
Increase (Decrease) in Accounts Payable	1,183,182	710,300
Increase (Decrease) in Unpaid Health Claims	593,187	107,075
Increase (Decrease) in Electronic Toll Liability	(190,578)	136,391
Increase (Decrease) in Deferred Revenue	(223,256)	214,171
Increase (Decrease) in Customer and Security Deposits	165,909	44,861
Increase (Decrease) in Compensated Absences	<u>128,525</u>	<u>169,146</u>
Net Cash Provided by Operating Activities	<u>\$32,505,452</u>	<u>\$24,498,587</u>

See the accompanying notes to Financial Statements.

**Statements of Net Assets Available for Benefits,  
 Fiduciary Fund, Pension Trust Fund**

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As of December 31, 2007 and 2006

	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>ASSETS</b>		
Investments at Fair Value:		
Money Market Funds	\$ 575,370	\$ 4,563,504
Mutual Funds	30,756,096	27,916,884
Corporate Bonds	450,800	2,961,331
US Government Bonds	13,560,578	9,042,760
Municipal Bonds	5,972,345	4,995,480
Fixed Income Funds	<u>16,289,063</u>	<u>17,280,170</u>
	<u>67,604,252</u>	<u>66,760,129</u>
Accrued Interest	<u>178,728</u>	<u>188,068</u>
Other Assets:		
Employer Contribution Receivable	<u>501,325</u>	<u>1,130</u>
Total Other Assets	<u>501,325</u>	<u>1,130</u>
Total Assets	<u>68,284,305</u>	<u>66,949,327</u>
<b>LIABILITIES</b>		
Accounts Payable	<u>15,390</u>	<u>47,146</u>
Total Liabilities	<u>15,390</u>	<u>47,146</u>
<b>NET ASSETS</b>		
Assets Held in Trust for Pension Benefits	<u>\$68,268,915</u>	<u>\$66,902,181</u>

*See the accompanying Notes to Financial Statements.*

**Statements of Changes in Net Assets Available for Benefits**  
 Fiduciary Fund, Pension Trust Fund

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For the years ended December 31, 2007 and 2006

	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>ADDITIONS</b>		
Investment Income:		
Net Appreciation in Fair Value of Assets	\$ 1,212,401	\$ 3,723,416
Dividends	465,195	482,627
Interest	<u>1,853,108</u>	<u>1,700,076</u>
	3,530,704	5,906,119
Less: Investment Expense	<u>86,756</u>	<u>85,916</u>
	<u>3,443,948</u>	<u>5,820,203</u>
Contributions:		
Employer	5,038,045	6,688,088
Plan Member	<u>690,238</u>	<u>694,206</u>
Total Contributions	<u>5,728,283</u>	<u>7,382,294</u>
Total Additions	<u>9,172,231</u>	<u>13,202,497</u>
<b>DEDUCTIONS</b>		
Benefits Paid to Participants	7,485,316	6,093,878
Insurance Expense	23,050	23,050
Administrative Expenses	<u>297,131</u>	<u>319,823</u>
Total Deductions	<u>7,805,497</u>	<u>6,436,751</u>
Net Increase	1,366,734	6,765,746
Net Assets Available for Plan Benefits:		
Beginning of Year	<u>66,902,181</u>	<u>60,136,435</u>
End of Year	<u>\$ 68,268,915</u>	<u>\$ 66,902,181</u>

See the accompanying Notes to Financial Statements.

For the year ended December 31, 2007

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Delaware River and Bay Authority (the "Authority") is a body politic and an agency of the Governments of the State of Delaware and the State of New Jersey, duly created with the consent of the Congress of the United States of America, approved September 20, 1962. As a governmental agency, the Authority has no stockholders or equity holders.

The Authority is authorized to plan, finance, develop, construct, purchase, lease, maintain, improve and operate crossings, including bridges, tunnels and ferries and all approaches thereto and connecting and service routes, between the State of Delaware and the State of New Jersey across the Delaware River and Bay, and transportation and terminal facilities, and to issue Revenue Bonds payable from revenues. Effective November 15, 1990, the Authority is further authorized to plan for, finance and operate commerce facilities or developments in Delaware or in the New Jersey counties of Cape May, Cumberland, Gloucester and Salem.

**Basis of Presentation, Fund Accounting**

The financial statements of the Authority have been prepared in accordance with generally accepted accounting principles applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority uses a single Enterprise fund to account for the bridge, ferry and airport activities and maintain their records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

Fiduciary funds are used to account for the accumulation of pension resources held in trust for employees.

**Basis of Accounting**

The Authority's Proprietary and Fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred, regardless of the timing of the related cash flows.

**Governmental Accounting Standards Board – Statement No. 20**

The Authority is required to follow all statements of the Governmental Accounting Standards Board (GASB). GASB Statement No. 20 was issued to give guidance in determining Generally Accepted Accounting Principles (GAAP) for governmental proprietary funds. It provides that all proprietary fund activities follow all Financial Accounting Standards Board (FASB) Statements issued prior to November 30, 1989, unless they conflict with GASB standards. It also provides that the governmental unit must elect whether to follow FASB Statements issued after that date.

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

For the year ended December 31, 2007

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgets and Budgetary Accounting**

The Authority must adopt an annual budget in accordance with Section 505 of the Trust Agreement. Section 505 requires the Authority to adopt the final budget no later than December 1<sup>st</sup> for the ensuing fiscal year. The budget is adopted on the modified accrual basis of accounting with provisions for cash payments for bond principal. The Authority may not incur in a fiscal year any amount in excess of the amounts provided for current expenses in the annual budget.

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles. The reconciliation between budgetary basis expenditures and expenditures as reported on the Statement of Revenue, Expenses and Changes in Fund Net Assets is included in Note 3.

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, change funds, cash on hand, cash on deposit with public depositories and investment money market funds. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are recorded at fair market value. Money market funds were reclassified from cash and cash equivalents to investments as a result in a change to accounting application following GASB 40.

The Authority's depository and investment options are subject to the provisions and restrictions of the Trust Agreement, as supplemented, between the Trustee, Wilmington Trust Company and the Authority dated October 1, 1993. Section 601 of the Trust Agreement establishes the requirements for the security of deposits of the Authority. This section requires that all deposits with a Depository, in excess of the amount insured by the Federal Deposit Insurance Corporation shall be continuously secured for the benefit of the Authority and the holders of the bonds.

Depositories must be a member of the Federal Deposit Insurance Corporation, subject to examination by federal or state authority, of good standing and have a combined capital, surplus and undivided profits aggregating not less than \$25,000,000.

Section 101 of the Trust Agreement defines the allowable Investment Obligations for all funds of the Authority, except the General fund. Permitted investments include (a1) Government Obligations guaranteed by the full faith and credit of the United States Government, (a2) Senior Debt Obligations of the Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Financing Bank, Farmers Home Administration, Federal Land Banks, Federal Home Loan Mortgage Association, Government National Mortgage Association and Federal National Mortgage Association, (b) repurchase agreements with respect to the obligation listed in (a1) and (a2), (c) certificates of deposits, (d) commercial paper rated in the highest category by the Rating Agencies, (e) obligations of state or local government issuers rated in the two highest categories by the Rating Agencies, (f) money market mutual funds rated in the highest category by the Rating Agencies, (g) bankers' acceptances rated in the three highest categories by the Rating Agencies, (h) full faith and credit obligations of state or local government issuers rated in one of the three highest categories by the Rating Agencies.

For the year ended December 31, 2007

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash, Cash Equivalents and Investments (Continued)**

Section 602 of the Trust Agreement establishes maturity limits by Fund for Investment Obligations held in depositories. Maturity limits by fund are as follows:

<u>Fund</u>	<u>Maturity Limit</u>
Revenue Fund	Twelve Months
Debt Service Funds	Not later than when the funds held will be required for the purposes intended
Debt Service Reserve Funds	Not later than the final maturity of the bonds outstanding
Reserve Maintenance Fund	Three Years
Construction Fund	Not later than when the funds held will be required for the purposes intended
General Fund	None

The Trust Agreement does not place limits on the amount that may be invested in any one issuer. As a supplement to the provisions of the Trust Agreement, the Authority has adopted polices and guidelines for the investment of funds in both the Construction and General funds.

*Construction Fund:* Limits that not more than 10% of the fund that may be invested in any one issuer and not more than 25% of the fund may be invested in the following types of obligations as described above (b) repurchase agreements, (c) certificates of deposits, (e) obligations of state or local governments, (g) bankers' acceptances and (h) full faith and credit obligations of state and local government issuers. Limits that not more than 10% of the fund may be invested in any one issuer of the following types of obligations as disclosed in Note 1: (a2) US Government Agency Obligations and Commercial paper. No limits are placed on obligations guaranteed by the full faith and credit of the US Government and money market funds.

*General Fund:* Limits that not less than 75% of the fund be invested in the permitted investments and the percentages for issuer and type of investment to those allowed for the other funds but with no maturity restriction. Limits that not more than 25% of the fund being invested in any investment directed by the Authority with the exception of "high risk mortgage securities" as defined in the Supervisory Policy for Federally Insured Depository Institutions issued in January 1992.

