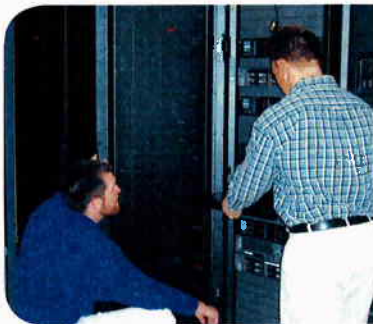


DELAWARE RIVER
& BAY AUTHORITY
COMPREHENSIVE
FINANCIAL ANNUAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2010



DELAWARE RIVER & BAY AUTHORITY

The seal of the Delaware River & Bay Authority is a large circular emblem. It features a central illustration of a suspension bridge spanning a river. Below the bridge are two circular medallions: the left one is the seal of the State of Delaware, and the right one is the seal of the State of New Jersey. At the bottom of the seal is a small boat on the water. The outer ring of the seal contains the text "DELAWARE RIVER & BAY AUTHORITY" at the top and "by compact between the states of Delaware & New Jersey" at the bottom.

COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED DECEMBER 31, 2010

Prepared by:

Joseph Larotonda, Director of Finance
Michele Cleary, Senior Accountant
Dana Read, Manager of Finance Operations
& Revenue Audit

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INTRODUCTORY SECTION



THE DELAWARE RIVER AND BAY AUTHORITY

Delaware Memorial Bridge
Post Office Box 71
New Castle, Delaware 19720
Tel.: (302) 571-6300
Fax: (302) 571-6367

Cape May-Lewes Ferry
Post Office Box 827
N. Cape May, New Jersey 08204
Tel.: (609) 889-7200
Fax: (609) 886-1021

June 9, 2011

**TO: THE BOARD OF COMMISSIONERS
OF THE DELAWARE RIVER AND BAY AUTHORITY**

The Comprehensive Annual Financial Report of the Delaware River and Bay Authority ("Authority") for the fiscal year ended December 31, 2010, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Authority management. To provide a reasonable basis for making these representations, management of the Authority has established a comprehensive internal control framework that is designed both to protect Authority assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not exceed their benefits, the Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is accurate in all material aspects; it is designed to present fairly the financial position and results of operations; and all disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The Authority's Trust Agreement, dated October 1, 1993, requires an annual audit of the Authority's financial statements by an independent audit firm. The Authority's financial statements have been audited by Clifton Gunderson, LLP, a firm of licensed certified public accountants, selected by the Authority through a competitive process. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended December 31, 2010, are free of material misstatement. Their audit was performed in accordance with generally accepted auditing standards and governmental auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as they considered necessary during the audit. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements for the fiscal year ended December 31, 2010, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Authority was part of a broader, federally mandated "Single Audit" designed to meet the special needs of grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements involving the administration of federal awards. Information related to this Single Audit, including the schedule of expenditures of federal awards, and the auditors' reports on the internal control structure and compliance with applicable laws and regulations, are included in the Single Audit section of this report.

The combined financial statements of the Authority are prepared using the accrual method of accounting in accordance with GAAP in the United States. Management has provided a narrative introduction, overview and analysis to accompany the basic financial statements in the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Delaware River and Bay Authority's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF GOVERNMENT

The Delaware River and Bay Authority is a bi-state agency of government of the State of Delaware and the State of New Jersey created in 1962 by a compact between those two States with the consent of Congress for the purpose of operating crossings of the Delaware River and Bay between the states and developing transportation and terminal facilities bordering the areas. The original Compact was amended in 1990 for the purpose of expanding the Authority's powers to undertake economic development projects within the State of Delaware or in the New Jersey counties of Cape May, Cumberland, Gloucester, and Salem.

The Authority is governed by a 12-member Board of Commissioners, consisting of 6 members from each State. Commissioners are appointed by the Governor of their State with the advice and consent of the Senate and hold office for terms of five years and until their successors have been appointed and confirmed. No action of the Authority is valid unless approved by at least four Commissioners from each State. The Governor of each State has the right to cancel the vote of any one or more of the Commissioners from their State within ten business days after receipt of the minutes of the meeting at which the vote is taken. The Board of Commissioners governs through a committee system. The Board is organized into five committees: Budget and Finance, Projects, Personnel and Insurance, Economic Development and Governance/Audit. Each committee is comprised of six Commissioners and meets on a quarterly or monthly basis. In addition, an Ad-Hoc Committee may be established as deemed desirable by the Chair and Vice Chair of the Board. Commissioners do not receive compensation for their service to the Authority. The Board of Commissioners establishes policy and plans for the operations of the Authority. A Chief Executive Officer is appointed by the Board of Commissioners to implement policy and to manage the daily operations of the Authority.