**Inventory**

The inventory is recorded at cost using the average cost method and consists of operating and concession supplies, vessel spare parts, and various fuels for both Delaware Memorial Bridge and the Cape May-Lewes Ferry operations.

**Prepaid Expenses**

Payments made to vendors for services that will benefit future periods beyond December 31, 2007 are recorded as prepaid expenses.

**Debt Issuance Costs, Bond Discounts/Premiums and Deferred Loss on Defeasance**

Debt issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bond discounts/premiums and loss on defeasance are deferred and amortized over the life of the bonds using the effective interest method. Bond discounts/premiums and loss on defeasance are presented as an adjustment of the face amount of the revenue bonds payable whereas issuance costs are recorded as other assets.

For the year ended December 31, 2007

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property, Plant and Equipment**

Property, Plant, and Equipment primarily consists of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased prior to January 1, 2002, are valued based upon an asset appraisal performed by an independent appraisal company dated December 31, 2001. Assets purchased after January 1, 2002, are valued at cost. Assets acquired through gifts or donations are recorded at their estimated fair market value at time of acquisition.

Costs incurred for projects under construction are recorded as Construction in Progress. In the year that the project is completed, these costs are transferred to Property, Plant and Equipment. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$1,000 or more.
- 2) Useful life of five years or more.
- 3) Increases value of an asset.

The related costs and accumulated depreciation of assets disposed of are removed from Property, Plant and Equipment and any gain or loss on disposition is credited or charged to non-operating revenues or expenses.

**Depreciation**

Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Asset lives used in the calculation of depreciation are generally as follows:

<b><u>Asset Class</u></b>	<b><u>Useful Life (Years)</u></b>
Land Improvements	20 – 50
Buildings	50
Machinery & Equipment	5 – 20
Vessels	40
Infrastructure (Bridges, Roadways & Runways)	20 – 100

Depreciation begins when the asset is placed in service.

**Post-retirement Benefits**

The Authority records post-retirement benefits as expenses in the year that they are disbursed. The liability for these benefits is not recorded on the statement of net assets.

**Interfunds**

Interfund receivables/ payables represent amounts that are owed, other than charges for goods or services rendered, to/ from a particular fund. These receivables/ payables are eliminated during the aggregation process.

**Income Taxes**

The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

For the year ended December 31, 2007

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Operating and Non-Operating Revenues and Expenses**

Operating revenues include all revenues derived from facility charges (i.e., toll revenues, which include E-ZPass revenues) and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities.

Operating expenses include expenses associated with the operation, maintenance and repair of the bridges, airports and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt and major non-recurring repairs.

**Net Assets**

Net assets comprise the various earnings from operating income, non-operating revenues, expenses, and capital contributions. Net assets are classified in the following three components:

**Invested in Capital Assets, net of Related Debt** – This component of net assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of Invested in Capital Assets, net of Related Debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

**Restricted** – This component of net assets consists of external constraints imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restricts the use of net assets.

**Unrestricted** – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.” This component includes net assets that may be allocated for specific purposes by the Board.

**Use of Estimates**

Management of the Authority has made certain estimates and assumptions relating to the reporting of assets, liabilities and revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results may differ from those estimates.

**Note 2: PRIOR YEAR FINANCIAL STATEMENTS**

**Prior Year Adjustment - Correction of an Error** – During the current year it was discovered that in 2003 a loan from the Cumberland Empowerment Zone Corporation was recorded as grant revenue. This loan was used to construct a hanger at the Millville Airport. The Loan was for \$1,200,000 and is payable over 20 years at a rate of 7%. (For further details, see Note 5, Loans Payable.)

The restatement is detailed below:

Net Assets January 1, 2006 as Previously Reported	\$ 279,179,035
Prior Period Adjustment	<u>(1,200,000)</u>
Net Assets January 1, 2006 as Restated	<u>\$ 277,979,035</u>

For the year ended December 31, 2007

**Note 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Compliance with finance related legal and contractual provisions**

The Authority has no material violations of finance related legal and contractual provisions.

**Trust Agreement**

The Authority is subject to the provisions and restrictions of the Trust Agreement between the Trustee, Wilmington Trust Company, and the Authority dated October 1, 1993. The following is a summary of the activities of each account created by the Trust Agreement:

**Revenue Fund:**

All money collected by the Authority for toll charges or from any other source of revenue is deposited in this account. The monies in the Revenue account are held by the Trustee and applied to the payment of current expenses and debt service.

**Debt Service Fund:**

This account is maintained to pay bond interest and principal. The balance on deposit must be sufficient to enable the trustee to withdraw amounts equal to interest due on bonds and principal amount maturing on bonds when such payments are required. The balance on December 31, 2007 meets the requirements of the Trust Agreement.

**Debt Reserve Fund:**

Funds on deposit must be maintained at a level equal to the maximum annual principal and interest requirements to insure funds are available for payment of debt service. The balance on December 31, 2007 of \$26,741,440 meets the requirements of the Trust Agreement.

**Reserve Maintenance Fund:**

This account is used for unusual or extraordinary maintenance or repairs, maintenance or repairs not recurring annually, repairs or replacements resulting from emergencies, providing improvements to approaches and highways, insurance premiums on crossing facilities and engineering expenses incurred under the provisions of Section 509 of the Trust Agreement. Funds on deposit must be equal to \$4,000,000 at fiscal year end. Any excess shall be promptly transferred to the General Fund Account. The balance on December 31, 2007 meets the requirements of the Trust Agreement.

**General Fund:**

All excess funds of the Authority are recorded in the General Fund. If the Authority is not in default in the payment of bond principal or interest and all fund requirements are satisfied, the excess funds may be used by the Authority for any lawful purpose.

**Covenants as to Tolls**

The Authority is required to fix, revise, charge and collect tolls and other charges for traffic using the crossing facilities in order to provide an amount of Net Revenues in each fiscal year equal to not less than 125% of the principal and interest requirements for such fiscal year. The Authority satisfied this requirement for the year ending December 31, 2007.

For the year ended December 31, 2007

**Note 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

**Covenants as to Tolls (Continued)**

To arrive at Net Revenues as defined in the Trust Agreement, the following adjustments to operating income need to be made:

Operating Income			\$ 10,301,144
Add:			
Investment Income (Excluding Construction Fund)	\$ 6,254,097		
Depreciation Expense	20,179,522		
General Fund Expense	2,734,842		
Airport Fund Expense	5,074,434		
Liquidations of 12/31/06 Encumbrances	<u>1,467,481</u>		
			35,710,376
Less:			
Airport Fund Revenues	6,778,546		
General Fund Revenues	912,530		
Inventory Adjustments	12,247		
Encumbrances Fiscal Year Ending 12/31/07	<u>2,552,263</u>		
			<u>10,255,586</u>
Net Revenues Available for Debt Service Coverage			<u>\$ 35,755,934</u>
Total Debt Service (Principal and Interest)			<u>\$ 22,364,966</u>
Debt Service Coverage			160%

**Annual Budget - 2007**

**Revenue (Excluding Grant Revenue)**

	<b><u>2007 Projected Revenue</u></b>	<b><u>2007 Actual Revenue</u></b>	<b><u>(Under) Over Budget</u></b>
Delaware Memorial Bridge	\$73,761,936	\$73,525,058	\$(236,878)
Cape May-Lewes Ferry	13,801,066	13,501,913	(299,153)
Airports Division	5,132,347	5,062,779	(69,568)
Three Forts	105,000	53,428	(51,572)
Concessions	3,992,498	4,288,309	295,811
Investment Income	4,647,766	6,180,829	1,533,063
Other Income	<u>1,905,300</u>	<u>2,032,446</u>	<u>127,146</u>
Total Revenue	<u>\$103,345,913</u>	<u>\$104,644,762</u>	<u>\$1,298,849</u>

For the year ended December 31, 2007

**Note 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

**Annual Budget (continued)**

**Expenses**

	<b>2007 Revised Budget</b>	<b>2007 Actual (1) Expenses</b>	<b>(Under) Over Budget</b>
Administration	\$ 15,565,802	\$ 15,187,982	\$ 377,820
Delaware Memorial Bridge	16,480,679	16,451,313	29,366
Cape May-Lewes Ferry	22,222,862	20,575,840	1,647,022
Authority Police	7,019,201	6,809,395	209,806
Airport Division	5,094,133	5,061,472	32,661
Three Forts	221,599	99,964	121,635
Concessions	<u>4,914,057</u>	<u>4,643,740</u>	<u>270,317</u>
Total Operating Expenses (2)	71,518,333	68,829,706	2,688,627
Bond Interest	15,003,678	15,024,966	(21,288)
Bond Principal	<u>7,340,000</u>	<u>7,340,000</u>	<u></u>
Total Expenses	<u>\$ 93,862,011</u>	<u>\$ 91,194,672</u>	<u>\$ 2,667,339</u>

(1) Actual expenses are based on the Budgetary Method. Year end adjustments i.e., (inventory, fuel oil, etc.) are not included in the above schedule.