The Authority owns and operates the twin spans of the Delaware Memorial Bridge, the Cape May – Lewes Ferry and the Three Forts Ferry Crossing. The Delaware Memorial Bridge spans across the Delaware River connecting New Castle, DE and Deepwater, NJ. The twin bridges handle approximately 34 million vehicles annually. A staff of 28 full-time toll employees keeps the toll facilities operational 24 hours a day, 365 days a year. The Authority has completed its seventh year of providing E-ZPass services at the Delaware Memorial Bridge. As of December 31, 2010, the Authority maintained 42,220 customer accounts and 69,212 transponders in circulation, as compared to 41,236 and 67,578 from the same period ending December 31, 2009. E-ZPass usage increased slightly as current statistics show 61.7 percent of our overall traffic utilize E-ZPass as compared to 60.3 percent a year ago. During the weekday commute period, the percentage of our customers using E-ZPass has risen to 74.7 percent versus 74 percent in FY 2009.

The Cape May – Lewes Ferry transports approximately 300,000 vehicles and 900,000 passengers annually, along a 17 mile, 70 minute ride, connecting the towns of Lewes, DE and Cape May, NJ. A total staff of 59 marine personnel operates and maintains up to five vessels year round. The Authority also provides food and retail services to ferry patrons. The Three Forts Ferry Crossing provides water transportation service to various points located in Delaware and New Jersey. Under the 1990 Compact Amendment, the Authority has expanded its economic activity in both Delaware and New Jersey. The Authority operates five Airports, located in New Castle, DE, Cape May, NJ, Millville, NJ, Dover, DE and Cheswald, DE. The Authority also operates the Salem County Business Park, a seventy-one acre complex located in Carney's Point Township, NJ and the Riverfront Market and Restaurant, a European style marketplace located in Wilmington, DE. Other current and authorized economic projects include financing activities with the Diamond State Port Corporation and Delaware State University.

FINANCIAL POLICIES/CONTROLS

The Authority prepares both operating and capital budgets annually. The annual operating budget serves as a financial planning and control tool for the associated fiscal year. Each of the Authority's department Managers contributes to the development of a preliminary operating budget based on the expected staffing and funding levels necessary to operate the Authority's facilities in an efficient manner. Individual Budget hearings are conducted by the Chief Financial Officer and Director of Finance as an opportunity for Department Managers to highlight their respective staffing and operational needs. A proposed operating budget representing the organization goals and objectives for the upcoming year is drafted and presented by the Chief Financial Officer to the Budget and Finance Committee and the Board of Commissioners for their review and adoption. Any subsequent amendments to the total adopted operating budget require the approval of the Budget and Finance Committee and Board of Commissioners.

Expenditures are monitored continuously throughout the year by the Finance Division to ensure that each department is in compliance with the adopted operating budget and the established policies of the Authority.

The Authority prepares an annual capital budget through a similar process, weighing the requirements of both the crossing and economic development facilities. The Chief Operating Officer presents the capital budget to the Projects Committee and the Board of Commissioners for their review and adoption. The capital budget is a planning document identifying the Authority's priorities and potential commitments. The approval of the capital budget does not, in itself, authorize any specific project. Specific approval by the Projects Committee and the Board of Commissioners is required before any major capital project may commence. Additional information on the Authority's budgetary activity and compliance can be found in Notes 1 and 3 of the notes to the financial statements.

In conjunction with the budget process, the Authority prepares a five year financial model which incorporates both the adopted operating and capital budgets. The financial model is a planning document which allows management to forecast future net revenues to ensure adequate resources to fund both operating and capital needs, while meeting its toll covenant provision as required in the Trust Agreement.

INVESTMENT MANAGEMENT

Financial operations of the Authority are substantially controlled by the provisions of a Trust Agreement, dated October 1, 1993, with Wilmington Trust Company, as Trustee, and all subsequent Supplemental Trust Agreements. The Authority's management and financial staff work closely with the Trustee, to ensure that the Authority is in compliance with the terms and covenants of its Trust Agreements.

Investments of the Authority are purchased in accordance with the provisions of the 1993 Trust Agreement. Cash available during the year is generally invested in money market funds, repurchase agreements (collateralized by obligations of the U.S. Treasury), obligations of federal government securities or their instrumentalities, obligations of public agencies or municipalities and commercial paper, both which must be rated at the highest rating category by the Rating Services. In addition to the 1993 Trust Agreement, the Authority has adopted a separate investment policy for the Construction and General Funds, which supplements the provisions of the Agreement. The Authority's investment objective is to match the maturities of its investments with the present and anticipated needs of the Authority, thereby maximizing the return on available funds. In addition, the Authority is required to maintain invested amounts as reserves for its debt obligations. The Authority's Retirement Plan assets are managed under a separate investment policy adopted by the Plan Trustees. The policy is based on care and diligence and designed exclusively for the purpose of providing benefits to the Retirement Plan members and beneficiaries.

The Authority retains the services of three (3) investment advisors to assist with the fulfillment of its fiduciary responsibilities. The Authority's investment portfolio is managed pursuant to the guidelines established by the Authority, which are in compliance with the Trust Agreements. Additional information on the Authority's trust agreement and cash and investments can be found in Notes 1, 3 and 4 of the notes to financial statements.

ACCOMPLISHMENTS AND INITIATIVES

During Fiscal Year 2010, the Authority achieved a number of improvements in operations and services provided to the public. Some of the more significant accomplishments for the year and major program initiatives are identified below:

Ferry Operations. On August 30, 2010, the Cape May – Lewes Ferry reached a milestone celebrating its 40 millionth passenger to use the ferry service since its inception on July 1, 1964. As a comparison, in 1965, the Ferry's first full year of operation, 541,973 passengers used its services as compared to 900,000 in 2010. The Ferry launched new social media sites to cultivate relationships with users, build brand awareness, and promote events, ticket packages and tourism opportunities in the Cape May, NJ and Lewes, DE region. The Ferry adopted a new fare schedule in 2010 promoting a new "Friends and Family" fare category for high occupancy vehicles and a new 12-pack discount program.

GASB 45 – OPEB Trust. Fiscal year 2010 marked the first year the Authority made a contribution into its OPEB Trust beyond paying for retirees' current costs, contributing \$8.2 million into the Trust. The total unfunded liability on the Authority's books as of December 31, 2010 was \$9.2 million. The Authority continues toward its goal of fully funding its Annual Required Contribution (ARC) by increasing the amount budgeted in its operating budget by 20%. The Authority budgeted \$6.2 million or 70% of its ARC for FY2011. Additional information about GASB 45 can be found in Note 5 of the notes to the financial statements.

Safety. During 2010, the Authority received the Leadership Safety Award given by CNA Insurance Companies. This award is given to an elite group of CNA's policyholders who have successfully and consistently implemented loss prevention and mitigation strategies. The Authority continues to commit to a culture of safety and has consistently demonstrated best practices to avoid losses and to keep the traveling public and its employees safe. On an annual basis the Authority provides group training in the areas of defensive driving, confined space, fall protection, CPR, First Aid, Aerial platform and fire extinguisher along with promoting active safety committees at all of its facilities. In July 2010, the Authority and the Delaware Emergency Management Agency (DEMA) conducted an emergency disaster exercise at the New Castle Airport facility. The full scale emergency exercise tested emergency plans and procedures, communication framework and coordination abilities of all participants. This successful exercise served as the Airport's official emergency drill that satisfies the Federal Aviation Administration requirement that all certified airports must conduct a full-scale emergency exercise at a minimum once every three years.

Infrastructure Improvements. During 2010, the Authority awarded \$26.2 million in infrastructure contracts throughout its facilities. The major contracts awarded include, \$12 million for Elevator Replacement for both spans of the Delaware Memorial Bridge, \$4.9 million for Bridge Deck Resurfacing and Painting, \$2.5 million for Drydocking and Repairs for two Ferry Vessels and \$5.3 million for Taxiway Rehabilitation at New Castle, Millville and Cape May Airports. The Authority completed construction of two major approach road projects in 2010. The first being, Phase III of the I-295 Approach Road Improvement to the Delaware Memorial Bridge and the second, Freeman Highway and Bridge Rehabilitation on the approach road to the Ferry in Lewes, DE. Both projects were designed to improve roadway safety and rehabilitate aging roadways. For Fiscal Year 2011, the Authority foresees an estimated \$40.7 million for Capital projects.

Federal Grants. During 2010, the Authority was awarded \$8,965,271 in grants from the Federal Aviation Administration and the Federal Emergency Management Agency for Bridge and Airport related projects.

These projects include runway and taxiway construction and rehabilitation, obstruction removal and disaster recovery. Over the past five years, the Authority has been awarded \$46,797,466 in Federal and State grants related to infrastructure and safety projects.