(2) Expense Reconciliation to Financial Statements:

Operating Expenditures (Budgetary Method)	\$68,829,706
Adjustments:	
Encumbrances - Fiscal Year Ending 12/31/07	(2,552,263)
Liquidation of 12/31/06 Encumbrances	1,467,481
Depreciation Expense	20,179,522
Inventory Adjustments	(12,247)
General Fund Expenses	2,734,842
Other Miscellaneous Adjustments	<u>23</u>
Operating Expenses	<u>\$90,647,064</u>

**Note 4: DETAIL NOTES – ASSETS**

**Cash and Cash Equivalents**

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2007, the Authority held \$3,640,410 in cash and cash equivalents in financial institutions, with \$2,198,646 held in uncollateralized accounts in excess of federal depository insurance limits.

**Investments**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or

For the year ended December 31, 2007

**Note 4: DETAIL NOTES – ASSETS (Continued)**

**Investments (Continued)**

the counterparty's trust department or agent, but not in the Authority's name. Of the Authority's \$140,443,609 investments in US Government Securities, US Government Agencies, Municipal Bond, Corporate Bonds and Money Market Funds, all \$140,443,609 of investments are registered in the name of the Authority and held by the counterparty.

Of the \$67,604,252 investments held in the Authority's Pension Trust Fund, \$51,315,189 are registered in the name of the Authority and held by the counterparty. The remaining \$16,289,063 of Other Obligations are held by Allmerica Financial Life Insurance Company within their general investment portfolio.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's Trust Agreement limits the investment maturities by fund, depending on the fund's purpose, as disclosed in Note 1.

The Pension Fund's investment policy is to preserve the capital of the Fund and maximize investment earnings in excess of inflation with acceptable levels of volatility. The Fund's focus will reflect an intermediate time horizon of at least a complete market cycle, generally occurring over three to five years. The long term investment strategy objective is to achieve a total rate of return, net of fees, which exceeds the actuarial return assumption used for funding.

As of December 31, 2007, the Authority had the following investments and maturities. (Amounts are in thousands)

**Investment Maturities (in Years)**

<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Less than 1</u></b>	<b><u>1-5</u></b>	<b><u>6-10</u></b>	<b><u>More than 10</u></b>
Corporate Bonds/Notes	\$ 16,598	\$ 7,464	\$ 3,764	\$5,370	\$ -
Municipal Obligations	36,721	7,044	14,193	7,053	8,430
U.S. Government Agencies	42,068	2,872	4,140	2,726	32,331
U.S. Government Bonds/Notes	18,627	11,507	6,123	997	
Money Market Funds	<u>26,430</u>	<u>26,430</u>			
<b>Total</b>	<b><u>\$ 140,444</u></b>	<b><u>\$ 55,317</u></b>	<b><u>\$ 28,220</u></b>	<b><u>\$16,146</u></b>	<b><u>\$ 40,761</u></b>

As of December 31, 2007, the Pension Trust Fund had the following investments and maturities. (Amounts are in thousands)

<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Less than 1</u></b>	<b><u>1-5</u></b>	<b><u>6-10</u></b>	<b><u>More than 10</u></b>
Corporate Bonds/Notes	\$451	\$ -	\$ -	\$ 451	\$ -
Municipal Obligations	5,972		2,054	2,276	1,642
U.S. Government Agencies	9,758		26	535	9,197
U.S. Government Bonds/Notes	3,802			3,685	117
Money Market Funds	576	576			
Equity Index Funds	30,756	30,756			
Other Obligations	<u>16,289</u>	<u>16,289</u>			
<b>Total</b>	<b><u>\$ 67,604</u></b>	<b><u>\$ 47,621</u></b>	<b><u>\$ 2,080</u></b>	<b><u>\$ 6,947</u></b>	<b><u>\$ 10,956</u></b>

*Credit Risk:* Credit risk is the risk that an issuer or counterparty to an investor will not fulfill its obligations. The Authority limits its exposure to credit risk through the Trust Agreement which restricts the investment obligations that may be purchased, by type and credit rating, as disclosed in Note 1. The Pension Fund's investment policy defines the type, quality and quantity of eligible investments that can be purchased. Presented below are summaries of the Authority's investments by type and credit rating as of December 31, 2007.

For the year ended December 31, 2007

**Note 4: DETAIL NOTES – ASSETS (Continued)**

**Authority Investments**

<u>Investment Type</u>	<u>Rating *</u>	<u>% of Total Investments</u>
Corporate Bonds/Notes	AAA/Aaa	2.69%
Corporate Bonds/Notes	AA/Aa	3.13%
Corporate Bonds/Notes	AA-/A2	3.42%
Corporate Bonds/Notes	A+/A1+	0.88%
Corporate Bonds/Notes	A-/A1	1.71%
Municipal Obligations	AAA/Aaa	20.90%
Municipal Obligations	AA+/AA/AA-	0.50%
Municipal Obligations	AA/Aa2	3.11%
Municipal Obligations	AA-/A2	0.11%
Municipal Obligations	A-/A1	1.53%
Federal Home Loan	AAA/Aaa	3.19%
Federal Home Loan Bank Bonds	AAA/Aaa	3.08%
Federal Home Loan Mortgage Corporation Bonds	AAA/Aaa	0.68%
Federal National Mortgage Association Bonds	AAA/Aaa	0.73%
Federal National Mortgage Association Bonds	AAA/Aaa	16.48%
Government National Mortgage Association Bonds	AAA/Aaa	5.80%
U.S. Treasury Notes	AAA/Aaa	13.26%
Money Market Funds	AAA/Aaa	16.00%
Money Market Funds	NR	2.82%

\*AAA/Aaa represents the highest quality rating by Standard & Poor's and Moody's

**Pension Fund Investments**

<u>Investment Type</u>	<u>Rating *</u>	<u>% of Total Investments</u>
Corporate Bonds/Notes	A+/A1+	0.67%
Municipal Obligations	AAA/Aaa	5.58%
Municipal Obligations	AA+/AA/AA-	1.19%
Municipal Obligations	AA/Aa2	2.06%
Federal Home Loan Mortgage Corporation Bonds	AAA/Aaa	1.71%
Federal National Mortgage Association Bonds	AAA/Aaa	7.00%
Government National Mortgage Association Bonds	AAA/Aaa	5.73%
U.S. Treasury Notes	AAA/Aaa	5.62%
Money Market Funds	AAA/Aaa	0.85%
Equity Index Funds	NR	45.49%
Other Obligations	NR	24.09%

\*AAA/Aaa represents the highest quality rating by Standard & Poor's and Moody's

*Concentration of Credit Risk:* The Authority does not place a limit on the amount that may be invested in any one issuer, except the Construction fund, as disclosed in Note 1. All permitted investments by the Authority must be rated in the three highest categories by the rating agencies. The Pension Fund's investment policy limits corporate securities to 5% of portfolio per issuer. All purchases must be of investment grade. Commercial paper must rate top quality by at least one rating agency.

**Note Receivable**

On March 1, 2005, the Authority entered into an agreement with the Diamond State Port Corporation ("DSPC"). Under the agreement, the Authority is required to fund DSPC's warehouse project in the amount of \$4,000,000 (See Note 4, Lease Obligations). On April 20, 2006, the Authority sent \$3,400,000 to the DSPC, which represented 85% of the project's funding. The Authority remitted the remaining \$600,000 to the DSPC on June 1, 2007. The note is payable over 20 years in equal monthly installments of \$21,785.57. Interest rates range from 1.50% (years 1-5), 3.00% (years 6-10) and 5.32% (years 11-20) for an internal rate of return of 2.80%. The DSPC began making payments July 1, 2007. The balance of the note at December 31, 2007 was \$3,898,971.