Economic Development. In April 2010, the Authority celebrated the opening of the Boeing Chinook Modification Center at the Millville Airport. Earlier in the year, the Authority signed a multi-year lease with Boeing Global Services for two aviation hangars at the airport. To facilitate the transaction, the Authority invested approximately \$350,000 to update the hangar infrastructure. The helicopter modification facility is expected to add 45 manufacturing jobs in the first year and has the potential to create as many as 100 total new jobs for the region during the lease term.

Community Outreach. The Authority continued to identify and implement initiatives to support families in need located throughout Delaware and the four southern counties in New Jersey. Initiatives included a school outreach project providing backpacks and school supplies to 100 children in disadvantaged communities, Thanksgiving food baskets for 100 families, "Hope for the Holidays", clothing and gifts for 61 children. Through its Volunteerism Policy, Authority employees donated approximately 589 hours of time to well deserving community programs. In addition, the Authority's Police Department participated in the following outreach programs; child passenger safety seat program, children's fingerprint and identification program, national night out, visits to area schools with a K-9 officer and dog, and providing guided tours of the Troop offices and dispatch center.

DBE Goals. During 2010, the Authority established expanded Disadvantaged Business Enterprise (DBE) Program Participation Goals for the 2011 Federal Fiscal Year. In accordance with 49 CFR Part 26, the Authority established the following overall goals for DBE participation on its Federal Aviation Administration assisted projects; New Castle Airport (7.0%), Delaware Airpark (2.2%), Millville Airport (4.9%) and Cape May Airport (3.9%). For the 2010 Federal Fiscal Year ending 6/30/10, the Authority exceeded its goals at Millville and Cape May Airports of 4.4% and at New Castle Airport of 10.2% with actual participation of 17.3% and 11.6%, respectively.

LONG TERM FINANCIAL PLANNING

An important component of the Authority's long term financial plan is ensuring that it has sufficient revenue to meet its operating and capital requirements. The Authority uses a forecasting model, which creates a multi-year forecast of its revenue and expenses. This model is a long-term outlook developed to serve as the fundamental basis for the planning process that includes a priority programming capital plan and a strategic plan of finance. The model incorporates numerous independent variables (including operating revenue and expense estimates, debt service coverage and capacity, etc.) in order to determine the annual cash flow required to create sufficient bonding capacity or cash funding to finance its five-year capital plan.

A Five-Year Capital Plan is developed in conjunction with the Annual Capital Budget mentioned earlier in this document. The Five-Year Capital Plan details the anticipated capital expenditures for the period. The 2010 Five Year Capital Plan outlines numerous bridge, ferry system, airport infrastructure and technology expenditures which total \$274 million. The Plan anticipated that the 2010 fiscal year expenditures would be funded from cash held in the General Fund. Future capital expenditures will depend on an anticipated 2011 toll increase at the Delaware Memorial Bridge to increase bonding capacity to finance the remaining capital plan.

RISK MANAGEMENT

The Authority has established policies and procedures whose objectives are to minimize the risks associated with the diverse activities of its operations. Management retains an Insurance Consultant to ensure that all Authority assets have proper insurance coverage to protect the Authority and its bondholders. In accordance with the Trust Agreement, the Authority is required to maintain insurance on various assets. To satisfy this requirement, the Authority maintains insurance in the following categories:

- Physical loss or damage insurance on the twin span bridges, ferry vessels, buildings and toll facilities.
- Use and occupancy insurance covering loss of revenues due to interruption in the use of the twin spans resulting from damage or destruction of any part of the bridges.
- Workers Compensation and Protection and Indemnity Insurance.
- Property Damage and Public Liability Insurance.

Additional information on the Authority's insurance program can be found in Schedule 14 of the Required Supplementary Information.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Associations of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Delaware River and Bay Authority for its comprehensive annual financial report for the fiscal year ending December 31, 2009. This was the sixth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certification.

The preparation of this comprehensive annual financial report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would especially like to express my appreciation to the Director of Finance and each member of the accounting staff who contributed to the preparation of this Report. Special thanks must also be given to the Chairman, Vice-Chairman, Chief Executive Officer and the Budget and Finance Committee for maintaining the highest standards in the management of the Delaware River and Bay Authority's finances.

Respectfully submitted,



Victor Ferzetti
Chief Financial Officer

**DELAWARE RIVER AND BAY AUTHORITY
ORGANIZATIONAL CHART
AND FUNCTIONAL RESPONSIBILITIES**