For the year ended December 31, 2007

**Note 4: DETAIL NOTES – ASSETS (Continued)**

**Property, Plant and Equipment**

The following schedule details changes in Property, Plant and Equipment by major class that occurred during the year ended December 31, 2007:

	<b>Balance Dec. 31, 2006</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance Dec. 31, 2007</b>
<i>Capital Assets, not being Depreciated:</i>					
Land	\$ 11,416,470				\$ 11,416,470
Construction in Progress	<u>52,409,834</u>	<u>\$ 30,818,755</u>	<u>\$ (822,965)</u>	<u>\$ (25,253,939)</u>	<u>57,151,685</u>
Total Capital Assets, not being Depreciated	<u>63,826,304</u>	<u>30,818,755</u>	<u>(822,965)</u>	<u>(25,253,939)</u>	<u>68,568,155</u>
<i>Capital Assets, being Depreciated:</i>					
Land Improvements	224,779,577	9,540		1,150,295	225,939,412
Buildings	121,161,555	18,385	(3,630,000)	9,744,607	127,294,547
Machinery and Equipment	48,329,776		(806,491)	2,263,694	49,786,979
Vessels	134,089,635			3,112,541	137,202,176
Infrastructure	<u>353,350,710</u>		<u>(552,858)</u>	<u>8,982,802</u>	<u>361,780,654</u>
<b>Total Capital Assets, being Depreciated</b>	<u>881,711,253</u>	<u>27,925</u>	<u>(4,989,349)</u>	<u>25,253,939</u>	<u>902,003,768</u>
<i>Accumulated Depreciation:</i>					
Land Improvements	(165,794,512)	(2,562,050)			(168,356,562)
Buildings	(23,804,802)	(2,761,012)	779,200		(25,786,614)
Machinery and Equipment	(26,099,212)	(5,033,761)	800,564		(30,332,409)
Vessels	(63,933,257)	(3,783,530)			(67,716,787)
Infrastructure	<u>(200,498,098)</u>	<u>(6,039,169)</u>			<u>(206,537,267)</u>
Total Accumulated Depreciation	<u>(480,129,881)</u>	<u>(20,179,522)</u>	<u>1,579,764</u>	<u>---</u>	<u>(498,729,639)</u>
Total Capital Assets, being Depreciated, Net	<u>401,581,372</u>	<u>(20,151,597)</u>	<u>(3,409,585)</u>	<u>25,253,939</u>	<u>403,826,984</u>
Total Capital Assets, Net	<u>\$ 465,407,676</u>	<u>\$ 10,667,158</u>	<u>\$ (4,232,550)</u>	<u>---</u>	<u>\$ 471,842,284</u>

Total depreciation expense for Fiscal Year 2007 was \$20,179,522. Depreciation expense was charged to operating activities as follows:

Delaware Memorial Bridge	\$ 7,755,649
Cape May - Lewes Ferry	8,023,375
Administration	234,612
Police	95,502
Concessions	18,673
Three Forts Ferry	66,051
Airports	3,629,973
Salem Business Park	325,770
Riverfront Marketplace	<u>28,917</u>
Total Depreciation Expense	<u>\$ 20,179,522</u>

## Notes to Financial Statements

For the year ended December 31, 2007

**Note 4: DETAIL NOTES – ASSETS (Continued)**

**Toll Revenue**

**2007**

Toll Class	Bridge		Ferry***	
	Vehicles	Revenue	Vehicles or Passengers	Revenue
1	12,554,899	\$ 37,572,673	317,105	\$ 6,830,396
2	308,773	1,843,644		
3	166,322	1,485,828		
4	152,343	1,819,476	3,273	91,920
5	1,822,294	27,139,155	3,950	143,673
6	33,720	602,388	2,728	118,491
7	2,668	106,720	2,691	149,033
8	6,053	141,144		
9	1,123,691	842,768	596	45,730
10	1,314,561	1,314,555	8,592	156,899
11	73,385	328,163		
12	68,755	410,670	8	973
13	4,453	31,755		
Passengers: Adult			826,642	5,540,663
Child			86,479	377,022
Bus Adult			7,000	40,618
Bus Child			501	1,468
Special Groups			943	5,028
Non-Revenue	11,964		63,346 **	
	<u>17,643,881</u>	<u>73,638,939</u>	<u>1,323,854</u>	<u>\$ 13,501,914</u>
Adjustment: Write-Off of Uncollected Tolls		<u>(113,880)</u>		
		<u>\$ 73,525,059</u>		

\*\* Includes children under 6 years of age.

\*\*\*The Cape May-Lewes Ferry adopted a new fare schedule effective April 1, 2006. More details can be found in Schedule 17, "Schedule of Historical Toll Rates" contained in the Other Supplementary Statements and Schedules.

For the year ended December 31, 2007

**Note 4: DETAIL NOTES – ASSETS (Continued)**

**Toll Revenue (continued)**

2006 Toll Class	Bridge		Ferry***	
	Vehicles	Revenue	Vehicles or Passengers	Revenue
1	12,615,946	\$ 37,750,076	328,343	\$ 6,924,879
2	320,844	1,915,980		
3	167,370	1,495,602		
4	147,290	1,759,728	3,273	90,806
5	1,780,752	26,530,920	3,943	141,285
6	26,801	479,196	2,771	119,100
7	2,933	117,320	2,758	150,843
8	5,867	121,821		
9	1,129,861	847,396	522	38,614
10	1,350,179	1,350,179	6,959	129,486
11	74,988	335,858		
12	68,894	412,242	1	127
13	3,402	24,600		
Passengers: Adult			835,885	5,645,637
Child			89,123	389,998
Bus Adult			6,467	37,910
Bus Child			93	279
Special Groups			6,401	32,103
Non-Revenue	12,367		65,837**	
	<u>17,707,494</u>	73,140,918	<u>1,352,376</u>	<u>\$ 13,701,067</u>
Adjustment: Write-Off of Uncollected Tolls		<u>(109,299)</u>		
		<u>\$ 73,031,619</u>		

\*\* Includes children under 6 years of age.

\*\*\*The Cape May-Lewes Ferry adopted a new fare schedule effective April 1, 2006. More details can be found in Schedule 17, "Schedule of Historical Toll Rates" contained in the Other Supplementary Statements and Schedules.

**Delaware Memorial Bridge – Electronic Tolls**

On July 18, 2001, the Authority initiated electronic toll collection and E-Z Pass at the Delaware Memorial Bridge. The Authority records toll revenue net of uncollectible tolls. Gross toll revenues for 2007 and 2006 were \$73,969,202 and \$73,454,841, while the adjustments for uncollectible tolls were \$444,143 and \$423,220, respectively.

For the year ended December 31, 2007

**Note 5: DETAIL NOTES – LIABILITIES**

**Compensated Absences**

The Authority has recorded a liability through December 31, 2007 totaling \$6,041,083 for vacation and sick pay, with \$486,743 accruing during Fiscal Year 2007. Benefits are earned according to the following policies:

**Vacation Leave:**

Employees accrue vacation leave each month based on years of service.

<b><u>Years of Service</u></b>	<b><u>Vacation Hours</u></b>	<b><u>Maximum Accumulation</u></b>
0 to 5	8 hours	200 hours
5 to 10	10 hours	240 hours
10 to 15	12 hours	280 hours
15 to 20	14 hours	300 hours
More Than 20	16 hours	400 hours

- Vacation hours not used during the fiscal year may be carried over, but may not exceed the maximum accumulation.
- Part-time employees do not accrue vacation time.
- Employees who resign, retire or are terminated are paid for unused accrued vacation time, up to the established maximum accumulation.

**Sick Leave:**

- Employees accrue 10 hours of sick leave each month.
- Accrual of sick leave begins on the date of hire as a permanent full-time employee.
- Part-time employees are not entitled to sick leave.
- Sick leave is cumulative with no maximum accumulation.
- Employees hired prior to 9/1/96, who resign, retire, are terminated or die, are paid 50% of their accumulated unused sick leave at their current rate of pay.
- Employees hired after 9/1/96, who retire or die, are paid 50% of their accumulated unused sick leave up to a maximum payout of 360 hours at their current rate of pay.

**Post-Employment Benefits**

The Authority provides healthcare, life insurance, dental and vision benefits to employees who have retired from the Authority. Employees become eligible for these benefits once they have met the service and age requirements of the Employee’s Retirement Plan and upon retirement from active service.

At December 31, 2007, there were 315 retired employees and retiree spouses utilizing these benefits. The Authority recognizes the cost of these benefits, along with similar benefits for active employees, by expensing when benefits are disbursed. Retirees do not contribute towards the cost of these benefits. No liability for these benefits is recorded on the statement of net assets.

For the year ended December 31, 2007

**Note 5: DETAIL NOTES – LIABILITIES (Continued)**

**Post-Employment Benefits (Continued)**

The expenses associated with post-employment benefits for years ended December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Healthcare	\$ 2,472,850	\$ 2,260,006
Life Insurance	151,492	143,803
Dental	82,927	80,741
Vision	<u>4,682</u>	<u>9,357</u>
	<u>\$ 2,711,951</u>	<u>\$ 2,493,907</u>

The Government Accounting Standards Board (GASB) has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions (OPEB)", which addresses how governmental entities will have to account for and disclose the costs and obligations associated with post employment health care and other non-pension benefits to current and future retirees. Pursuant to this requirement, the Authority engaged an actuarial consulting firm to examine the Authority's benefits plans in order to determine the estimated unfunded "Other Post Employment Benefits" liability as of 1/1/2007. Based on the actuarial study, the Authority's Actuarial Accrued Liability is \$75.1 million and the Annual Required Contribution (ARC) is \$8.7 million. The Authority has adopted a 5 year phase in approach, beginning in fiscal year 2008 and fully funding its ARC by fiscal year 2012.

**Pension Plans**

**Defined Benefit Plan**

*Plan Description:* The Authority maintains a defined benefit contributory pension plan which provides benefits for all full time permanent employees. The Delaware River & Bay Authority Employees Defined Benefit Plan (the DB Plan) is a single employer plan administered by the Authority. As of the valuation date January 1, 2006, there were 444 active participants, 111 terminated members entitled to, but not yet receiving benefits and 212 retirees and/or beneficiaries currently receiving benefits. A member may retire after completing ten (10) years of service and after reaching normal retirement age (sixty (60) years old), except police officers at the age of fifty-five (55) or at the age at which twenty-five (25) years of service has been completed, whichever occurs first. A member may take early retirement after completing ten (10) years of service and after reaching the age of fifty-five (55) or age fifty (50) for police officers. The accrued benefit under early retirement is reduced by 1/3 % for each month that early retirement proceeds normal retirement. Benefits are unreduced after 25 years of service. Employee benefits vest after five (5) years of service. Benefits and refunds of the defined benefit plan are paid when due and payable in accordance with the terms of the plan.

Employees with 25 years or more of service who retire on their normal retirement date are entitled to monthly retirement benefits equal to 75% of their average monthly compensation, offset by 8.75% of their average monthly compensation up to the taxable wage base. For employees who have earned less than 25 years of service as of the end of the plan year in which they attain normal retirement age, such monthly benefits are reduced by one twenty fifth for each such year of service less than 25.

No disability benefits, other than those payable upon retirement, are provided in the plan. If an employee becomes disabled prior to a separation from service or their normal retirement date, then for purposes of determining the disabled employee's accrued benefit, the disabled employee will be deemed to continue to earn compensation at the rate such employee was earning compensation immediately prior to becoming disabled and

For the year ended December 31, 2007

**Note 5: DETAIL NOTES – LIABILITIES (Continued)**

**Pension Plans (Continued), Defined Benefit Plan (Continued)**

will be credited with service for the period commencing on the date of disability and ending on the annuity starting date. A disabled employee may elect to receive his benefits on his early retirement date, normal retirement date or late retirement date.

If a participant dies before their retirement date and has been married for a one year period ending on his date of death and completed 10 years of service, the spouse of such participant shall be entitled to the monthly benefit.

A separate, audited GAAP basis pension plan report is not issued for the DB Plan.

*Funding Policy:* Active plan members in the DB Plan are required to contribute 3% of annual base earnings up to the Social Security taxable wage base and 5% for amounts in excess of the base. The Authority's funding policy provides for actuarially determined contributions at rates that provide for sufficient assets to be available when benefits are due. The contribution requirements for active plan members are established and can be amended by the Authority as authorized by the Board of Commissioners.

*Annual Pension Cost:* For fiscal years ended December 31, 2007, 2006 and 2005, the Authority's annual pension costs for the DB Plan were \$5,038,045, \$4,288,057 and \$3,767,802, respectively. As a contributory plan, Authority employees are required to contribute 3% of annual base earnings up to the Social Security taxable wage base and 5% for amounts in excess of the base. Actual contributions from employees for plan years ending December 31, 2007, 2006 and 2005 were \$663,729, \$659,983 and \$618,010, respectively. In keeping with its funding policy, the Authority contributed 100% of the recommended contributions for those years.

The required contribution for the year ended December 31, 2007 was determined using the aggregate method. Under the aggregate method, normal cost percent is the level percent of future covered payroll required to fund the present value of future plan benefits in excess of actuarial value of assets. The normal cost for the plan year is the product of the normal cost percentage and covered payroll for the current year. Under this actuarial cost method, plan changes and actuarial gains/losses are not separately recognized and amortized. Beginning January 1, 2003, the annual pension cost is calculated using a "one year" lag methodology of funding. Under this methodology, the pension cost for a given year is based on data and assets from the previous year projected forward for one year.

The current actuarial valuation report showing contributions for the Plan Year ending December 31, 2007 include the following significant actuarial assumptions: (a) 8% investment rate of return, 5% for retirees under Allmerica Contract, (b) projected annual salary increases of 4%, (c) inflation rate of 3%, (d) RP 2000 mortality table and (e) 75% of DB Plan participants elect a life annuity and 25% elect a lump sum distribution. Post retirement benefit adjustments are addressed on an ad-hoc basis. DB Plan assets are adjusted for valuation purposes using a method based on market value of assets. Under this method, asset gains or losses will be spread over five (5) years. If the result is outside an 80% to 120% corridor around market value, an additional adjustment maintains the actuarial value of assets at the appropriate corridor limit.

*Actuarial Cost Method:* Liabilities and contributions shown in this report are computed using the aggregate cost method of funding. This method does not identify or separately amortize unfunded actuarial accrued liabilities.

For the year ended December 31, 2007

**Note 5: DETAIL NOTES – LIABILITIES (Continued)**

**Pension Plans (Continued), Defined Benefit Plan (Continued)**

Beginning January 1, 2003, the annual pension cost is calculated using a “one-year lag” methodology of funding. Under this methodology, the pension cost for a given year is based on data and assets from the previous year projected forward for one year.

*Asset Valuation Method:* Plan assets are adjusted for valuation purposes using a method based on market value of assets. Under this method, asset gains or losses (that is, investment earnings above or below expected earnings) will be spread over five years. If the result is outside an 80% to 120% corridor around market value, an additional adjustment maintains the actuarial value of assets at the appropriate corridor limit.

The actuarial asset value is allocated among the five covered groups in proportion to their present value of benefits.

Beginning January 1, 2004, the actuarial value of assets will be calculated reflecting a 5% expected return on assets for the assets held by Allmerica and an 8% expected return on assets for the assets held by Cavanaugh. Please note, this change is not reflected in the actuarial value of assets used to calculate the 2005 contribution, but will be incorporated into the calculation of the 2006 contribution and beyond.

**Defined Contribution Plan**

*Plan Description:* The Authority maintains a defined contribution plan which provides savings incentives and additional retirement security for all full time employees. The Delaware River and Bay Authority Employees’ Defined Contribution Plan (the DC Plan) is a single employer, profit sharing plan which is administered by the Authority. The Authority has the authorization to establish or amend provisions of the DC Plan as authorized by the Board of Commissioners.

The DC Plan is a tax qualified plan under Sections 401 (a) and 457 (b) of the Internal Revenue Codes and all contributions by or on behalf of employees are tax deferred until time of withdrawal. Employee contributions are 100% vested at all times, while Authority contributions are 100% vested after five years. Benefits paid from the DC Plan depend solely on amounts contributed to the Plan plus earnings on investments, which are directed by employees in individual accounts through an insurer. A separate, audited GAAP basis pension plan report is not issued for the DC Plan.

*Funding Policy:* The contribution requirements for both the employees and employer are established and amended by the Authority as authorized by the Board of Commissioners. Authority employees are required to contribute 2% of their base salary. In addition, employees can contribute an optional 2% of their base salary into the plan. The Authority contributes a 25% match to the required 2% contribution and a 75% match to the optional 2% contribution. The employees’ contributions were \$901,680, \$836,301 and \$787,373 for 2007, 2006 and 2005 respectively. The Authority’s contribution was \$420,684, \$410,414 and \$385,811 for 2007, 2006 and 2005 respectively. As of December 31, 2007, the value of the DC Plan was \$18,222,376.

**Health Claims Liability**

The Authority maintains an Administrative Service Only (ASO) arrangement with Blue Cross Blue Shield of Delaware (BCBS of DE). Under the ASO, the Authority provides five health related Plans available to active employees and retirees. The Plans include: Traditional Indemnity Plan, Managed Care Plan, Medicare Supplement Plan, Prescription Drug Plan and Dental Care Plan. BCBS of DE is paid a monthly fee to administer each Plan. The fee is based on the number and type of Plans utilized by each employee and retiree. The Authority is self-

For the year ended December 31, 2007

Note 5: **DETAIL NOTES – LIABILITIES (Continued)**

**Health Claims Liability (Continued)**

insured for claims under the Plans, with stop loss protection of \$75,000 per claim. At the end of each fiscal year, BCBS of DE estimates the outstanding claims liability for the Plans. Scheduled below is a reconciliation of the changes in claims liability for the fiscal years ending December 31, 2007 and 2006.

	<b><u>2007</u></b>	<b><u>2006</u></b>
Beginning Claims Liability – 1/1	\$ 526,777	\$ 444,060
Total Incurred Claims	6,396,698	5,624,912
Total Paid Claims	<u>(6,284,092)</u>	<u>(5,542,195)</u>
Ending Claims Liability – 12/31	<u>\$ 639,383</u>	<u>\$ 526,777</u>

**Loans Payable**

**Development Agreement – Cumberland Empowerment Zone Corp.**

In September 2002, the Authority entered into a development agreement with the City of Millville and the Cumberland Empowerment Zone Corp. (CEZC) to develop and construct a 40,000 square foot aviation maintenance hangar and aviation incubator building at the Millville Airport. The project was funded partially by the Authority (\$1,500,000), through grants provided by the United States Economic Development Administration (\$1,620,000) and the New Jersey Department of Transportation (\$250,000) and a loan from CEZC (\$1,200,000). Upon completion of the project and leasing of the facility, the Authority and the CEZC shall on a pari passu basis, share in the net proceeds generated from the lease of the project improvements. The proceeds shall be used to recover each parties respective investment over a twenty (20) year period with interest accruing at a rate of seven percent (7%) per year on the CEZC loan and at 7% per year on the Authority's investment. The hangar facility is fully leased. No payments were made to the CEZC under the agreement in FY2007. The balance of the loan at December 31, 2007 is \$1,200,000.

<b><u>Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2008	\$ 33,502	\$ 96,748	\$ 130,250
2009	30,969	177,135	208,104
2010	33,208	138,714	171,922
2011	35,609	96,349	131,957
2012	38,183	49,978	88,160
2013	236,531	321,684	558,215
2014	335,312	222,903	558,214
2015	<u>456,685</u>	<u>82,922</u>	<u>539,607</u>
	<u>\$ 1,200,000</u>	<u>\$ 1,186,432</u>	<u>\$ 2,386,431</u>

For the year ended December 31, 2007

Note 5: DETAIL NOTES – LIABILITIES (Continued)

Lease Obligations

New Castle County Airport Lease

The Authority leases real property from New Castle County constituting the New Castle County Airport for a period of thirty years. The lease commenced in 1995. The lease is automatically renewed for two additional periods of thirty years each unless not later than sixty months prior to the expiration of the initial or first renewal term, either party shall deliver notice to the other party of its intention not to renew. Lease payments will be one dollar per year together with a sum equal to the debt service on certain obligations of the lessor.

Cape May County Airport Lease

The Authority leases real property from Cape May County constituting the Cape May County Airport for a period of thirty years. The lease commenced in June 1999. The lease is automatically renewed for two additional periods of thirty years each, unless no later than sixty months prior to the expiration of the initial or first renewal term, either party shall deliver notice to the other party of its intention not to renew. Lease payments will be one dollar per year together with a sum equal to the debt service on certain obligations of the lessor.

Civil Air Terminal Lease

The Authority leases real property from the State of Delaware constituting the Civil Air Terminal for a period of thirty years. The lease commenced in August 1999. The lease is automatically renewed for two additional periods of thirty years each, unless not later than sixty months prior to the expiration of the initial or first renewal term, either party shall deliver notice to the other party of its intention not to renew. Lease payments will be one dollar per year.

Millville Airport Lease

The Authority leases real property from the City of Millville constituting the Millville Airport for a period of thirty years. The lease commenced in October 1999. The lease is automatically renewed for two additional periods of thirty years each, unless not later than sixty months prior to the expiration of the initial or first renewal term, either party shall deliver notice to the other party of its intention not to renew. Lease payments will be one dollar per year.

Delaware Air Park Lease

The Authority leases real property from the State of Delaware constituting the Delaware Air Park for a period of thirty years. The lease commenced in July 2000. The lease is automatically renewed for two additional periods of thirty years each, unless not later than sixty months prior to the expiration of the initial or first renewal term, either party shall deliver notice to the other of its intention not to renew. Lease payments will be one dollar per year.

Delaware Breakwater Lighthouse

On November 12, 2001, the Authority entered into a lease with the State of Delaware, Division of Historical and Cultural Affairs to incorporate the Delaware Breakwater Lighthouse as an enhancement to the Cape May-Lewes Ferry's foot passenger / educational outreach programs. The initial term of the lease is for a ten year period and is automatically extended for a successive ten year period unless either party shall deliver notice of its intention not to renew, not less than twelve months prior to the expiration of the then current term. Lease payments will be one dollar per year.

For the year ended December 31, 2007

Note 5: **DETAIL NOTES – LIABILITIES (Continued)**

**Lease Obligations (Continued)**

**Diamond State Port Corporation**

On March 1, 2005, the Authority entered into a twenty year agreement to lease warehouse facilities from the Diamond State Port Corporation (“DSPC”) located at the Port of Wilmington, Delaware. Terms of the lease require the Authority to pay rent of \$4,000,000, which will be paid to the DSPC as construction of the warehouse progresses, but only after the DSPC’s share of construction costs are paid by the DSPC.

On March 1, 2005, the Authority entered into an agreement with the DSPC to operate the warehouse facility. DSPC will guarantee monthly payments over a maximum term of twenty years for the repayment of the Authority’s prepaid rent of \$4,000,000. DSPC’s guaranteed monthly payments shall include interest at a rate which provides an internal rate of return on net present value of 2.8%.

The agreement also provides that the City of Wilmington, Delaware, will honor the lease in the event of default by DSPC.

**Bonded Indebtedness**

At December 31, 2007, the Authority had \$315,125,000 in revenue and refunding revenue bonds outstanding. The bonds were issued in 2000, 2003, 2004 and 2005. These bonds were issued pursuant to the Trust Agreement dated October 1, 1993 between the Authority and the Wilmington Trust Company.

**(1) Series 2000A**

<b><u>Annual Interest Rate</u></b>	<b><u>Year of Maturity</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>
5.10%	2008	\$ 1,495,000	\$ 240,778	\$ 1,735,778
5.10%	2009	1,565,000	164,532	1,729,532
5.15%	2010	<u>1,645,000</u>	<u>84,717</u>	<u>1,729,717</u>
Total Series 2000A		<u>4,705,000</u>	<u>490,027</u>	<u>5,195,027</u>

For the year ended December 31, 2007

Note 5: **DETAIL NOTES – LIABILITIES (Continued)**

**Bonded Indebtedness (Continued)**

**(2) Series 2000B**

<b>Annual Interest Rate<sup>1</sup></b>	<b>Year of Maturity</b>	<b>Principal Amount</b>	<b>Interest</b>	<b>Total Debt Service</b>
4.50%	2008		1,350,000	1,350,000
4.50%	2009		1,350,000	1,350,000
4.50%	2010		1,350,000	1,350,000
4.50%	2011		1,350,000	1,350,000
4.50%	2012		1,350,000	1,350,000
4.50%	2013		1,350,000	1,350,000
4.50%	2014		1,350,000	1,350,000
4.50%	2015		1,350,000	1,350,000
4.50%	2016		1,350,000	1,350,000
4.50%	2017		1,350,000	1,350,000
4.50%	2018		1,350,000	1,350,000
4.50%	2019		1,350,000	1,350,000
4.50%	2020		1,350,000	1,350,000
4.50%	2021		1,350,000	1,350,000
4.50%	2022		1,350,000	1,350,000
4.50%	2023		1,350,000	1,350,000
4.50%	2024		1,350,000	1,350,000
4.50%	2025		1,350,000	1,350,000
4.50%	2026		1,350,000	1,350,000
4.50%	2027		1,350,000	1,350,000
4.50%	2028		1,350,000	1,350,000
4.50%	2029	12,300,000	1,350,000	13,650,000
4.50%	2030	<u>17,700,000</u>	<u>796,500</u>	<u>18,496,500</u>
Total Series 2000B		<u>\$ 30,000,000</u>	<u>\$ 30,496,500</u>	<u>\$ 60,496,500</u>

<sup>1</sup> Series 2000B are variable rate revenue bonds. The interest rate is adjusted weekly as determined by the Remarketing Agent. The actual interest rate for Fiscal Year 2007 was 3.588%. The assumed interest rate for Fiscal Years 2008 – 2030 is 4.50%.

For the year ended December 31, 2007

**Note 5: DETAIL NOTES – LIABILITIES (Continued)**

**Bonded Indebtedness (Continued)**

**(3) Series 2003**

<u>Annual Interest Rate</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Total Debt Service</u>
3.00%	2008	\$ 1,490,000	\$ 2,408,362	\$ 3,898,362
3.25%	2009	1,535,000	2,358,475	3,893,475
3.50%	2010	1,585,000	2,303,000	3,888,000
3.75%	2011	1,640,000	2,241,500	3,881,500
4.00%	2012	1,700,000	2,173,500	3,873,500
5.00%	2013	1,770,000	2,085,000	3,855,000
	2014		2,085,000	2,085,000
	2015		2,085,000	2,085,000
	2016		2,085,000	2,085,000
	2017		2,085,000	2,085,000
	2018		2,085,000	2,085,000
	2019		2,085,000	2,085,000
	2020		2,085,000	2,085,000
	2021		2,085,000	2,085,000
	2022		2,085,000	2,085,000
	2023		2,085,000	2,085,000
	2024		2,085,000	2,085,000
	2025		2,085,000	2,085,000
	2026		2,085,000	2,085,000
5.00%	2027	16,220,000	2,085,000	18,305,000
	2028		1,274,000	1,274,000
	2029		1,274,000	1,274,000
	2030		1,274,000	1,274,000
	2031		1,274,000	1,274,000
	2032		1,274,000	1,274,000
5.00%	2033	<u>25,480,000</u>	<u>1,274,000</u>	<u>26,754,000</u>
Total Series 2003		<u>51,420,000</u>	<u>50,403,837</u>	<u>101,823,837</u>

**(4) Series 2004**

<u>Annual Interest Rate</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Total Debt Service</u>
5.00%	2008	4,110,000	2,452,500	6,562,500
5.00%	2009	4,315,000	2,247,000	6,562,000
5.00%	2010	4,530,000	2,031,250	6,561,250
5.00%	2011	4,755,000	1,804,750	6,559,750
5.00%	2012	4,995,000	1,567,000	6,562,000
5.00%	2013	5,250,000	1,317,250	6,567,250
5.00%	2014	5,510,000	1,054,750	6,564,750
5.00%	2015	5,785,000	779,250	6,564,250
5.00%	2016	6,070,000	490,000	6,560,000
5.00%	2017	<u>3,730,000</u>	<u>186,500</u>	<u>3,916,500</u>
Total Series 2004		<u>\$ 49,050,000</u>	<u>\$ 13,930,250</u>	<u>\$ 62,980,250</u>

For the year ended December 31, 2007

**Note 5: DETAIL NOTES – LIABILITIES (Continued)**

**Bonded Indebtedness (Continued)**

**(5) Series 2005**

	<b><u>Annual Interest Rate</u></b>	<b><u>Year of Maturity</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>
	3.00%	2008	\$ 245,000	\$ 8,807,338	\$ 9,052,338
	3.00%	2009	255,000	8,799,988	9,054,988
	3.00%	2010	260,000	8,792,337	9,052,337
	3.25%	2011	2,005,000	8,784,537	10,789,537
	3.40%	2012	2,065,000	8,719,375	10,784,375
	3.5 / 5.00%	2013	2,140,000	8,649,165	10,789,165
	3.6 / 5.00%	2014	4,090,000	8,547,565	12,637,565
	3.75 / 5.00%	2015	4,240,000	8,400,325	12,640,325
	3.75 / 5.00%	2016	4,455,000	8,190,075	12,645,075
	5.00%	2017	7,415,000	7,967,325	15,382,325
	4.0 / 5.00%	2018	11,890,000	7,596,575	19,486,575
	4.0 / 5.00%	2019	12,490,000	7,003,575	19,493,575
	4.0 / 5.00%	2020	13,100,000	6,389,375	19,489,375
	4.125 / 5.00%	2021	13,750,000	5,741,875	19,491,875
	4.0 / 5.00%	2022	14,425,000	5,067,500	19,492,500
	5.00%	2023	12,215,000	4,346,250	16,561,250
	5.00%	2024	12,825,000	3,735,500	16,560,500
	4.375 / 5.00%	2025	13,465,000	3,094,250	16,559,250
	4.125 / 5.00%	2026	14,135,000	2,421,250	16,556,250
	5.00%	2027	14,840,000	1,714,500	16,554,500
	5.00%	2028	15,585,000	972,500	16,557,500
	4.350 / 5.00%	2029	<u>4,060,000</u>	<u>193,250</u>	<u>4,253,250</u>
<b>Total Series 2005</b>			<b><u>\$ 179,950,000</u></b>	<b><u>\$ 133,934,430</u></b>	<b><u>\$ 313,884,430</u></b>
<b>Total Bonded Indebtedness</b>			<b>\$ 315,125,000</b>		
<b>Less:</b>					
Current Portion			(7,340,000)		
Deferred Loss on Defeasance			(12,099,989)		
Discount on Bonds			(6,726)		
Premium on Bonds			<u>12,203,244</u>		
<b>Total Long Term Bond Indebtedness</b>			<b><u>\$ 307,881,529</u></b>		

Several of the series of bonds may be redeemed in whole or in part prior to their respective maturities, subject to certain requirements, including prepayment premiums.

For the year ended December 31, 2007

**Note 5: DETAIL NOTES – LIABILITIES (Continued)**

**Summary of Long-Term Liabilities:**

	<b>Principal Outstanding Jan. 1, 2007</b>	<b>Additions</b>	<b>Reductions</b>	<b>Principal Outstanding Dec. 31, 2007</b>	<b>Current Due Within One Year</b>
Revenue Bonds	\$322,513,382	\$935,565	\$(8,227,419)	\$315,221,528	\$7,340,000
Loans Payable	1,200,000			1,200,000	33,502
Compensated Absences	5,912,558	486,743	(358,218)	6,041,083	534,778
<b>Total Long Term Liabilities</b>	<b>\$329,625,940</b>	<b>\$1,422,308</b>	<b>\$(8,585,637)</b>	<b>\$322,462,611</b>	<b>\$7,908,280</b>

**Deferred Revenue**

**Forward Purchase Agreement**

In 1997, the Authority entered into a forward purchase agreement (the agreement) with a forward commitment provider. Under the terms of the agreement, the Authority received a lump sum cash payment of \$8,191,000 in exchange for granting the provider the right to invest the monies in the Debt Service Reserve Fund and the right to the income thereon through 2026. The Debt Service Reserve Fund investments remain the property of the Authority and are invested through the Trustee.

**Forward Delivery Agreements – 1993 & 1996 Debt Service Funds**

On August 16, 2000, the Authority entered into Forward Delivery Agreements with a forward commitment provider. Under the terms of the agreements, as awarded, the Authority received a guaranteed interest rate on investments held in the Debt Service Fund in exchange for granting the provider the right to invest the monies in the Debt Service Fund over the term of the agreements. The initial guaranteed rates are 6.79% and 6.95%. The initial period ran from August 16, 2000 to May 30, 2005. The Debt Service Fund investments remain the property of the Authority and are deposited with the Trustee.

**Commitments**

The Authority has outstanding commitments of approximately \$15,549,439 on construction projects entered into through December 31, 2007.

**Note 6: AGREEMENTS**

**Three Forts Ferry**

On March 18, 1997, the Commissioners authorized the execution of an agreement with the Delaware Division of Parks and Recreation and the New Jersey Division of Parks and Forestry to operate a ferry crossing between Fort Mott, New Jersey, Delaware City, Delaware and Fort Delaware on Pea Patch Island. The terms of the agreement are as follows:

The Authority purchased the ferry vessel, Delafort, from the Delaware Division of Parks and Recreation. The Authority signed the Delaware Ferry Landing and Operating Agreement for an initial term of five years with three renewable five year terms. Under this Agreement, the Authority pays the Delaware Parks Department a monthly fee for each passenger who purchases a ticket to Fort Delaware. These funds will support historical programs and re-enactments at Fort Delaware.

For the year ended December 31, 2007

**Note 6: AGREEMENTS (Continued)**

**Three Forts Ferry (Continued)**

The Authority signed the New Jersey Ferry Landing and Operating Agreement with the New Jersey Division of Parks and Forestry for an initial period of ten years with two renewable five year terms. Under this agreement, the Authority pays the New Jersey Division of Parks and Forestry an annual fee for the initial ten year period. These funds will be used to off-set the cost of the refurbished historic pier and docking facility at Fort Mott.

On August 21, 2001, the Commissioners authorized the execution of an agreement with Delaware City and the New Castle Conservation District to purchase and lease five parcels of land to be used for the development of a parking facility and gateway area in support of the Three Forts Crossing Operation.

**Salem Business Center**

On October 1, 2003, the Authority entered into an agreement with the Commonwealth Group, LTD, to manage the land and buildings at the Salem Business Center located in Carney's Point, New Jersey. The initial term of the agreement is for twenty four months, with an option for an additional term of one year.

On October 1, 2006, the Authority extended its agreement with the Commonwealth Group, LTD, on a month to month basis, to manage the land and buildings at the Salem Business Center.

The operating results for the Salem Business Center for Fiscal Years 2007 and 2006 were as follows:

	<b><u>2007</u></b>	<b><u>2006</u></b>
Operating Income	\$ 392,951	\$ 335,439
Operating Expenses	<u>(795,726)</u>	<u>(627,536)</u>
Net Income (Loss)	<u>\$ (402,775)</u>	<u>\$ (292,097)</u>

As of December 31, 2007, three (3) tenants are under lease at the Salem Business Center. Based on the current tenant situation, projected revenues for Fiscal Years 2008 and 2009 are \$763,500 and \$1,173,623, respectively. The office building contains 77,474 square feet of available leaseable space, of which 62,775 is rented.

**Riverfront Market and Restaurant**

On October 1, 2006, the Authority entered into an agreement with Emory Hill Real Estate Services, Inc., to manage the land and buildings at the Riverfront Market and Restaurant, located in Wilmington, Delaware. The initial term of the agreement is for twenty-four months, with an option for an additional term of one year.

The operating results for the Riverfront Market and Restaurant for Fiscal Years 2007 and 2006 were as follows:

	<b><u>2007</u></b>	<b><u>2006</u></b>
Operating Income	\$ 395,176	\$ 398,347
Operating Expenses	<u>(397,925)</u>	<u>(322,318)</u>
Net Income (Loss)	<u>\$ (2,749)</u>	<u>\$ 76,029</u>

As of December 31, 2007, eleven (11) tenants are under lease at the Riverfront Market and Restaurant. Based on the current tenant lease structure, available square footage and current economic condition, projected revenues for Fiscal Years 2008 and 2009 are \$406,051 and \$415,885, respectively.

For the year ended December 31, 2007

**Note 6: AGREEMENTS (Continued)**

**Delaware State University**

On June 15, 2004, the Authority was authorized to enter into a Development Agreement with Delaware State University ("DSU") to provide funding for a 15,000 square foot office and hangar building at Delaware Air Park, Cheswold, Delaware. Funding under the agreement provides an amount not to exceed \$1,250,000 towards the development costs of 9,850 square feet of the hangar facility to be utilized by DSU. DSU's obligation under the agreement is to pay to the Authority an amount equal to the amount expended by the Authority for the development of the DSU's portion of the building. Payments shall be made monthly over a term not to exceed 240 months including interest that provides an internal rate of return of 2.8% on net present value.

**South Jersey Technology Park at Rowan University**

On June 15, 2004, the Authority was authorized to enter into an agreement with the South Jersey Technology Park at Rowan University ("SJTP") to purchase a 45,000 square foot building from SJTP for the sum of \$5,000,000, after construction is completed. Simultaneous with the purchase of the building, the Authority was authorized to enter into a lease purchase agreement with SJTP for a term of 20 years at monthly rental payments sufficient to repay the Authority's \$5,000,000 purchase. Payments shall include interest at a rate which over the term of the agreement provides an internal rate of return on net present value of 2.8%. Title to the building will be conveyed to SJTP when the \$5,000,000 purchase price, including interest, has been repaid.

**Collective Bargaining Agreement**

On March 29, 2001, a unit of marine employees at the Cape May-Lewes Ferry elected the Marine Engineers Beneficial Association to become their exclusive bargaining representatives. The marine employee unit is comprised of all permanent full time Pilots, Chief Engineers and First Assistant Engineers and all permanent full time and permanent part time Able Bodied Seaman, Ordinary Seaman, Oilers, Third Assistant Engineers and Mates. On August 20, 2002, the Authority entered into a collective bargaining agreement with the Marine Engineers Beneficial Association ("MEBA"). The term of the agreement is retroactive to January 1, 2002, and expired on June 30, 2004. On December 21, 2004, the Authority entered into a new collective bargaining agreement with MEBA. The term of the agreement is retroactive to July 1, 2004 and expires on June 30, 2007. As of December 31, 2007, no new collective bargaining agreement has been entered into, but on-going negotiations continue between the Authority and MEBA. As of December 31, 2007, the marine unit accounts for sixty-two (62) employees working at the Cape May-Lewes Ferry.

On September 23, 2004, a group of employees at the Authority elected the International Union of Operating Engineers, Local 542 to become their exclusive bargaining representatives. The group is comprised of all permanent full time and permanent part time maintenance employees, airport employees, toll collectors and food service employees. As of December 31, 2007, this group consisted of one hundred forty one (141) employees working throughout all Authority facilities. An agreement with Local 542 was entered into on December 20, 2005. The term of the agreement is retroactive to January 1, 2005 and expires on December 31, 2008.

For the year ended December 31, 2007

**Note 7: RISK MANAGEMENT**

**Net Assets Designated for Self Insurance Fund Program**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded coverage for the past several years.

On January 1, 1987 the Authority established a self-insurance fund program. The purpose of this program is to increase the deductible amounts on various insurance policies thereby decreasing the premiums and to fund all or part of the remaining insurance premiums. The program is maintained within the General Fund. For fiscal years 2007, 2006 and 2005 the Authority internally designated and reserved \$8,000,000 as a General Fund Reserve for the Self Insurance Fund Program. Actual expenditures under the program for fiscal years 2007 and 2006 are as follows:

	<b><u>2007</u></b>	<b><u>2006</u></b>
Self Insurance Expenses:	<u>\$ 577,220</u>	<u>\$ 395,917</u>

**Note 8: CONTINGENCIES**

**Litigation**

The Authority is a defendant or co-defendant in certain litigation arising out of normal operations of the Authority. It is management's opinion that the ultimate resolution of all pending litigation will not have a material adverse effect on the Authority's assets, liabilities or results of operations.

For the year ended December 31, 2007

**Note 9: SUBSEQUENT EVENTS**

**Delaware Memorial Bridge – Toll Increase**

The Authority adopted a new toll rate schedule for the Delaware Memorial Bridge, effective January 4, 2008. The new toll rate schedule is expected to generate an additional \$10.8 million that will fund the Capital Improvement Program through 2009.

	<b><u>No. of Axles</u></b>	<b><u>Unit Cost</u></b>	<b><u>Class No.</u></b>
Passenger Cars (All Types) Including: All Four Tire Types: Vans, Pickups Hearses (except in Funeral Procession)	2	\$3.00	1
Commutation Plan Provides 25 Trips good for a 30-day cycle period. (\$18.75 per cycle) Issued to account holders of Four Tire-Two Axle Types	2	\$0.75	9
Frequent Travelers Plan Provides 20 Trips good for a 90-day cycle period. (\$20.00 per cycle) Issued to account holders of Four Tire-Two Axle Types	2	\$1.00	10
Passenger Car with One Axle Trailer	3	\$4.50	11
Passenger Car with Two Axle Trailer	4	\$6.00	12
Passenger Car with Three Axle Trailer	5	\$7.50	13
Two Axle Trucks Including: All Six Tire Types Buses & Tractors	2	\$8.00	2
Three Axle Trucks or Combination Including: Tractors or Combination Tractor & Trailer Buses (All Three Axle Types)	3	\$12.00	3
Four Axle Trucks or Combination Including: Tractor or Combination Tractor & Trailer	4	\$16.00	4
Five Axle Trucks or Combination Any combination of axles amounting to five axles	5	\$20.00	5
Six Axle Trucks or Combination Any combination of axles amounting to six axles	6	\$24.00	6
Special Any combination of axles over six axles	Per Axle	\$4.00	8
Wide Load Any over width vehicle	N/A	\$50.00	

**Delaware Memorial Bridge – E-Z Pass**

Beginning January 1, 2008, all Authority E-Z Pass account holders will be charged a membership fee of \$1.50 per month. The membership fee is expected to generate \$700,000 annually, which will be used to help offset the operational cost of the E-Z Pass system. The Authority will also charge transponder lease fees for all transponders issued to new accounts and for transponders that are replaced or added to existing accounts. The lease fee will be \$21 for an interior transponder and \$33 for an exterior or license plate mounted transponder.

For the year ended December 31, 2007

**Note 9: SUBSEQUENT EVENTS (Continued)**

**Revised Cape May-Lewes Ferry Schedule**

On February 26, 2008, the Authority adopted a revised fare schedule for the Cape May-Lewes Ferry. The new schedule becomes effective April 1, 2008. The new fare schedule is listed below.

	<b><u>Nov-Mar</u></b>	<b><u>Apr-Oct</u></b>	<b><u>Peak*</u></b>
<b><u>Vehicle &amp; Driver</u></b>			
Car, SUV, Van, Pickup Truck (vehicles less than 20' length)	\$28.00	\$34.00	\$41.00
Return Trip Value Fare	\$24.00	\$29.00	\$30.00
Motorcycle or Motorbike	\$23.00	\$29.00	\$34.00
Return Trip Value Fair	\$20.00	\$25.00	\$25.00
Discount Book of Six (6) Tickets (all vehicles less than 20' length)	\$144.00	\$144.00	\$144.00
Discount Book of Six (6) Tickets (commercial vehicles) (Memorial Day to Labor Day: not valid Sat., Sun. or holidays between 9 AM and 5 PM)		<i>15% off scheduled fare</i>	
<b><u>Vehicle and Foot Passengers</u></b>			
Under 6 years of age	Free	Free	Free
Children, age 6-13	\$3.50	\$4.75	\$4.75
Return Trip Value Fare	\$2.50	\$3.75	\$3.75
14 Years of age and older	\$7.00	\$9.50	\$9.50
Return Trip Value Fare	\$5.00	\$7.50	\$7.50
Discount Book of Six (6) Adult Tickets		\$42.00	\$42.00
<i>*Note: Return Trip Value Fares must be purchased with initial sailing</i>			
<b><u>Bus Passengers</u></b>			
Under 6 years of age	Free	Free	Free
Children, age 6-13	\$1.50	\$2.50	\$2.50
14 Years of age and older	\$3.00	\$5.00	\$5.00
<b><u>Ferry Terminal Shuttle Fares</u></b>			
Under 6 years of age	Free	Free	Free
6 Years of age and older	\$3.00	\$3.00	\$3.00
<b><u>Reservation Fees &amp; Discounts</u></b>			
Internet Reservation Fee Discount	\$2.00	\$2.00	\$2.00
Non-Refundable Reservation Cancellation Fee	\$5.00	\$5.00	\$5.00
<b><u>Other Vehicles &amp; Driver</u></b>			
20' to under 25'	\$32.00	\$39.00	\$47.00
25' to under 35'	\$40.00	\$47.00	\$57.00
35' to under 45'	\$47.00	\$54.00	\$65.00
45' to under 60'	\$58.00	\$66.00	\$80.00
More than 60'	\$80.00	\$88.00	\$107.00

*\*Peak fares: Memorial Day to Labor Day between 9:30 AM and 7:30 PM, Fri., Sat., Sun. and holidays  
Ticket expiration: Purchased ferry tickets expire two years after purchase date*